

10

Health Guidelines

Used in the 2005 Round

Reference Material for Session 3



Regional Coordinators Meeting

September 28-30, 2009

Washington DC

Table of Contents

I. COMMON GUIDELINES	3
I.1. HOUSEHOLDS AND GOVERNMENT	3
I.2. MEDICAL PRODUCTS ARE PURCHASED FOUR WAYS	3
I.3. PURCHASERS' PRICES	3
I.4. BRANDED AND GENERIC	4
I.5. MATRIX	4
I.6. PRICE DIFFERENCES IN BRANDED PRODUCTS	4
TABLE A. OVERVIEW OF PRICING GUIDELINES BY BASIC HEADING	5

I. Common Guidelines

I.1. Households and Government

Expenditure on health is shared between households and government. In effect, the same health products appear in two different groups of basic headings: household consumption and individual consumption by government.

I.2. Medical Products are Purchased Four Ways

Method 1: Purchased and paid for in full by households (sometimes with partial reimbursement at a later time by government.)

Collection Strategy 1: Collect purchaser's prices from a sample of outlets. The price required to calculate PPPs is the price before reimbursement.

Method 2: Purchased and paid for in part by the household and part by government.

Collection Strategy 2: For PPP purposes, the purchasers' price needed is the total or composite price which is the sum of the price paid by the household and the price paid by the government. Information on government part of prices need to be obtained from the appropriate government offices.

→ There may be situations where some households pay the full market price for a product, while others such as the poor or disabled pay a subsidized price. See Table A below for more guidance. Note: the full market price should be collected.

Method 3: Purchased and paid for in full by government for distribution to households.

Collection Strategy 3: Normally, the purchase prices paid by the government are regulated and can be obtained from the appropriate government authority.

Method 4: Consumers purchase private insurance and the insurance company reimburses the purchaser. The full price paid by the consumer is used. The expenditures consumers pay for the health insurance should appear in the NA under household consumption for health.

→The above issues were reviewed with several experts who concurred with the need for the prices to reflect the combination of what the household pays plus the amount of the government subsidy.

I.3. Purchasers' Prices

Countries should collect purchasers' prices. Simultaneously, they should determine whether these are full purchaser prices; if not they should still obtain what the household paid and then follow up with government authorities to determine that share. The same holds true if the prices are paid in full by the government. The purchasers' price should then be adjusted to reflect the full market price or total cost. It may happen that only government expenditures for groups of medicines are known, not for individual items. In this case, an estimated share of the cost paid by government for that group of medicines needs to be determined and applied to each item in the respective group.

It is possible that all three purchase procedures may exist in a country depending on the product. Government sponsored health campaigns may target specific diseases and provide free or

subsidized medicines, while households purchase everything else. The important thing is to collect the purchase prices and the supplemental information regarding the scope of government payments which will be used at the end to determine how to put the pieces together.

I.4. Branded and Generic

Pharmaceuticals are either branded or generic. Branded drugs also differ in price by the source of the manufacturer.

I.5. Matrix

Below is a matrix describing various ways in which Pharmaceuticals can be manufactured and sold:

Manufacturer

Type	National Brand	International Brand
Brand		
Generic		

I.6. Price Differences in Branded Products

If a region finds that a branded product is available from a variety of sources that differ in prices, they can:

1. Have the price collectors record the source of the branded products by the above categories. This can be used later to create additional products for matching purposes.
2. Collect more prices to ensure all sources are represented in the sample. This approach may result in large CV's if the prices differ between sources of the product.

Table A. Overview of pricing guidelines by Basic Heading

