CONCLUSIONS

- Several healthcare payment reforms are occurring in China in an attempt to better control and manage expenditures.
- One seeks to redefine the payment method to public hospitals for patient care, moving from a fee-for-service basis to a cost classification system with a fixed payment based on diagnosis (such as but not limited to a DRG system). Under the current FFS system, drug utilization drives hospital revenues thereby incentivizing the over use of drugs. However, with a DRG system, additional drug utilization will simply be an expense.
- Another seeks to reduce hospital expenditure by introducing a public bidding process to establish a drug’s reimbursement cap which is called the ‘reimbursement standard’.
- Yet another reform creates a new therapeutic reference pricing policy; whereby only price will be used to differentiate products otherwise considered to be similar. Thus, sustainable access to undifferentiated products may be at risk.
- The objective of this research is to understand how these reforms are being applied and implemented across provinces where they are piloted.

METHODOLOGY

- Secondary research reviewed the reform policies, the alternative hospital payment methods utilized and the drug reimbursement standard achieved in three pilot areas: Chongqing, Sanming and Jiangsu. In-depth interviews were conducted with relevant government stakeholders to understand variation in provincial policy and implementation results across the pilot areas.

RESULTS

HOSPITAL PAYMENT METHOD REFORMS:

Across provinces, payers are trying to find a better hospital payment method within which to integrate the up-coming drug reimbursement standard policy.

DRUG REIMBURSEMENT STANDARD:

The State Council issued a requirement (No.26, [2016]) to expand medical system reform, calling upon the MOHRSS, the NHFPC and the Ministry of Finance to implement the policy of “Basic Medical Insurance (BMI) payment method reform” with a deadline of June 2016. At the national level, MOHRSS has designed a top-down framework utilizing the drug “reimbursement standard”. Local posting areas will enact this framework through tailored policies on the provincial and municipal level. Beginning in 2015, the “reimbursement standard” reform has been piloted in three main areas, namely, Chongqing, Sanming and Jiangsu. These three pilots exemplify three main features of the “reimbursement standard” in China.

As suggested by national payers, the various forms of the reimbursement standard are predominately based on a drug’s hospital procurement price and volume. Some provinces and cities have explored the method of collecting a drug’s actual hospital procurement price and volume. However, MOHRSS has little historical drug procurement data to predict or anticipate the likely bids and hence establish the optimal price and volume. Some provinces and cities have explored the method of collecting a drug’s actual hospital procurement price and volume. As suggested by national payers, the various forms of the reimbursement standard are predominately based on a drug’s hospital procurement price and volume. Some provinces and cities have explored the method of collecting a drug’s actual hospital procurement price and volume. However, MOHRSS has little historical drug procurement data to predict or anticipate the likely bids and hence establish the optimal reimbursement cap to implement the reimbursement standard.

Interviews with national payers and local payers in the pilot areas reveal the following points of view:

 Reforming the hospital reimbursement system is the foundation of implementing the reimbursement standard. Because payment method towards DRG would lead to a shift in the approach of drug pricing at public hospitals when drugs are no longer the main revenue of hospitals but pharmaceutical effectiveness is, then Pharma companies will need to provide drugs that demonstrate real, measurable value to payers.

FIGURE 1: PAYER PERCEPTIONS OF THE IMPACT OF DIFFERENT HOSPITAL PAYMENT METHODS

Three main features of the implementation of the reimbursement standard


CONCLUSIONS

- Given the intent, structure and implementation of the healthcare payment reforms, sustainable access to products will require strategic initiatives to substantiate the differentiated value of innovative products and motivate the need for a separate reimbursement standard for differentiated products.
- As DRG or DRG-like payments are implemented, there are opportunities for MNCs to inform the development of optimal clinical pathways and appropriate place in therapy for products. In particular for innovative drugs, companies can conduct PE(Pharmaceutical economics) studies to prove the value of their place in therapy. For the reimbursement standard, companies may help collect purchasing and price data.