

Recent Reforms in External Reference Pricing (ERP) in GCC Markets in the Context of Best Practice Guidelines for Use of ERP

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Objectives

Examine the latest reforms in external reference pricing (ERP), also known as international reference pricing (IRP), in the Gulf Cooperation Council (GCC) countries – Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE). Assess how the current ERP systems in GCC markets align with best practice guidelines and whether the latest reforms improve this alignment.

Methods

The latest ERP reforms in GCC countries were identified using GlobalData's IRP 360 country profiles, IRP Matrix and headline analysis coverage of ERP/IRP reforms for the period from January 1, 2023 until May 31, 2024. The ERP systems of the GCC countries before and after these reforms were assessed for alignment with the best practice guidelines for the use of ERP, which were extracted from the peer-reviewed 2019 Holtorf et al. paper [1].

Results

All GCC countries use ERP as a formal mechanism to set pharmaceutical prices. Their ERP regulations are publicly available, except for Qatar. Qatar's ERP rules were instead extracted from two peer-reviewed articles.

Between January 1, 2023 and May 31, 2024, two GCC countries implemented changes to their basket of reference countries for ERP. Bahrain reduced the basket of countries whose prices it references from 31 to 19 plus the country of origin (COO), with effect from 17 September 2023. In Q4 2023, a new ERP basket was approved by the Gulf Health Council (GHC) for reporting of prices on the GCC countries' Unified Pricing Form. This basket is not binding for GCC members, but in its ERP reform, announced in January 2024 and brought into effect on July 1, 2024, Oman reduced the number of countries it references from 30 plus the COO to the same 18 markets listed in the GCC form plus the COO. Following these reforms, the number of countries referenced under ERP are: 20 for Bahrain, 31 for Kuwait, 19 for Oman, 6 for Qatar, 17 for Saudi Arabia, and 19 for UAE.

The basket size and all other components of the ERP system of the GCC markets following these latest reforms were assessed for alignment with Holtorf et al.'s ERP best practice recommendations for countries which are expanding their health insurance coverage. The results, shown in the table, indicate areas of poor alignment in red and areas of partial alignment in orange. While both recent reforms resulted in basket size reduction – which improves alignment – the number of countries referenced by the GCC markets, except Qatar, is still much higher than the basket size of 5-7 countries recommended in the best practice guidelines.

Assessment of compliance with best practice guidelines for ERP

ERP component	Best practice	How GCC countries perform
Scope	Limit use to on-patent pharmaceuticals	Bahrain: on-patent and off-patent originator Kuwait: on-patent originator Oman and UAE: on-patent originator, generics, and biosimilars Qatar: on-patent originator and generics Saudi Arabia: on-patent originator with no therapeutic alternatives
Country basket	Reference 5-7 countries with similar socioeconomic features and healthcare system	Bahrain: 19 plus COO Kuwait: 31 Oman: 31 before the reform; 19 plus COO from July 1 Qatar: 6 Saudi Arabia: 17 UAE: 19
Prices used for referencing	Ex-factory prices (without any markups, taxes, and discounts or rebates). If only other prices are used, provide a clear and fair conversion algorithm	All: ex-manufacturer, CIF
Price information sources	Use combination of official national and international sources and company-certified data	Bahrain: MAH, official databases in GCC and other Middle East countries, may occasionally validate prices from additional markets Kuwait: MAH; no evidence on use of external databases at present Oman: MAH; primary research suggests no validation from official sources Qatar: MAH; no evidence on use of external databases at present, but given the composition of the basket, it should not matter Saudi Arabia: MAH; official private database UAE: MAH; but usually validates from public database (particularly BNF) and official GCC price lists
ERP calculation formula	Average or median in the basket of countries (median to be used if data are skewed)	Bahrain: lowest (+15–20% in some cases) Kuwait: lowest Qatar: average UAE: median or COO Oman and Saudi Arabia: unspecified
Exchange rate	Use moving average or average exchange rate over a longer period; use PPP adjusted exchange rates if referencing countries with different economic status	Bahrain: 2-year average Kuwait, Qatar, and Saudi Arabia: on day of application Oman and UAE: not specified
Referencing frequency	Not more frequent than annual or biannual	Bahrain: 5 years; ad hoc driven by COO or GCC price change, production site change Kuwait: 5 years; ad hoc after HTA Oman: 5 years; ad hoc after reference country or COO price change Qatar: ad hoc after reference country price change or HTA Saudi Arabia: 3 years; ad hoc if reference country price change, MAH change, or MAH no longer 'growing' UAE: 5 years, ad hoc if price unreasonable compared to GCC
Flexibility	Be able to react to temporary distortions (inflation, currency devaluation, drug shortages, and others) by modifying the ERP impact	Bahrain: a 15–20% premium on the ERP-based price possible if referencing a country with lower socioeconomic status or pricing a product with a limited number of patients in Bahrain Kuwait: adjustment to exchange rate if 5%+ fluctuation Oman: potential flexibility implicit in formula Qatar: not specified Saudi Arabia: exemptions from ERP for cheaper products and those subject to technology transfer; price cuts at repricing capped at 30% UAE: fast-track pricing for orphan and breakthrough drugs (setting price at COO price level); free pricing possible for innovative or life-saving product for up to 18 months

Notes: Green indicates alignment with best practice recommendations, orange – partial alignment, and red – lack of alignment; CIF = cost, insurance and freight; COO = country of origin; MAH = marketing authorization holder; BNF = British National Formulary; HTA = Health Technology Assessment; PPP = Purchasing Power Parity

Source: Author, based on Holtorf et al.'s best practice recommendations and own assessment of current use of ERP in the GCC countries

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Conclusions

This assessment of ERP systems in the GCC region indicates that GCC markets are, in general, closely aligned with best practice guidelines in terms of flexibility of their ERP systems, scope, and price information sources. The worst alignment is for country basket: only Qatar is fully aligned and Bahrain somewhat aligned with the best practice recommendations, but the latest reforms show a move in the right direction. This study also demonstrates the importance of considering all elements of a country's ERP rules and broader pricing and reimbursement system together: e.g., the order of referencing rule employed by Bahrain mitigates for the existence of a large reference country basket. It is notable that flexibility with the application of ERP rules is one of the ERP system elements on which the GCC countries perform particularly well. Such flexibility can help them reduce the risk of drug shortages or address other temporary market distortions.