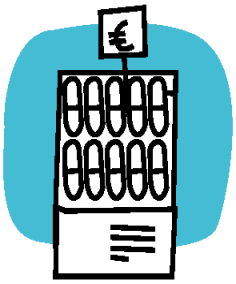
Unit 3: Are medicines an economic good like any other ?



4. Non-DRG listed medicines

I'm Véronique Raimond, PhD student with Hospinnomics and Public health evaluation and health economics project leader at the French National Authority for Health. Since 2004, health care facilities are financed using activity-based funding. For each patient stay the facility is reimbursed up to the prevailing rate depending on type of stay severity of the patient's condition, medical procedures performed and length of stay. Hospital stays are classified according to the Medical Information Systems Program (PMSI) that classifies patient stays into diagnosis-related groups (DRG). The rates are determined each year and published by administrative decree. In the public sector these fixed costs encompass all procedures performed during the hospital stay: care, drugs, medical devices accommodation costs, and the facility's fixed costs. In the private sector, fixed costs exclude medical procedures which are based on outpatient pricing. Generally, the cost of a hospital stay covers all drugs and medical devices involved. However, in the case of treatments that are very costly or used by very few patients, special pricing applies to these drugs or medical devices, because regular pricing per hospital stay wouldn't make sense. Pricing for these services is featured on the list that covers extra hospital services, also known as a non-DRG list. As for all hospital stays, the facility is reimbursed so patients have no out of pocket costs. The decree of March 24, 2016 defines eligibility criteria for services on the non-DRG list. There are four cumulative criteria. First the product must be primarily used in hospital. Two, Medical Benefit (SMR) is classified “Major.” Three, Improvement of Medical Benefit (ASMR) is between levels 1 and 3, possibly level 4 if the Transparency Committee deems that the drug benefits public health. Four, the cost of the drug treatment must account for over 30% of the cost of the stay. The list of criteria is reviewed on a regular basis and drugs are removed when the criteria are no longer met: when the drug is no longer used primarily in hospital, when the ASMR is no longer between levels 1 & 3 or when the SMR is no longer rated Major. Nonetheless, if a drug is used in over 80% of stays its cost is integrated into DRG payments. The drug stays off the non-DRG list and continues to be reimbursed like other reimbursable drugs. Prices of non-DRG listed drugs are determined like other reimbursable drugs outside of hospitals. They are based on prices in European countries sometimes on pre-market approval prices and estimated sales volume and revenue. Drug prices are set on a nation-wide basis with the Economic Committee on Health Care Products then facilities negotiate prices for each drug. Through price negotiation, hospitals may recover up to half of the difference between the reimbursable basis price and the final negotiated price. The lower the negotiated price, the higher the amount that will be reimbursed. Moreover, the use of expensive drugs and medical devices is governed by guidelines that describe the circumstances in which these drugs can be used during a patient's stay. This chart presents the cost of non-DRG listed drugs in millions of euros from 2011 to 2016. You see a steady increase in consumption in hospitals that used to be financed through overall allocation i.e., public health facilities and public hospitals. You can also see stable consumption in facilities that used to be financed based on quantified national targets i.e., private facilities. This concludes my presentation on how to finance innovative, high cost drugs and medical devices that are not part of DRG services.