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Financing Pharmaceuticals in Transition Economies

Panos Kanavos
Department of Social Policy and LSE Health, London School of Economics and Political Science, London, United Kingdom

This paper (a) provides a methodological taxonomy of pricing, financing, reimbursement, and cost containment methodologies for pharmaceuticals; (b) analyzes complex agency relationships and the health versus industrial policy tradeoff; (c) pinpoints financing measures to balance safety and effectiveness of medicines and their affordability by publicly funded systems in transition; and (d) highlights viable options for policy-makers for the financing of pharmaceuticals in transition. Three categories of measures and their implications for pharmaceutical policy cost containing are analyzed: supply-side measures, targeting manufacturers, proxy demand-side measures, targeting physicians and pharmacists, and demand-side measures, targeting patients. In pursuing supply side measures, we explore free pricing for pharmaceuticals, direct price controls, cost-plus and cost pricing, average pricing and international price comparisons, profit control, reference pricing, the introduction of a fourth hurdle, positive and negative lists, and other price control measures. The analysis of proxy-demand measures includes budgets for physicians, generic policies, practice guidelines, monitoring the authorizing behavior of physicians, and disease management schemes. Demand-side measures explore the effectiveness of patient co-payments, the impact of allowing products over-the-counter and health promotion programs. Global policies should operate simultaneously on the supply, the proxy demand, and the demand-side. Policy-making needs to have a continuous long-term planning. The importation of policies into transition economy may require extensive and expensive adaptation, and/or lead to sub-optimal policy outcomes.

Key words: agency for health care policy and research; cost containment; decision making, organizational; disease costs; economics, pharmaceutical; health policy; pharmaceutical economics; pharmacy administration; policy making; reimbursement mechanisms

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