

Trends and Scope of Japan's Across-the-Board Pharmaceutical Price Revisions in FY2021–25

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Objectives

In FY2025, despite the industry's opposition, Japan once again implemented an off-year price revision, leading to eight consecutive years of price reductions. Unlike previous revisions, more flexible allowable price gap thresholds – based on drug type – were applied the first time in FY2025. The primary goal for the differentiated allowable price gap thresholds is to ensure branded drugs have more chances to maintain their prices in patent-protected period. This analysis examines the price revision outcomes in 2021–25, in order to understand the trends in scope and price adjustment rate in each periodic revision.

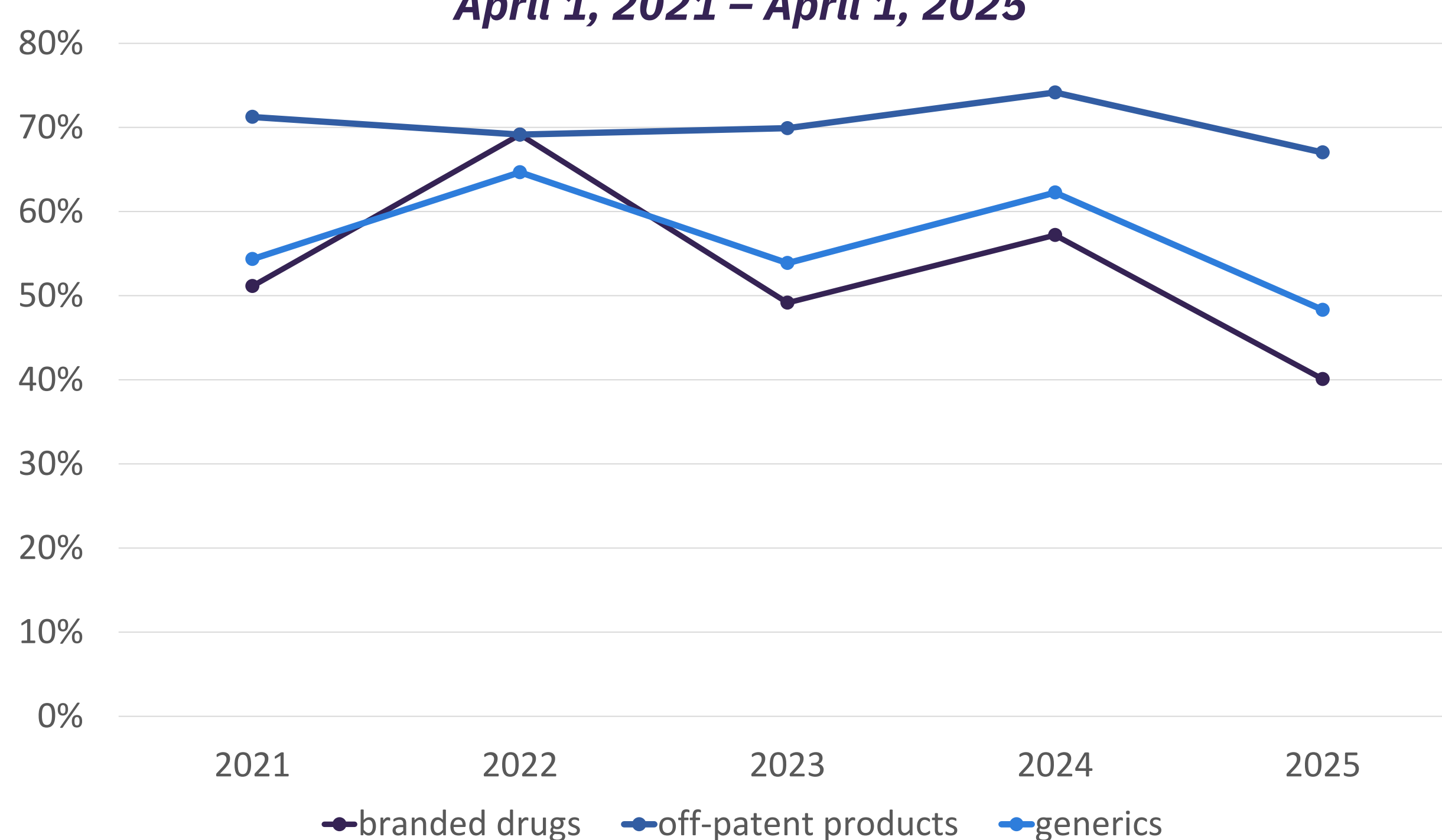
Methods

Drugs reimbursed by the National Health Insurance (NHI) were examined and categorized into three types: patent-protected branded drugs, off-patent products, and generics. Each product's NHI list price on April 1 (after the repricing) was compared to its price in the same month in 2021, 2022, 2023, 2024 and 2025. Each product, including different packages, was weighted equally. Price history data was extracted from GlobalData's POLI database.

Results

The periodic NHI price revision is the major cost-constraint strategy utilized by the Japanese Ministry of Health, Labour and Welfare (MoHW). Price revisions were traditionally conducted biennially, but an off-year repricing scheme was first introduced in FY2019. Currently, Japan conducts across-the-board revisions in even years and off-year revisions in odd years. Due to the implementation of off-year repricing, the Japanese national health insurance (NHI) drug prices have declined for eight consecutive years. The allowable price gap thresholds and applied repricing measures applied in off-year rounds are normally more flexible than biennial rounds, with an aim to maintain drug prices for innovative products while ensuring reasonable gap between NHI and market prices. This is reflected in the portion of drugs receiving price reduction in each revision round. Even-year biennial price revision rounds were found to result in more drugs subject to price reductions compared to off-year rounds.

Share of drugs subjected to price decreases, April 1, 2021 – April 1, 2025

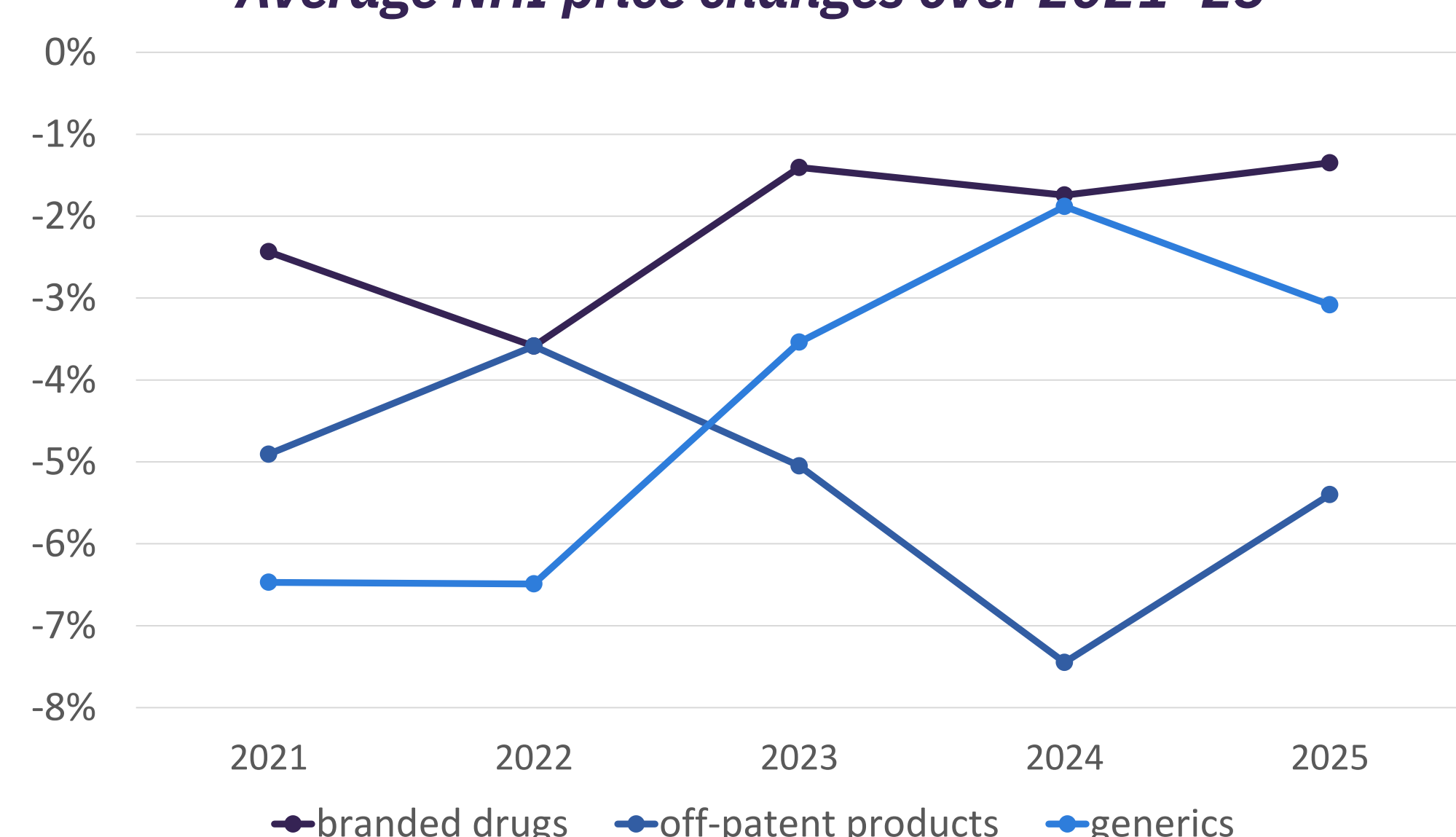


The share of drugs facing price decreases in FY2025 is the smallest for all the three drug types compared to earlier years. In fact, by separately comparing across-the-board and off-year rounds, we found that the share of patent-protected branded drugs and generics receiving price reductions has significantly decreased since 2023. However, the share of off-patent drugs whose prices were cut has remained high. The results show the government's effort to keep its promise to encourage new drug development by maintaining drug prices for new drugs through the review of its repricing system. The government has acknowledged the need to improve the generic commercialization environment to secure stable drug supply domestically, but the MHLW maintained strict control on the growth of public drug spending.

While a smaller scope of branded drugs and generics were subjected to price reductions, the MHLW has shown a growing tendency to generate savings by cutting the prices of off-patent products while the share of off-patent products have stayed at the same level, being the highest in the past five years.

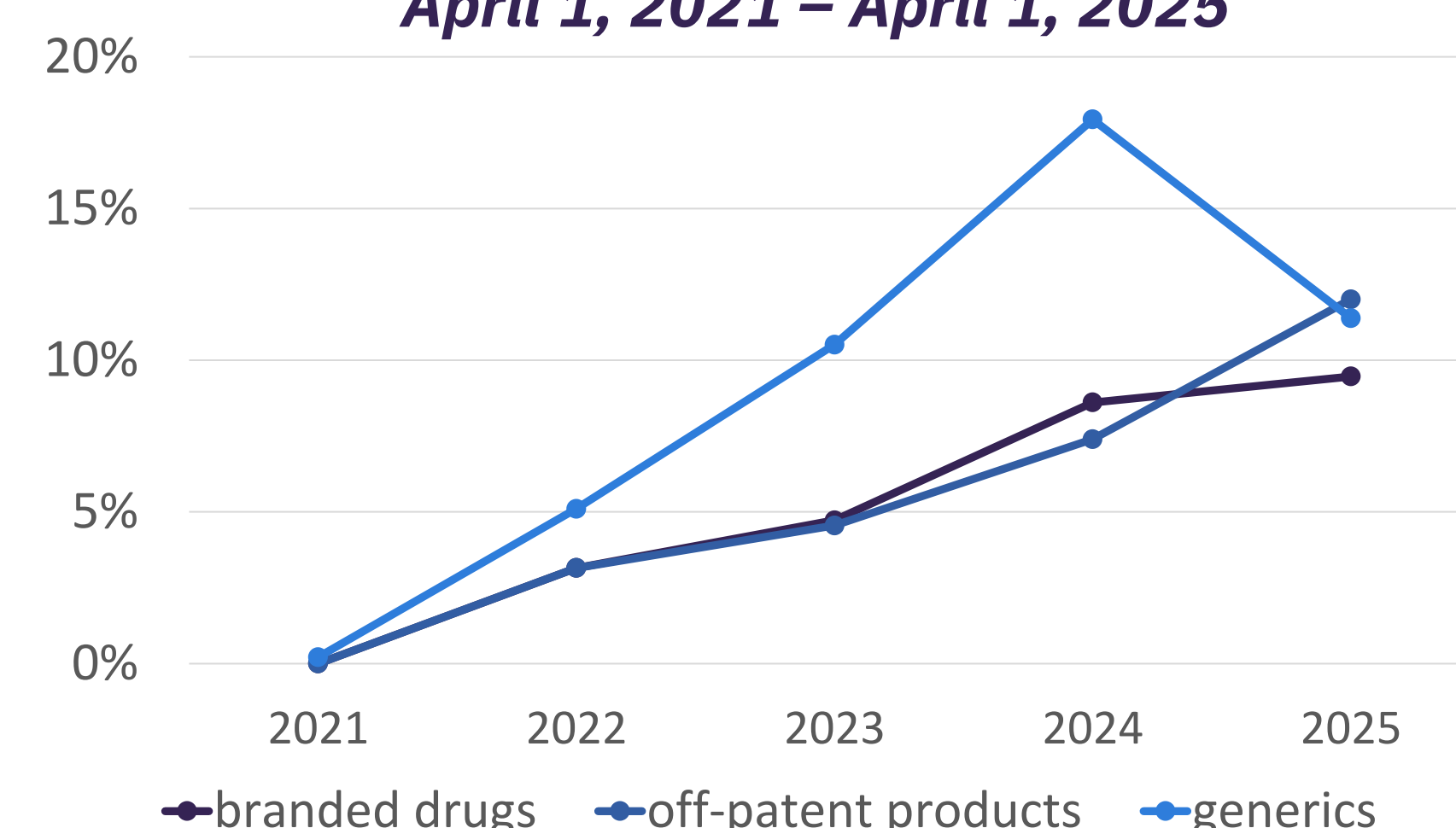
A similar trend can also be seen as the average NHI drug price changes. The price reduction rates of branded drugs were also the lowest among the three categories and have fallen in the same period from 2.44% in 2021 to 1.35% in 2025. From 2023, off-patent drugs had higher price reduction rates than generics, and this price reduction rate has increased, reaching a record high 7.45% in the 2024 off-year round.

Average NHI price changes over 2021–25



Although the number of drugs receiving price increases in the periodic price revisions was low, the MHLW had been more generous recently, especially for unprofitable drugs, which were mostly low-cost generics. The share of generic drugs with upward price adjustments sharply increased from 0.21% to 17.93%, but fell to 11.38% in 2025, when the government introduced stricter eligibility rules for unprofitable drugs.

Share of drugs subjected to price increases, April 1, 2021 – April 1, 2025



Conclusions

Japan is attempting to strike a balance between keeping its market attractive to the pharma industry and ensuring the public healthcare system's financial sustainability. This study shows that the scope of the drugs subjected to periodic repricing, as well as the average price reduction rates of patent-protected drugs, have become lower since 2023, reflecting to the government's promise to improve the market's attractiveness. However, the improvement the MHLW made in the previous three rounds of periodic price revisions may not have met the industry's expectations, and manufacturers have extremely limited control over maintaining the prices of their patent-protected products. Frequent price adjustment and repricing regulation reform has led to severe drug price erosion in Japan. GlobalData previously found that the average price reduction rate among patent-protected branded drugs in the past year in Japan was higher than in most major advanced markets, including Australia and Germany. This may discourage international pharma companies from investing and launching new drugs in Japan. Additionally, Japan is one of the reference countries in the US Most Favored Nation (MFN) policy, and itself references US prices as well: subsequently, the pharma industry has raised concerns about the potential impact of MFN pricing requirements by the US on international investment in Japan.