

The Discussion of the Virtual High Drug Price

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Abstract

This article analyzes the situation of the medicine price in our medical industry, and the reason for the virtual high price of the medicine, including government regulation and medical insurance system defects. Then puts forward corresponding measures to solve the problems

Key words: Medicine price; Problems; Solutions

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INTRODUCTION

We should improve health level and make sure everyone enjoys medical security. It is not only a guarantee of social and economic development but also an important goal of the construction of socialist modernization. According to the result of the fourth National Health Service survey, we can see that 14.9% of patients don't seek medical help because of the economic difficulties. There are 70.3% of patients who need hospitalization not in hospital also because of "financial problems". 36.8% of inpatients want to discharge, and 54.5% of them due to economic difficulty or spending too much. We can conclude that the medical cost has a great influence on patient; thanks to the medical expenditures burden a lot of patients give up treatment.

And China Health Statistical Yearbook 2012 shows that drug cost account for 40%-60% of the total medical cost. This number of OECD is 5%-20% and in Japan it is about

20%, they are much lower than ours. So we can say the high drug cost is the reason for the high medical cost in our country.

1. THE STATUS QUO OF DRUG PRICE

1.1 The Virtual-High Medicine Price Is One of the Hot Spot Problems

In recent years, the social problem of "high expense and difficulties in medicines" was increasingly prominent. The total health expenditure increased year by year. Although the coverage rate of various medical insurance has reached 80%, more than half of the medical expenditure were still paid by individual and the growth rate of medical expense grew faster than that of personal income. Because drug price accounts for 40%-60% of total medical expenditure, it became the focus of the theorists, and then there came from the virtual high price of the medicine. At the same time some examples were reported by the medium, many people recognized it was a terrible problem and it has become a common phenomenon.

1.2 The Form of Virtual High Drug Price

1.2.1 The Drug Price Itself Is Virtual High

This is because the drug market transaction price is much higher than that of normal cost. In the process of drug from manufacturer to hospital, there are various distributions of interests; at last this increased part becomes consumer's burden.

1.2.2 The Same Drug Has Different Prices

Due to different sellers there are different prices of one same drug. According to an investigation made by a column of CCTV, the drug price of common pharmacy is 20%-50% higher than that of parity pharmacy and hospital is 30%-40% higher than common pharmacy.

1.2.3 The Price of Same Kind Drug Is Disproportionate

Pharmaceutical manufacturing or operating enterprise always changes the name of drug or uses other means to create a separate supply and demand, and then they can

achieve a temporary monopoly profit. Especially for the antibiotics, the later it comes the more expensive it is.

2. THE REASON FOR VIRTUAL HIGH PRICE

2.1 There Are Defects In Government System

In our country we enforce additional rate control policy to manage drugs. Government regulates the drug's retail price of public medical institutions by controlling the purchase price and the make-up rate of drugs. One of the control policies is 15% contango increase. In order to increase hospital income, doctors prefer the expensive drugs and it don't go against the policy. So the price becomes abnormally high.

2.2 The Monopoly Position of Public Health Institution

The threshold of medical industry in our country is so low that there are many medical production enterprises. This makes medical institutions occupying the initiative in dealing with production enterprises. Especially for public health institutions, on one hand some drugs are only sold in them, on the other hand they take up 80% of the drug market; the pharmaceutical factories have to sell to them to enter this main market.

2.3 Health Insurance System Is Not Perfect

In our country the current medical insurance is just to solve the basic medical security. Due to the fixed medical insurance position some people can not enjoy Medicare reimbursement. Although the urban workers and urban residents' medical insurance and the new type of rural cooperative medical care system are widespread, they don't have a high paying level. The WHO recommends that personal spending should account for 15%-20% of the total health expenditure, but in our country the number is 35.5% in 2011.

2.4 The Reform of The Pharmaceutical and Healthcare Makes Slow Progress

"Fee for service" and "drug-maintaining-medicine" is two cancers of our health system. In our country health service price implements government's guiding price which called Fee for service, but at present most hospital adopt the highest price of one service, this makes excessive medical consumption and aggravates patients' financial burden. Drug-maintaining-medicine is the main economic compensation mechanism in medical institutions. Government subsidies can't cover hospitals' cost, so they proportionally increase drugs' price to gain extra profit. Then the additional rate control policy becomes drug-maintaining-medicine. Drugs' price becomes higher and higher, people are afraid to go to hospital.

3. SOLUTIONS TO THE VIRTUAL HIGH PRICE

3.1 Strengthen Government Supervision

Firstly government should enhance accounting drug production cost and the analysis of market's supply and demand. To solve the price problem fundamentally, cost accounting of drugs must be done well. Secondly drugs should be sold at mark price, in order to increase the transparency and further strengthen social supervision.

3.2 Improve Physic Purchase of Centralized Bidding

Since we implemented physic purchase of centralized bidding, it has made some active effects on decreasing drugs' price. But according to the results of some pilot areas, the policy still has many defects which make the policy can't fully play its active role. Therefore it should be improved. For example, we should improve the method of drugs' purchase-sale pricing and drug bidding criterion; strengthen the construction of legal system and market supervision; rectify misconduct in drug bidding procurement and so on.

3.3 Break the Monopoly of Public Medical Institutions

The monopoly of public medical institutions is the main reason for selling high price drugs. They are monopoly both in drugs circulation and sale so they can make the max profit from selling drugs. And doctors can take this advantage to prescribe expensive drugs to further strengthen the induced demand. So this monopoly must be broken.

3.4 Reform the Medical Payment System

Breaking the monopoly of public medical institutions can force them to reduce drugs' price, but if we don't find another way to increase their income, they will close down sooner or later. The old way is that the government increases financial subsidy. The new medical system reform scheme puts forward a new way which is increasing medical services price. This will reduce their dependence on drugs' price and release the situation of drug-maintaining-medicine.

CONCLUSION

The rising pharmaceutical prices and medical costs are a worldwide problem. The virtual high price of the medicine is not only a problem of price, but also a problem of health system. It relates to the economic and social development stage, the market environment, the construction of legal system and so on. We can not expect to solve this problem by only a few reform measures, but we can perfectly prevent its spread and development. Except continuing to push on mechanism and system reform, there are two effective ways: one is the separation of dispensing from

prescription. The drug is mainly sold by retail drugstores, hospital and doctors don't participate in the sales; the other one is continuing to strengthen government regulation of drug prices, improving the pricing method and pricing procedure, increasing the scientific level and transparency of pricing, using the macro-control means to solve market failure. Look forward to achieve the magnificent goal of reasonable control of drug prices, safeguarding people's health and public basic right of using medicines.

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