

Drug Procurement & Pricing in China

4th Asia Pacific Pharmaceutical Congress

Mini Summit IX

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Topics

1. Drug Distribution

2. Drug Procurement

- Drug Pricing
- Tender & Bidding Process
- Hospital Listing

3. Impact of Healthcare Reform on Drug Pricing

Drug Distribution

央视曝光药品惊人回扣：出厂价6毛医院卖12元

2011年11月13日13:44 央视每周质量报告 我要评论 (2951)

字号：T | T

企业	药名	出厂价	中标价	零售价	中间利润
山东鲁抗 辰欣药业	克林霉素磷酸酯 注射液2ml:0.3g	0.6元	11元	12.65元	2000%
扬州市 星斗药业	甲磺霉素胶囊 0.25g	3元	40.38元	46.44元	1448%
山东 方明药业	甲磺霉素胶囊 0.25g	3.45元	37.89元	43.57元	1163%
辅仁 药业集团	天麻素注射液 2ml:0.2g	1.12元	11.6元	13.34元	1095%



出厂价15.5元药品被医院卖213元 利润达1300%

<http://www.sina.com.cn> 2010年05月17日02:14 新京报

本报讯 据央视《每周质量报告》报道 一种出厂价15.5元的药品，经过医药公司、医药代表、医生等环节，最后价格涨到了213元售卖到患者手中，利润达1300%。记者调查发现，在这个环节中，开药医生获利最多。但中间如何分配，湖南一开售此药的三甲医院拒绝透露。



视频：[医院将出厂价15.5元的药品卖到213元](#)

来源：广东电视台《广东早晨》

患者称213元药实价30元

家住长沙的韩女士半年前因为患了卵巢癌，在湖南省湘雅二医院做了化疗。化疗后，医生建议她服用一种癌症辅助治疗药芦笋片。这种芦笋片由四川川大华西药业股份有限公司生产，湘雅二医院每瓶开价213元。韩女士经打听发现，其实这种芦笋片每瓶只需30元。

湖南省规模最大的三级甲等医院湘雅二医院药品采购负责人、主管药师周虹告诉记者，价格213元，是由国家定的。该院所有药品价格，均经过湖南省物价部门审批

的，且按规定招标采购。

药品从出厂到医院中间环节超高利润绝非个案

2011年11月21日00:01 来源：东方网-劳动报

欢迎发表评论 字号： T T

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综合央视《每周质量报告》报道

近期，常用药品从出厂到医院中间环节利润极高的新闻，引起各方关注。记者调查发现，不少药品从出厂价到医院零售价之间的中间利润都超过500%。这些药品之所以能在医院卖出高价，一个重要原因就是药品招投标的过程中中标价很离谱。药品的中标价究竟是如何制定的？其中又有哪些不为人知的秘密呢？

超高利润在业内绝非个别现象

记者在此前长达一年的调查中发现，一些常用的药品中标价比出厂价高很多，记者随机选取了20种常用药品进行了调查，结果发现这些药品从出厂到医院中间利润都超过了500%。其中，扬州市星斗药业有限公司生产的甲磺霉素胶囊，出厂价为每盒3元钱，而中标价为40.38元，在医院的零售价为46.44元，中间利润超过1400%。

而多位医药行业的业内人士表示，除了这20种药品之外，还有不少药品从出厂到销售终端的利润也都高得离谱，药品的超高利润在业内绝非个别现象。“这里的差价，一般在五倍以上。高的话，甚至有二三十倍。”

推荐阅读



杨文俊卸任蒙牛总裁职务 中粮地产孙伊萍接任

房地产库存超5万亿

- 发改委再度约谈食用油涨价企业
- 信号高卡斯柯回应动车事故
- 北京建筑业劳动合同范本出炉
- [组图]车晓离婚后否认3亿分手费
- [股神争霸] 涨停王浮出水面

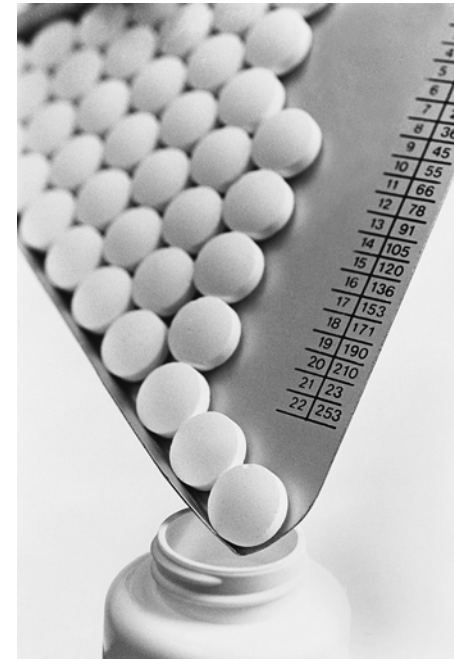
Drug Distribution – Licenses

Drug Distributor

- Wholesale drug trading
- Good Supply Practice (GSP) Certification
- Special license for specific drugs e.g. narcotic, radioactive

Retail Pharmacy

- Retail drug trading



Drug Distributor

- Wholesale drug trading license (GSP license) hard to get
- No FDI restriction
- High capital requirement e.g. SH: RMB200m and other requirements such as warehousing, cold room storage, secure facilities, IT system to record product coming in & going out and tracking the products, registered pharmacist etc
- No new license issued to foreign company since 2004
- Gov't is pushing the sector to consolidate

Targets for Drug Distribution by 2015

Target	2015
National drug distributors with turnover of RMB 100B (US\$15B)	1-3
Regional drug distributors with turnover of RMB 10 B (US\$1.5B)	20
Top 100 drug wholesaler account for	85% (70%- 2009)
Top 100 drug chain retailers account for	60% (39% - 2009)
(2013, distributor: 13,000; retailers 420,000)	

Top 10 Chinese Pharma Distributors by Sales in 2013

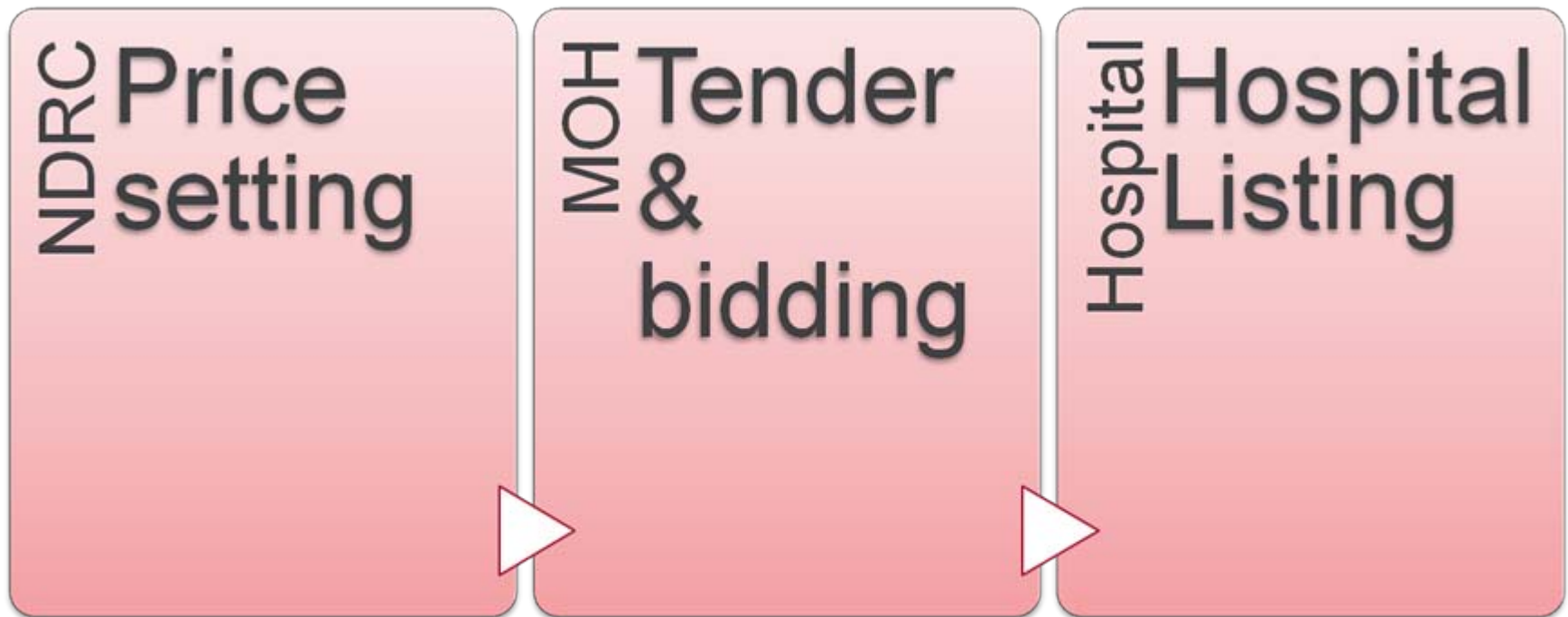
Rank	Company	Sales (CNY bln)
1	SinoPharm Group	186.6
2	China Resources Pharma Commerce Group	73.5
3	Shanghai Pharma Group	71.0
4	Jointown Pharma Group	33.3
5	Guangzhou Medicine Co. Ltd.	24.6
6	Chongqing Medicines Group	21.0
7	Nanjing Medicine Co. Ltd.	18.7
8	Hangzhou Huadong Medicine Co. Ltd.	16.7
9	Kelun Pharma Co. Ltd.	14.8
10	China Meheco	12.5
	Top 10 Total	472.7

Total Revenue CNY987.3 B

Source MOFCOM 2013 Pharmaceutical Distribution Industry Operation and Statistical Analysis

Procurement & Pricing

Procurement of Drugs by Public Hospitals



Drug Pricing

1. Price set by manufacturer
2. Price set by Gov't (NDRC)

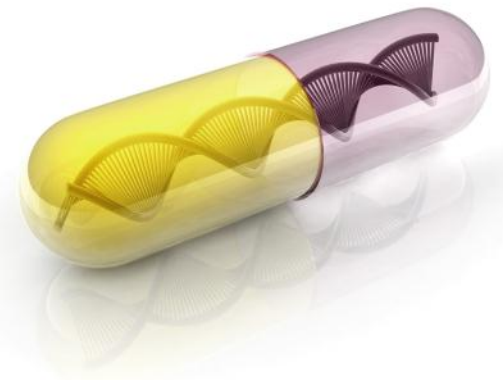


Drug Pricing

- For drugs which prices are set by NDRC, the distributor will apply to NDRC to have a price set
- NDRC set the **maximum retail price**
- NDRC will normally set the price at generic drug level (**uniform price setting** 统一定价)
- If the distributor would like NDRC to set a higher price, it will have to make an application for “**separate price setting** 单独定价 ”

Drug Pricing – Price setting

- Separate price setting: applied by drug manufacturer
- Different tiers:
 - New drug/patent drug
 - Originator (off-patent) drug
 - First generic (first to copy)
 - Second generic
 - Third generic
 - Uniformed Price (everyone else)



Drug Pricing

- 统一定价 (Uniform Price Setting) vs 单独定价 (Separate Price Setting)
- Bases for applying for Separate Price Setting
 - New drug
 - Patented drug
 - Innovator drug (原研药)
 - GMP drug
 - Better therapeutic and less side effects

Drug Pricing

Innovator Drug

- Drugs which were not patentable
 - First to market
 - Off patent drug
-
- No definition in the law
 - Mean different things at different times
 - This is being phased out

Drug Pricing

Patented Drug

- Only compound patent (manufacturing, formulation, use not relevant)
- Chinese Patent



Tender & Bidding

- Gov't drug procurement are now centrally organized by provincial MOH
- MOH will gather the needs of hospitals and issue tender
- Usually distributor will bid for the tender with the support of the manufacturer
- Distributor must have a price certificate
- Bid price will be lower than the maximum retail price
- Some provincial tenders will state that patented drug or innovator drugs will have preference treatment

NDRC Price Reduction

- NDRC been issuing price reduction notices since healthcare reform
- Since 2011, NDRC issued price reduction notices on 8 therapeutic categories: antibiotics, cardiovascular, nervous system, hormonal, digestive system, oncology, immunology and blood drugs
- In 2013, NDRC cut prices of over 400 drugs in 20 therapeutic areas
- Average reduction: 15%, highest 20%

Uniform and Individual Maximum Retail Prices of Top 10 Best-selling Mental Disorder Drugs in CNY (Table - 1)

Product	Type	Company	New Price	Old Price	Spec.	Dosage Forms	+/- (%)
Paroxetine	Uni. Pricing		58.30	65.30	20 mg ×10	Tablet	-10.72%
	Indv Pricing	GSK	109.00	121.20	20 mg ×10	Tablet	-10.07%
Sertraline	Uni. Pricing		54.40	79.60	50 mg ×14	Tablet	-31.66%
	Indv Pricing	Pfizer	94.00	109.20	50 mg ×14	Tablet	-13.92%
Venlafaxine	Uni. Pricing		43.90	60.30	25 mg ×16	Capsule	-27.20%
	Indv Pricing	Wyeth Pharma	138.00	153.00	75 mg ×14	SR Capsule	-9.80%
Fluoxetine	Uni. Pricing		25.30	32.60	20 mg ×7	Capsule	-22.39%
	Indv Pricing	Lilly	65.30	72.60	20 mg ×7	Capsule	-10.06%
Citalopram	Uni. Pricing		34.50	47.20	20 mg ×7	Tablet	-26.91%
	Indv Pricing	Lundbeck	146.00	162.00	20 mg ×14	Tablet	-9.88%

Uniform and Individual Maximum Retail Prices of Top 10 Best-selling Mental Disorder Drugs in CNY (Table - 2)

Product	Type	Company	New Price	Old Price	Spec.	Dosage Forms	+/- (%)
Olanzapine	Uni. Pricing		134.00	144.40	10 mg ×7	Tablet	-7.20%
	Indv Pricing	Lilly	324.00	381.00	10 mg ×7	Tablet	-14.96%
Quetiapine	Uni. Pricing		35.30	39.10	25 mg ×50	Tablet	-9.72%
	Indv Pricing	Astra Zeneca	101.00	156.00	25 mg ×20	Tablet	-35.26%
Risperidone	Uni. Pricing		32.60	38.50	1 mg ×20	Tablet	-15.32%
	Indv Pricing	Xi'an-Janssen Pharma	65.30	69.60	1 mg ×20	Tablet	-6.18%
Aripiprazole	Uni. Pricing		37.20	42.00	5 mg ×14	Tablet	-11.43%
	Indv Pricing	Zhejiang Otsuka	106.00	140.00	5 mg ×10	Tablet	-24.29%
Ziprasidone	Uni. Pricing		62.20	79.00	20 mg ×20	Tablet	-21.27%
	Indv Pricing	Pfizer	95.40	108.00	20 mg ×10	Capsule	-11.67%

Hospital Listing

- After winning the tender, hospitals will purchase drugs that are listed internally
- MOH guideline: each drug 2 manufacturers
- In practice: for each drug 1 low price (generic) 1 higher price (imported)
- Hospital listing is not a transparent process
- Usually, the dept head will have to initiate the process and then approved by the hospital committee
- Hospital change the listed drug infrequently (one in a year or once in 2 years)

Secondary Price Negotiation

- Hospitals are supposed to purchase drug thru centralized tender and bidding process (Guidelines for Centralized Drug Purchase of Medical Institutions)
- Drugs should be procured at the price of the winning bid
- Secondary price negotiation NOT allowed but very common
- Gov't actively considering to relax the restriction
- Anhui Model: Double Envelop

Impact of Healthcare Reform

Vicious Cycle for Pharma Companies

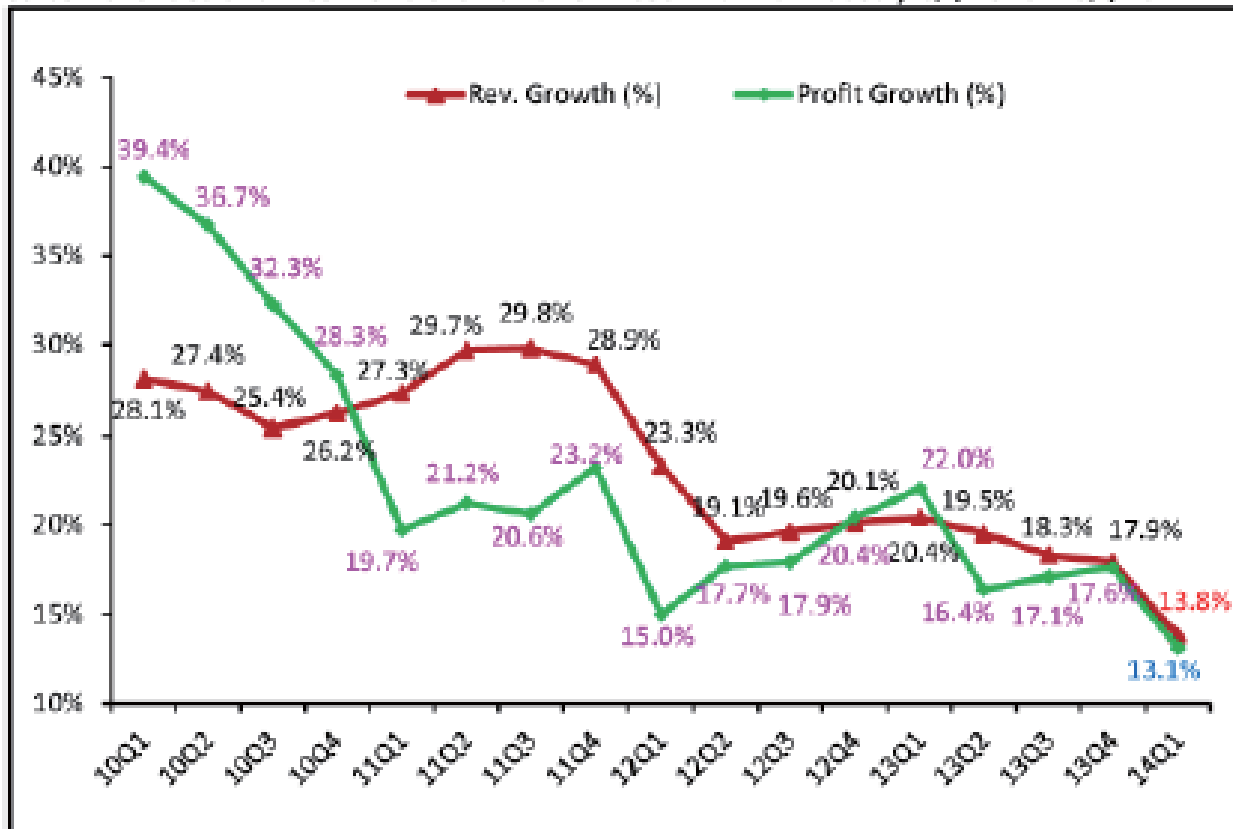
NDRC Price Reduction

**Hospital zero
markup**



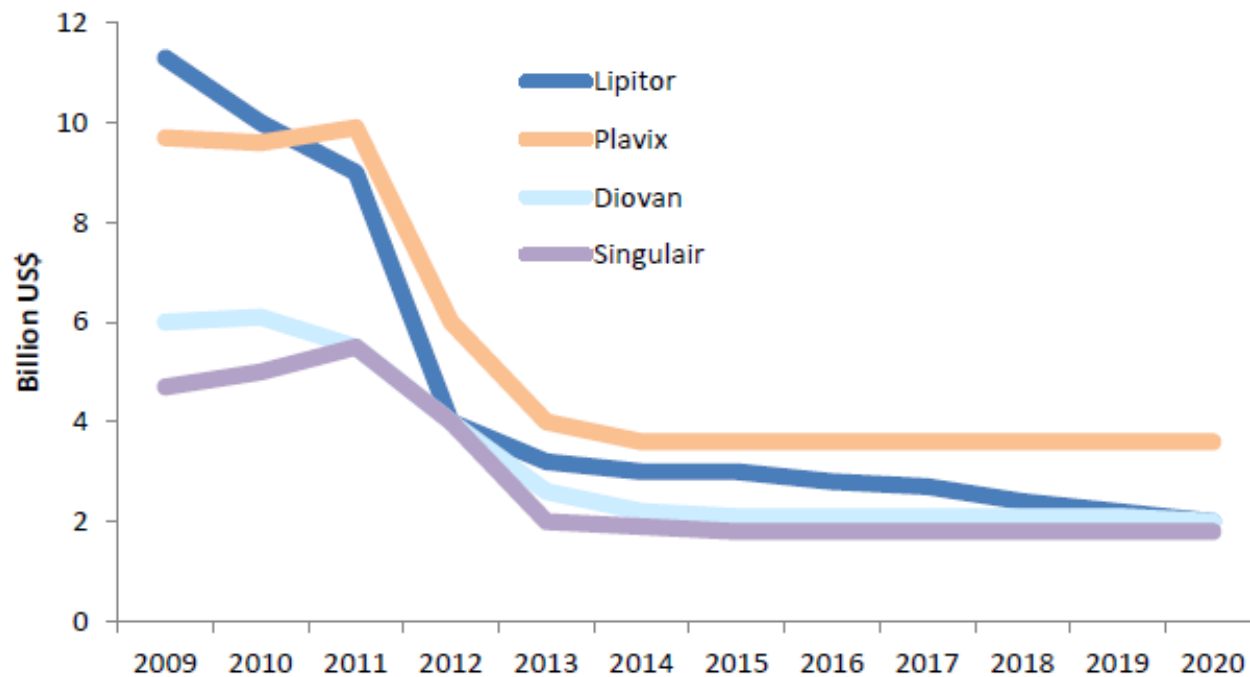
**Centralized Procurement
by tender/bidding**

Sales Revenues and Net Profit Growth of Chinese Pharma Industry Q1/2010 – Q1/2014



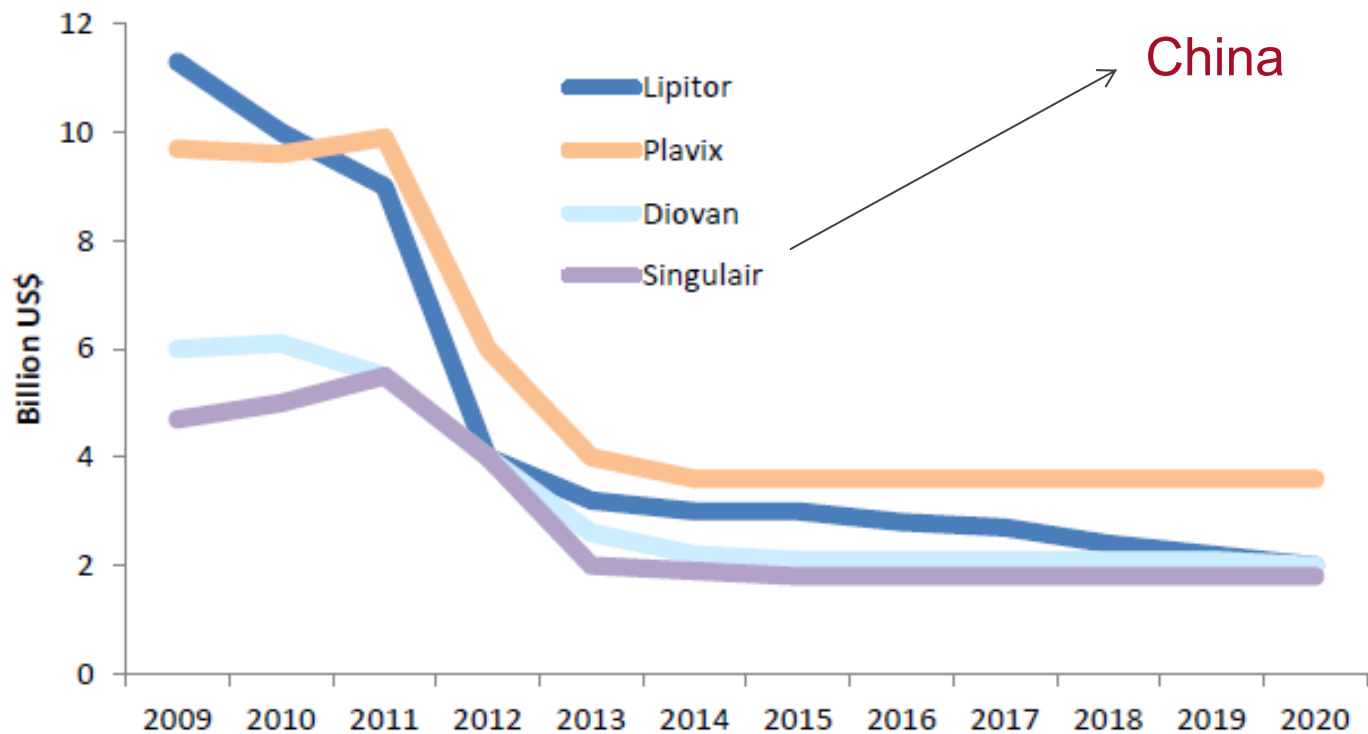
Source: China Pharmaceutical Industry Information Centre

Forecasted Revenues of Selected Blockbusters Post-patent



Source: *The Economist*, 2011

China – Different Story



Source: *The Economist*, 2011

Negative Impact of Drug Price Reduction

- Only benefit upper middle and high class households, who would have bought the drugs anyway
- Pharma companies less incentive to manufacture reimbursable drugs, limited profits have caused a shift of focus on specialty/out-of-pocket drugs
- unbalanced competition between generic and innovator companies. Innovator companies have less R&D ROI, while generic companies now have to compete with equally low-priced branded drugs
- *Slower pipeline of new drugs*

Revenue Threats to Pharma Companies in China

Challenges	Foreign Pharma	Chinese Pharma
Time to market	(-) (-) (-)	(-)
No patent extension	(-) (-)	(-)
Data Exclusivity	(-) (-) (-)	+/-
NDRC Pricing Control	(-) (-) (-)	(-) (-) (-) (-)
Rising R&D Costs	(-)	+/-
Rising compliance costs in drug distribution	+/-	(-) (-)
Increase in safety requirements e.g. new GMP	+/-	(-) (-)

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