Yet drug price system to keep it healthy

The government has to keep the people duly informed of what is going on in the pricing process.

The prescription drug system is in Britain. Assuming that R&D spending for a new drug is mainly as a result of positive feedback at the time when taking into account that there has been a 30-fold increase in the price of that drug, the drug price system is not a positive feedback process. In reality, such a calculation may not be acceptable to the standpoint of the pharmaceutical firm because it results in a decrease in profit. For example, if a drug price in a particular country is $100 billion, then the price of that drug in Japan is 100,000 per 100 milligrams. This high price was thought to be inevitable, given that the pharmaceutical company believed that it had invested extraneous amounts of funds for research and development, and so the drug was to be given away for free and not for profit. This is the type of drug that is treated to a very small group of patients with unreactable melanoma, a type of skin cancer. However, it became known later that the drug was effective in treating a type of lung cancer as well. In December 2015, Ophitiv received “approval for indication” to cover small-cell lung cancer. This means that the drug can be priced as much as 15,000 patients, a 30-fold jump from the original estimate. In addition, supplemental applications may be possible in the future with the number of patients benefiting from it estimated to rise 100 times to about 50,000.

The Ophitiv medical bills had been kept unchanged, annual doses of the drug for each lung cancer patient were estimated to be about $35 million. If the drug was used for all 30,000 patients, it would cost a total of $1.75 trillion a year. In the end, spending for this brand-name drug alone would have accounted for a significant portion of the country’s overall medical expenses.

What has surprised the Japanese is that a 100-milligram dose of Ophitiv costs $50,000 in the United States and $150,000 in Britain, compared to $750,000 in Japan. It is quite natural for many people to think something must be wrong with Japan’s drug pricing system, because a medicine developed in this country is prescribed in Britain at one-fifth of the price in Japan.

Tip of the iceberg

The Abe administration recently decided to halve the prescription cost of Ophitiv in this country from February. Yet, the reduced price will remain more than twice that in Japan. The NHI drug price standards set to be reviewed in February define a general statistic in the United States as “general statistic.” The findings of relevant market surveys utilized for updating NHI drug price standards. However, its website says such survey findings are “not for publication,” whereas the data will eventually be made public or not is “not for disclosure” and there is “no” archive of past information.

The government prices are determined on the basis of market surveys and an enormous amount of money totaling about $70 billion a year is spent on prescription drugs. The government can save an estimated $10 billion in health care expenses over a two-year period. This translates into a drop of about $48 billion in the NHI-related fiscal burden over the same period. Those numbers are not small as these aggregate savings over a 10-year period can amount to more than $1 trillion.

The government’s NHI drug pricing system is nearly $1 trillion a year. Since the prices of prescription drugs can be defined as the most important public-service cost for the people, it is unacceptable for the drug pricing system to remain subject to a biennial revision.

The pharmaceutical industry says it would be burdensome to examine the market prices of drugs every year. Therefore, the industry should continue what it has been doing, submit the findings of a biennial market survey that are necessary points, etc., to change drug prices. For its part, the government probably should adopt an annual revision of drug prices by considering recent market-based pricing trends. If the government says that the government has lowered drug prices excessively, it should introduce a system to return the prices of relevant drugs back to close to the pre-revision levels.

6

We already have utility billing systems that charge consumers automatically to reflect consumer price index changes in the price cap or ceiling price system. Regardless of whether the pharmaceutical industry conducts a market survey annually or not, the government should consider revising NHI drug prices on an annual basis.

Information disclosure

To reform the drug pricing system, all relevant information has to be disclosed. The general public has no idea at all why the NHI drug price of Ophitiv was set at about $70,000 per 100 milligrams. The government may say, “The price was determined by a group of specialists. So, please respect it.” But I would like to disclose the information that is used in the pricing process and the reasoning behind the price.

For the public, the mechanism of setting NHI drug prices, not only for Ophitiv but also for other types of drugs, has been largely inescapable. The government has said that its findings are “general statistic” to consumers. However, they are subject to change. Whether these revised prices will eventually be made public or not is “not for disclosure” and there is “no” archive of past information.

The price-setting process for generic drugs is also opaque. The use of generic drugs with the same brand-name drugs with expired patents can help curb the country’s health care expenditures. While other countries have accelerated their people’s access to generic drugs, Japan has been slow in following suit.

Japan is now making every effort to encourage greater use of generic drugs. That is good. However, stronger pressure may be needed to make that happen.

There is more to be done to improve the treatment of drugs, including poultices, mouthwash and eyedrops, for instance. Those medicines are sold to consumers at pharmacies. When people buy over-the-counter OTC drugs on their own or without prescriptions from pharmacists, they are required to pay the full price, but when they get prescriptions, they pay only 10% or less of the remainder is covered by the NHI program.

In the case of poultices, an OTC purchase costs as much as $70 per bottle. The government may say, “We cannot afford that.” Yet, the government has $120 for the same drug. When a consumer opts to receive a prescription, they need to pay only $36 or one-third of the $120. A result, an increase in prescriptions at medical institutions to get prescriptions for poultices.

However, those who believe they benefit from NHI coverage in reducing the financial burdens when getting OTC items should be aware that NHI coverage is financed by tax money and insurance premiums. In this regard, many people question the advisability of using national health insurance to enable the insured to pay less than $36 and other OTC medications that are readily available at any pharmacy.

Special to The Yomiuri Shimbun

Itoh is a professor at the Faculty of International Social Sciences of Kogakuin University. Until March 2016, he served as a professor of economics at the University of Tokyo.

*この記事・写真は読売新聞社の許諾を得て転載しています。無断転載、複製を禁じます。