Leaner and cleaner: Industry head's dual attack on "fat" Greek drugs budget
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Elizabeth Sukkar

Dionysios Filiotis, **the president of the Hellenic Association of Pharmaceutical Companies, SFEE, speaks to ministers and civil servants on a "daily" basis. He tells Elizabeth Sukkar, Scrip's world editor, that, together, industry and the government can tackle both the drugs overspend and corruption in the healthcare system.**

One of the things that SFEE and the government generally agree on is that Greece's public pharmaceutical expenditure, some €6.5 billion in 2009, needs to be trimmed for 2010 and 2011. "There is a lot of fat in this expenditure," he admits.

The historical data bear this out. According to overall pharmaceutical spending figures from the European industry association EFPIA, the per capita expenditure in Greece in 2008 was just over €500, significantly ahead of that of the next biggest spenders – France (€404), Ireland (€395) and Belgium (€386) – and far ahead of that in comparable Southern European nations such as Portugal (€323) , Spain (€302) and Cyprus (€234). Indeed, if the rest of Europe spent per head what Greece spent in 2009 (€584), the EU drugs bill would more than double.

Although there are areas of broad agreement, SFEE and the government disagree over some of the mechanisms for cutting drug spending. To control prescribing, for instance, the government is trying to introduce a list of those drugs which would be reimbursed: the proposal is that the list would be split into therapeutic classes and each class list would, controversially, include generics.

The SFEE opposes this mechanism, arguing that industry has done enough already to reduce drug prices, especially following the spring price cuts. SFEE regards the list with "great suspicion and hesitation," says Mr Filiotis, particularly the inclusion of generics. "There is no way the industry will accept the list." He also contends that, "from our experience," the list could raise the costs of pharmaceuticals: SFEE points out that the government's drug spending through the Social Insurance Funds budget grew 18.3% in 2005, the last year in which a reimbursement list was implemented, compared with only 12.4% in 2006 when the list was abolished.

SFEE's opposition to the reimbursement list is backed by the industry's current standoff on the payment of rebates to the Social Insurance Funds. In theory, the rebates are a way in which pharma companies help defray drug costs by paying a fraction of sales into the Funds. "Although the government has been legislating industry rebates since 2006, none have been paid as yet," says Mr Filiotis, "because SFEE has challenged it in the courts and has won at least one case." In discussions with ministers, SFEE is "very close" to agreeing to pay a continuous 3% rebate, says Mr Filiotis, as long as "certain conditions" are met: these conditions are thought to include the dropping of the positive reimbursement list.

Dionysios Filiotis at his Pharmaserve-Lilly Athens offices (a 50:50 joint venture with the US firm) with a photo of Lilly's CEO/chair/president John Lechleiter looking on. Photo: E.Sukkar.

The reimbursement list is not needed, he emphasises, listing a number of measures that SFEE prefers or, at least, accepts. "This [3%] rebate in combination with lowest prices in Europe, on top of hospital prices that are 15% lower [than a EU22 price formula], on top of the electronic prescription project and strict controls which would include therapeutic protocols, would secure tremendous savings on pharmaceutical expenditure for the government."

cost-containment moves

SFEE has argued long that in Greece, a country with fraud and corruption in the pharmaceutical and healthcare sector, rational prescribing – the right usage of medicines – and control of waste are what are needed to control costs. Its position paper on the reimbursement list argues that "costs for the health system skyrocket as a result of the large and extensive waste of resources and 'induced over-prescribing' [a euphemistic description of financial inducements for physicians]". Overprescribing, says Mr Filiotis, is down to a "lack of control" over the whole healthcare system in Greece. "If we don't control the system, the system goes astray. Every day we read in the newspapers, how the system is being abused."

SFEE particularly wants to see two measures introduced to counter the abuse. One is electronic prescribing for government-paid drugs in the Funds (expected to take place by March 2011), which would better help monitor expenditure. The other is the use of therapeutic protocols – in effect, recommendation for treatment options aimed at physicians. The protocols are being developed by EOF, the Greek approval agency, which also happens to be working on the reimbursement list idea. He says the system needs to be managed properly and be made "fraud-proof [and] corruption-proof," he says, so that every health euro spent is of benefit to patients. "We want the government to manage and streamline the system and not waste any money."

SFEE also wants the Greek government to re-introduce the concept of dual pricing. Mr Filiotis does not like to use the expression "dual pricing": the SFEE talks about "the establishment of a reasonable, free competitive price and of a reduced insurance price for the Insurance Funds and Hospitals". However, the issue is a high priority for the association, and seems to be gaining some purchase within government.

The proposal from SFEE, explained Mr Filiotis, is that the 'free competitive' drug prices would be based on the average of 16 Eurozone countries, while there would be another price for the social security funds.

A dual approach was considered earlier this year by the government, but was thrown out of the Parliament in February 2010. Subsequently, Greece introduced a single-priced system based on average of the three lowest prices within 22 EU member states. Needless to say, this was not been popular with industry since the price pool included low-priced countries such as Bulgaria and Romania.

Mr Filiotis and SFEE argue that the Eurozone-16 system yields a more stable price than the current system or any system based on just a few countries. However, their proposal recognises the need, in effect, to offer discounts to the social security funds, "one of the largest payers in the country". The Eurozone-16 price would, therefore, act as a base price, a starting point from which individual firms would discuss a "different...much lower price" for each product: "Social Security should pay a lot less," he declared.

Some parties in the government have said they will support a differential pricing proposal for the social security funds once the healthcare system in Greece is computerised, Mr Filiotis reveals. One social security fund, OPAD, for civil servants, has already told *Scrip* that it would like to be involved in negotiating drug prices, according to its president, Dr Kyriakos Souliotis.

Multinational pressure?

The dual pricing system could also provide a neat way out of the dilemma that drug price slashing in Greece has caused for multinational firms, as Greek firms would be able to keep high list prices, but transaction prices for the Funds would be lower. Greece's drug prices are often referenced elsewhere in Europe, including non-EU countries such as Turkey (see box below). When the Greek government cut prices on average by 22% this spring, European pharma watched very closely. Some companies even threatened to stop launching products in the country to prevent the EU spill over effects from reference pricing.

"There was a lot of concern," says Mr Filiotis, diplomatically. However, he believes that the Greek government acted in the spring with "great sensitivity" since it emphasised that the price cuts were only a temporary measure. He is hopeful that the proposals for dual pricing will also be treated with understanding by the authorities.

"The government is sincerely trying to manage the pharmaceutical expenditure," he says, "but they do not want it to become a European problem."

Box: Countries that reference Greece's drug prices

Direct Impact	***Indirect Impact***
Bulgaria	Austria
Cyprus	Estonia
Czech Republic	Hungary
Portugal	Latvia
Romania	Lithuania
Slovakia	Finland
Turkey	Italy
	Poland
	Spain

Ethics for drug firms

In 2002, Greece issued its first code of practice for the pharmaceutical industry. Since then, SFEE has been "very forceful" but not heavy-handed in persuading pharmaceutical companies to apply the code. This is not just an ethical question, Mr Filiotis says, but a matter of "entrepreneurial smartness".

In the past, the practice of bribing doctors to encourage prescribing was widespread. But Mr Filiotis believes the change in ethical practices by companies over the last eight years in Greece has been "spectacular". As a qualitative example, he explains that "in the past a drug firm would pay for a doctor, his wife, his daughter and others to attend a conference. Today, almost across the board, companies will only pay for the doctor and only for the scientific part of the congress."

The sanctions on member companies who breach its code appear to be mild. There are fines (imposed by EOF of around €20,000 for first time offenders) and SFEE publicises transgressions but only internally for its members. "We are exposing companies among their peers," says Mr Filiotis.

Stronger sanctions – such as the large fines levied by Medicines Australia (A $300,000) and public exposure as seen in the UK – might be options for the future: "We always review our processes," he says, and adds that although most firms vigorously try to apply the code, a few still "violate grossly". He states that the industry has shown "tremendous improvement" in response to self -regulation but believes matters will improve further when a large SFEE conference on ethics, or "deontology" a term he prefers, takes place in April.

Aphrodite looks onto the foyer of Pharmaserve-Lilly's offices in Athens. Photo: E.Sukkar