

Health System and Prescription Drug Prices in Poland Comparison with the U.S.

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Health System

Poland and the U.S. have very different health care systems.

U.S. Health Care System:

- mainly private medical insurance,
- public health insurance for the elderly (Medicare) and some poor (Medicaid),
- 18.5 percent of the population between 18 and 64 were without health insurance coverage during the entire year in 2001.

Polish Health Care System:

- public health insurance,
- mandatory - everyone is required to participate,
- contributions are deducted monthly by the employer in the same way as income tax,
- non-earner groups have their contributions covered by the state.

Drugs

Patents

- Drug companies operate as monopolies for a period of time dictated by patent laws.
- Reason: they need to be able to recover investment in R&D (research and development).

Report by consumer health organization Families USA:

- Nine pharmaceutical companies - Merck, Pfizer, Bristol-Myers Squibb, Pharmacia, Abbott Laboratories, American Home Products, Eli Lilly, Schering-Plough, and Allergan.
- Six out of the nine companies made more money in net profits than they spent on research and development last year.
- All but one (Eli Lilly) spent more than twice as much on marketing, advertising, and administration than they did on research and development, and Lilly spent more than one and one-half times as much.

Drug companies provide lavish compensation packages for their top executives.

- The executive with the highest compensation package in the year 2000, exclusive of unexercised stock options, was William C. Steere, Jr., Pfizer's Chairman, who made \$40.2 million.
- The executive with the highest amount of unexercised stock options was C.A. Heimbold, Jr., Bristol-Myers Squibb's Chairman and CEO, who held \$227.9 million in unexercised stock options.

Drug Prices

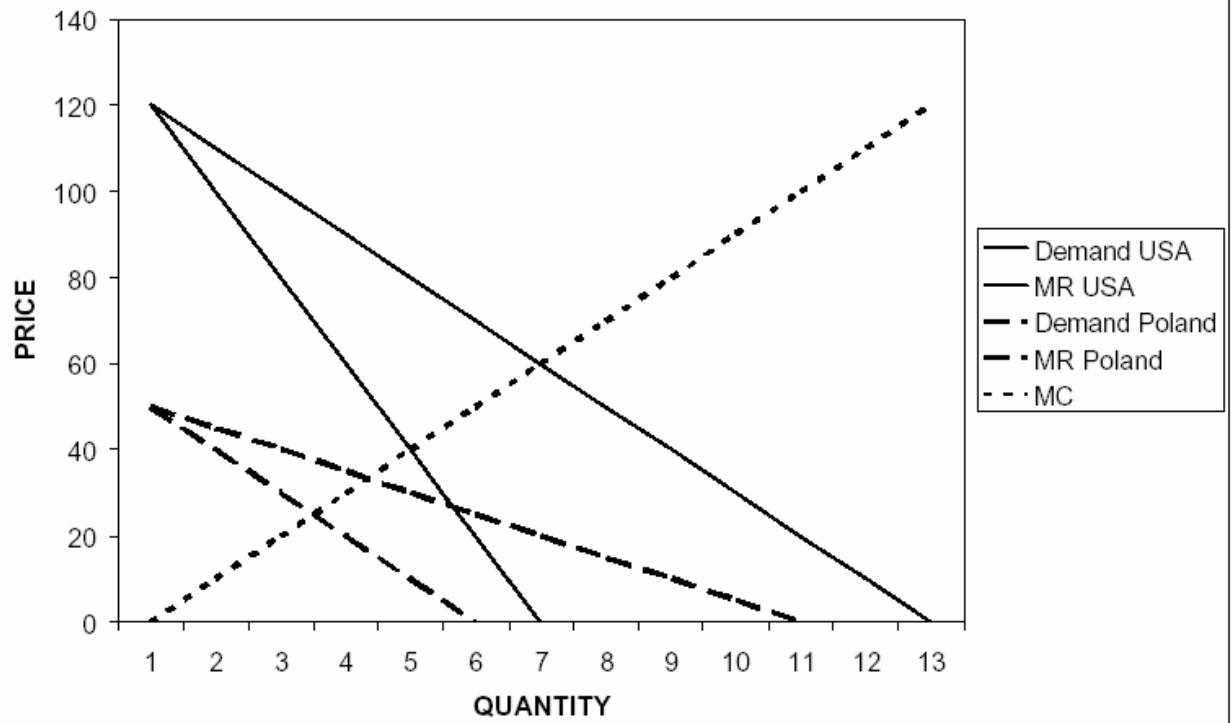
Prices of most drugs are significantly higher in the U.S. than in Poland (or other countries).

Medication	Prices in U.S.	Prices in Poland
Lipitor	\$185.15	\$119.24
Nexium	\$321.36	\$144.07
Prilosec	\$408.31	\$175.88

Reasons

- Drug companies engage in price discrimination.
- Other countries have laws in place which limit drug prices – price ceilings.

MONOPOLY



Reimbursement

- In Poland there are 4 drug groups:
 - A - 100% reimbursed (patient pays only a fixed charge equivalent to US \$ 0.50 per prescription),
 - B - 70% reimbursed,
 - C - 50% reimbursed,
 - D - 0% reimbursed.

- Admission to the national reimbursement system is controlled by the Ministry of Health (MOH) and depends on the type of drug and status of the patient.

Price ceilings

- Reimbursed drugs – prices are negotiated with the Ministry of Health.
- Non-reimbursed drugs - these products can be freely priced.

Controlled prices are usually revised once a year, with price rises generally kept below the rate of inflation.

Free Riding on U.S.

- Low drug prices means that drug companies earn small profits in Poland and other countries.
- Most profits earned by drug companies are from sales in the U.S.

Other countries “free ride” on U.S. - drug companies develop new drugs to earn profits in U.S., but other countries benefit from new drugs.

Summary

High prices:

Drugs are produced by monopolies (patent laws)

Different prices in different countries:

Drug manufacturers engage in price discrimination.

Many countries introduce price controls.

Free riding:

Patients around the world have access to the same drugs but cost of their development is shared unequally.