Pros & Cons of Pricing & Reimbursement: Saudi Arabia Health Care System

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Presentation Outline

- Background of Saudi Arabia Health Care System:
  - Health Care Services
  - Health Care Expenditures
  - Pharmaceutical Market
  - Regulations
- Decision-Makers & Influencers
- Pricing Decision-Making & Approval Process
- Reimbursement Decision-Making & Approval Process
- Limitations of the current system
- Recommendations
Health Care Services

- Health care in the Kingdom of Saudi Arabia (KSA) is mainly provided by the governmental health care sectors namely the, National Guard Health Affairs, Ministry of Defense, Ministry of Health (MOH), Ministry of Interior and Ministry of Higher Education through university hospitals in addition to many private sector hospitals.
- The MOH also undertakes the overall supervision and follow-up of health care related activities carried out by the private sector.
- The minister of health chairs the health services council.
- The primary objective of Saudi social development strategy is to provide a high-standard health facilities to general public.

Health Care Services

- Saudi nationals and residents currently have access to over 400 hospitals, 2,075 health care centers and 850 private clinics.
- Yet there is a need for expansion in private health care sector because of population growth.
- Increasing prevalence of obesity, diabetes, and cardiovascular diseases, as well as cancer, will create a tremendous demand for health care services.
- The continued government appropriations to the health care sector over the years have undoubtedly stimulated the pharmaceutical business environment.
Health Care Expenditures

- The Gross Domestic Product (GDP) of KSA is around $434 billion.
- Health care expenditures account for approximately 4.3% of the GDP.
- For 2010, the government has allocated SR61.2 billion toward health and social affairs, a 17% increase from the previous year budget.
- The Saudi population is projected to increase to around 27.5 million people by 2013.
- Total annual pharmaceuticals expenditure is projected to increase from $2.65 billion in 2008 to approximately $3.7 billion in year 2013.

Source: Business monitor international [http://researchhandmarks.net/reportinfo..asp]

Pharmaceutical Market

- Saudi pharmaceutical market is the largest in the Arabic region.
- Pharmaceuticals manufactured locally account for 15% of total pharmaceutical expenditures, while imported pharmaceuticals account for 85% of total pharmaceutical expenditures.
- Rapidly growing population is an important market determinant.
- A National Company for Unified Purchase of Medicine and Medical Appliance with a capital of SR2 billion was established in 2007 to create a single interface between suppliers and the public sector.
- Presence of pharmaceutical companies is permitted via joint venture with Saudi firms.

The main regulatory authority in the country was the Ministry of Health (MOH), which required all pharmaceutical companies to be registered.

The Saudi Food & Drug Authority (SFDA), established in 2003, took over pharmaceutical registration from MOH in 2009. SFDA is responsible for developing and enforcing a transparent regulatory system for the pharmaceutical sector.

The pharmaceutical market is a highly regulated market.

- Pricing of pharmaceuticals is regulated by Saudi Food & Drug Authority (Saudi FDA)
- Reimbursements Decision-Makers:
  - National Guard Health Affairs
  - Ministry of Health
  - Ministry of Defense
  - Ministry of Interior
  - Ministry of Higher Education (University Hospitals)
  - Private Sector / Health Insurance Company
Pricing Decision-Making & Approval Process

- Pharmaceuticals pricing is regulated by Saudi FDA
- Factors affecting pharmaceuticals pricing include the following:
  - Therapeutic Significance
  - Prices of similar alternative registered drugs
  - Pharmacoeconomics studies.
  - Ex-Factory Price in the country of origin
  - Whole Sale Price in the country of origin
  - Public price in the country of origin
  - Proposed Cost, Insurance & Freight (CIF) Price to KSA
  - Export price to countries where the drug is registered
  - Drug Prices in official Pricing References (if available)
Pricing Decision-Making & Approval Process

- The price of innovative drug is decreased by 20% after the registration of the first generic drug.
- The first generic drug price is 35% lower than the innovative drug.
- The second generic drug price is 10% lower than the first, the third generic drug price is 10% lower than the second and the price of the fourth generic drug is also 10% lower than the third.

- Pharmaceutical Company has the right to appeal against pricing decisions.
- The price approved by the SFDA is considered to be a ceiling price.
- Final actual purchasing prices for different health care sectors are subject to negotiation, tendering process & purchasing power.
Registration & pricing of drugs by SFDA does not guarantee reimbursement by different health care sectors.

Pharmaceuticals are fully reimbursed if they are listed in the formularies of governmental health care sectors.

Decision-making on formulary listing, and therefore, reimbursement is made by Pharmacy & Therapeutics Committees in health care sectors of the different health care sectors.

Factors influencing decisions include clinical efficacy and safety data, availability of alternatives, comparative effectiveness, and cost effectiveness.

Reimbursement of pharmaceuticals differ from one health sector to the other. For example, a drug reimbursed in MOH might not be reimbursed in NGHA.

Patients can opt to pay for drugs that are not reimbursed by the governmental health sectors privately.
Limitations of the Current Pricing & Reimbursement Process

- Pricing & Reimbursement decision-making processes are not linked.
- Lack of a unified national system for reimbursement decision-making.
- Drugs are priced and reimbursed differently in different health care sectors.

Recommendations

- Establishment of a National Health Technology Assessment Agency in Saudi Arabia to inform policy & decision-making & to help establish a link between Pricing & Reimbursement decision-making processes at the national level.
Thank You