Effects of drug budgets on physicians' prescription behaviour - experiences from Germany

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Development of drug costs in Germany

Pharmaceutical expenditure as % of health expenditure

- Public pharmaceutical exp. as a % of public health exp. (GKV)
- Total pharmaceutical expenditure as % of health expenditure
Different regulations in the German pharmaceutical market

**SUPPLY**
- reference pricing
- price reductions
- co-payments
- aut-idem
- parallel imports

**PRICE CONTROLS**

**VOLUME CONTROLS**
- guidelines
- negative list

**DEMAND**
- pharmacy rebate for SHI
- industry rebate for SHI
- individual target volumes for physicians

**SPENDING CONTROLS**
<table>
<thead>
<tr>
<th>Year</th>
<th>Spending caps (collective liability)</th>
<th>Target volumes (Individual liability)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989 to 1992</td>
<td>No spending caps required</td>
<td>No spending caps required</td>
</tr>
<tr>
<td>1993</td>
<td>Legally set national spending caps</td>
<td>Target volumes legally required but not implemented due to lack of data</td>
</tr>
<tr>
<td>1994 to 1997</td>
<td>Negotiated regional spending caps</td>
<td>Negotiated target volumes for individual practices (lack of legal liability)</td>
</tr>
<tr>
<td>1998</td>
<td>No spending caps required</td>
<td>Negotiated target volumes for individual practices (lack of legal liability)</td>
</tr>
<tr>
<td>1999</td>
<td>Legally set regional spending caps</td>
<td>Negotiated target volumes for individual practices (lack of legal liability)</td>
</tr>
<tr>
<td>2000 to 2001</td>
<td>Negotiated regional spending caps</td>
<td>Negotiated target volumes for individual practices (lack of legal liability)</td>
</tr>
<tr>
<td>Since 2002</td>
<td>No spending caps</td>
<td>Legal liability for negotiated target volumes for individual practices</td>
</tr>
</tbody>
</table>
Development of prescriptions in the German Social Health Insurance

Own calculations based on data of the Research Institute of the General Regional Sickness Funds (WIdO).
Drugs with disputed effectiveness

• drugs are defined as drugs with disputed effectiveness if a proof of therapeutic effectiveness through clinical studies is not sufficient or completely missing
• groups with the highest turnover are expectorant drugs (€ 193 million), medication against dementia (€ 156 million) and medication to treat neuropathies (€ 113 million)
• often not available in other countries e.g. Great Britain and Scandinavian countries
Development of prescribed drugs with disputed effectiveness

Own calculations based on data of the Research Institute of the General Regional Sickness Funds (WIdO).

\[ y = -23.291x + 376.11 \]

\[ R^2 = 0.9522 \]
Expenditure of drugs with disputed vs. undisputed effectiveness

Own calculations based on Research Institute of the General Regional Sickness Funds (WIdO)
Market share of generic versus original prescriptions

Own calculations based on data of the Research Institute of the General Regional Sickness Funds (WIdO).
Turnover of generic drugs

Own calculations based on data of the Research Institute of the General Regional Sickness Funds (WIdO).
Cost reduction by drugs budgets/target volumes:

- drugs with disputed effectiveness € 3,0 billion
- Substitution by generics € 2,7 billion

-> drug budgets/target volumes are not only effective in reducing the number of drugs with disputed effectiveness but have effects normally associated with positive lists