

# The Philippine Drug Price Reference Index

## Overview

The high and extremely variable prices of medicines in the Philippines impact on access to effective, efficient and equitable health care. In 2009, a study conducted by Health Action International revealed that there was extreme variability in the procurement prices of essential medicines in the national and local public health facilities in the country. On average, originator brands and generic equivalents were procured almost 16 times and 3 times higher, respectively, compared to prices available on the international market.<sup>1</sup>

DOH-Central Office Bids and Awards Committee (DOH-COBAC) and DOH hospitals were shown to have more efficient procurement prices compared to provincial and municipal health facilities, thus leading to variability in access to essential medicines across the Philippines.

Republic Act (RA) 9502 or the Universally Accessible Cheaper and Quality Medicines Act of 2008 gave the DOH instruments to monitor and regulate the prices of drugs and medicines to protect consumers and the public procuring entities from excessive mark-ups applied to medicines resulting from information asymmetry and the lack of effective market competition.

To address these issues, the DOH Pharmaceutical Division has established a Drug Price Reference Index (DPRI) for all essential medicines to guide all national and local government health facilities in the efficient sourcing of pharmaceutical products in the public sector.

## 1. What is the Drug Price Reference Index (DPRI)?

The DPRI lists the mandated ceiling prices of essential medicines for government bidding and procurement set by the DOH for all DOH Retained Hospitals and Regional Offices (ROs). Winning bid prices of essential medicines shall therefore not exceed the DPRI.

The DPRI only reflects the acquisition costs including landed cost, packaging, drug content, quality assurance, manufacturing overheads and Food and Drug Administration (FDA) fees. The DPRI excludes other costs such as pharmacy services, preparation and storage fees and applicable taxes to medicines (i.e. VAT), and other reasonable pharmacy mark-ups, which are now being evaluated by the DOH.

The DPRI aims to improve the efficiency and good governance in the pricing and procurement of medicines in the public sector through establishing a transparent and publicly available reference price for affordable and quality medicines. It also aims to guide the Philippine Health Insurance Corporation (PHIC) in setting reimbursement caps for medicines both for in-patient and out-patient services.

# DPRI

<sup>1</sup> Douglas B, Tisocki K (2009) Public Procurement Prices of Medicines in the Philippines Health Action International.

## 2. Who Should Use the DPRI?

All government entities should be guided by the DPRI when procuring medicines. It shall be applied to all forms of procurement such as public bidding, direct contracting, shopping, negotiated procurement, emergency procurement and consignment to ensure that the government achieves the best value for money in sourcing essential medicines.

## 3. What are the Sources of the Price Data?

The DPRI is computed based on the prevailing public tender prices of the previous year reflected in the actual Purchase Orders (POs) submitted by the DOH Retained Hospitals, ROs, Central Office Bids and Awards Committee (COBAC) and Philippine International Trading Corporation (PITC) Pharma Inc. (PPI) to the DOH.

Only data coming from reputable suppliers are considered in the database which means that they should be licensed by the Philippine Food and Drug Administration (FDA) and have a certificate of Good Manufacturing Practice issued by the FDA.

## 4. How is the DPRI determined?

The DPR is set at the Median or the 50th percentile across the range of prevailing tender prices of essential medicines. For medicines with less than four (4) manufacturers, the DPR may be set at the lowest winning bid price from a reputable supplier. Projected inflationary costs have already been considered in the calculation of the DPR.

For innovator drugs approved for inclusion in the Philippine National Formulary, the price may be set by referencing with relevant international markets particularly those with similar income status (i.e. Thailand, India). It may also be informed by economic evaluations conducted in the Philippines used by the DOH to value their purported clinical benefits and negotiate tender prices where an innovative pharmaceutical product has only one sole supplier.

## 5. How often shall the DPRI be updated?

The DPRI shall be updated annually. All DOH hospitals and ROs are directed to submit a copy of their POs of the previous year to the DOH Pharmaceutical Division at or before the end of the first quarter of the succeeding year. The updated DPRI shall be based on the procurement price data of medicines from the previous year.

THE BOOKLET IS AVAILABLE ONLINE AT:

<http://www.ncpam.doh.gov.ph>

