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Drug Utilization and Pharmaceutical Cost-Containment in Germany: Perspectives One Year after Enactment of the GMG

Abstract

After three decades of health care cost containment in Germany, enactment of the most recent reform (Health Care Modernization Act, GMG) marks a watershed insofar as, apparently, the potential has been largely exhausted for further savings in pharmaceutical spending. Yet the new drugs segment maintains its role as a growth driver, owing to the continuing shift from older to new, and frequently more expensive, products. This observation holds true even after introducing phase 2 reference pricing, including so called me too products.

Health economic analyses would be required to better differentiate pharmaceutical products based on their incremental cost-effectiveness ratio. However, the opportunity was missed with the GMG to introduce formal health economic evaluations and thus overcome the counterproductive silo mentality associated with traditional German component management. International experience from Australia, Canada, and the United Kingdom suggests that economic evaluations, while informing rational reimbursement decisions, may in fact contribute to increasing pharmaceutical expenditures.

Further tightening of pharmaceutical component management in Germany may result in increasing inefficiencies due to underuse of effective products; furthermore, it appears conceivable that ("second order") dynamic inefficiencies and, hence, social costs might be the consequence of reduced pharmaceutical research and development expenditures.

Key words

pharmaceutical expenditure, health care modernization act, cost containment, silo mentality, underutilization, static efficiency, dynamic efficiency

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