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Application of Indication-Based Pricing in Korea

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Background

With the increase in the launch of multi-indication drugs, the pricing and reimbursement (P&R) system for such drugs has been a subject of ongoing discussion. Many countries have adopted Indication-Based Pricing (IBP) to deal with this issue as simply as blended pricing (BP) of a single weighted price over multiple indications or independent price per indication. Korea's current pricing adopts the main indication price, often the lowest, as a single price, limiting patient access to innovative drugs for new indications.

Objectives

This study assesses the feasibility of implementing various IBP systems in Korea and proposes an optimal strategy for application in Korea.

Methods

- Extensive reviews on Korea's current P&R system for multi-indication drugs and current literature on IBP systems in countries such as Italy, Switzerland, France, Australia, Japan, and Belgium were performed.
- Expert interviews provided insights into challenges and potential solutions for implementing IBP in Korea.

Results

A review of IBP models in various countries shows diverse approaches, including BP, differentiated refund rates, and indication-specific price adjustments Italy, France, and Australia use BP, while Switzerland and Belgium apply indication-based refunds. Japan does not officially implement IBP but considers ICER-based value weighting at initial pricing. Under Korea's current regulations, different prices for an identical pharmaceutical product are not allowed, hence, BP is more feasible. Experts noted that the current system fails to recognize indication-specific values and focuses on price cuts. A differentiated refund system raises concerns about up-coding, down-coding, and administrative complexity. BP minimizes these risks while better reflecting indication value, making it the most feasible approach.

IBP System	Pros	Cons
Different price for each indication	• Clear value distinctions across indications • Better patient access	• Under the current law (Pharmaceutical Affairs Act), it is **not allowed** for the same pharmaceutical company to obtain separate prices for the products with identical active ingredients and dosage based on different indications. • Concerns of downcoding or upcoding / patient complaints on different pricing by indication
Same price with separate refund rate for each indication ex) Switzerland, Belgium, etc.	• Clear recognition of values by indication • By utilizing the National Health Insurance (NHI) claims data, it is feasible to monitor the volumes/market shared by indication.	• Legal grounds must be established for the details of post reimbursement settlement between the insurer and the sponsor company (Risk Sharing Agreement is limited to treatments for life threatening conditions on cancer and rare diseases in Korea) • Concerns of downcoding or upcoding • The administrative cost burden will be high and financing the monitoring system is a challenge → **Not feasible**
Blended price: A single weighted average price (WAP) across indications ex) Italy, Australia, France, etc.	• Lower administrative costs (WAP update after contract period: say every 5 years) • Similar with the existing pricing system for the new drugs with multiple indications • No need to worry about downcoding or upcoding / patient complaints on different pricing	• Applying a single price for all indications does not fully recognize the differential values across indications • Price uncertainty arises due to potential price fluctuations based on the expected claims volume by indication.

Conclusion

Among IBP models, BP appears to be the most suitable approach, as it balances value-based pricing with administrative feasibility. Integrating BP with the Korea's Risk-Sharing Agreement (RSA) system can enhance patient access and improve health equity while reducing administrative burdens compared to different approaches.

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