



CONSOLIDATION OF CHINA'S TWO BASIC MEDICAL INSURANCE PROGRAMS: UNDERSTANDING NEW CHALLENGES AND OPPORTUNITIES FOR ACCESS

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INTRODUCTION

- The New Rural Cooperative Medical System (NRCMS) currently covers approximately 790 million citizens and has a reimbursed drug list of less than 1000 products. The Urban Residents' Basic Medical Insurance (URBMI) covers approximately 315 million and has a reimbursed drug list of nearly 2400 products. On Feb 12, 2016, the State Council of China launched a new initiative to consolidate these two Basic Medical Insurance (BMI) programs: which will account for 78.8% of the total BMI population but only represent 36.77% of the funding and 39.26% of the payment of the total BMI fund
- The initiative seeks to set the same standards in six key areas for the former two insurance programs: 1) coverage policy (i.e., align coverage to URBMI standard for all), 2) source of funds, 3) reimbursement rate, 4) reimbursement list, including drugs, devices and services, 5) management of audit, and 6) management of funds. Within this context, there is an emphasis on centralized value-based decision-making
- Understanding how reimbursement and price will be determined under this new initiative will be essential to achieving market access success

METHODOLOGY

- Secondary research reviewed the data of BMI consolidation status of each province; BMI funding and expenditure at both national and regional level to estimate the market increment of NRCMS
- Primary research was conducted with national and regional payers to assess the use of value-based decision making for opportunities and challenges in broader patient access

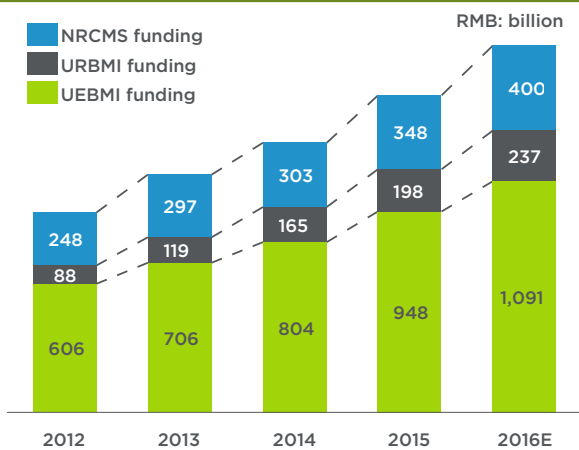
RESULTS

The consolidation of the two programs is progressing with nine provinces having completed the consolidation as of June 2016. With consolidation, the government is increasing the financial subsidy and personal premium for URBMI and NRCMS. The total funding of URBMI and NRCMS is expected to increase at least 15-20% in 2016.

FIGURE 1: STATUS OF URBMI AND NRCMS CONSOLIDATION



FIGURE 2: THE FUNDING OF BMI FROM 2012 TO 2016



In addition, the introduction of consolidation of two basic medical insurance programs to assist with centralized procurement of drugs, such as therapeutic class reference policies after consolidation of the programs, will mean stricter Drug Reimbursement List (DRL) inclusion and careful BMI use. Lastly, adjuvant drug use will be highly scrutinized for value in clinical and economic outcome to continue patient access.

"There will be strict supervision on adjuvant drugs, the growth of its market will slow down." - National payer

OPPORTUNITIES

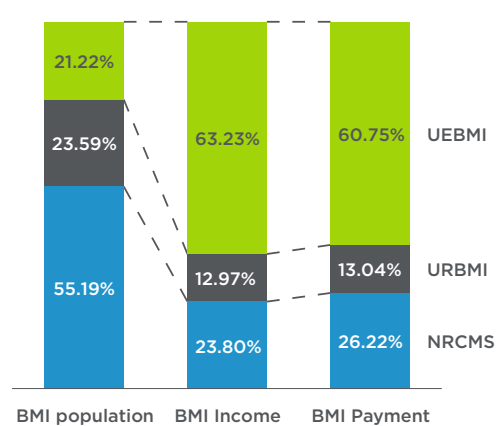
The consolidation of the two insurance programs brings a significant increase in the overall drug budget and an expanded drug reimbursement list for NRCMS. The introduction of new policies will present an opportunity to achieve much broader patient access and use through lower prices.

"Drugs wanting to be included for NRCMS reimbursement need to 1) participate in the provincial procurement, 2) be proven as clinically necessary and included in local DRL and 3) have higher incorporation into treatment protocols by doctors." - local payer

CONCLUSIONS

- The consolidation of the two insurance programs brings a significant increase in the overall drug budget and an expanded drug reimbursement list for NRCMS. However; there will also be increased scrutiny of fund utilization in line with clinical and economic value and a particular attention on managing adjuvant therapy use. Access will rely on value substantiation
- The introduction of new policies to assist with centralized procurement of drugs such as therapeutic class referencing will present an opportunity to achieve much broader patient access and use through lower prices. This will be a key consideration for widely used drugs with high clinical values. For innovative drugs that are about to launch, optimizing access will require HEOR studies to prove economic value for DRL inclusion. For expensive drugs with high clinical value, companies need to collaborate with commercial insurance to increase patient affordability

FIGURE 3: BMI POPULATION, FUNDING AND PAYMENT



"Now the reimbursement standard is about to launch, it's possible that we set the lowest winning bid as the reimbursement price for the same class of drugs if the therapeutic class reference shows the drug has similar efficacy, so for some widely used drugs, companies need to choose between volume and price." - local payer

CHALLENGES

Although the funding of URBMI and NRCMS will increase after the consolidation, NRCMS funding may be insufficient to cover the increased reimbursement cap for three reasons:

- the reimbursement rate of NRCMS will increase 10-20% after consolidation;
- the growth rate of BMI funding is declining and there are no NRCMS surpluses from previous years;
- NRCMS has a much larger population (78.8%) with a smaller funding (36.77%).

Therefore, price will be an important determinant of access.