Medicines myths

and its consequences for the Dutch patient

Dutch Association
Innovative
Medicines

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and its consequences for the Dutch patient

Introduction

The supply of medicine in the Netherlands is under pressure. There are increasing shortages at the corner pharmacy, driving pharmacists and patients to despair. And when it comes to hospital medication, Dutch patients are also increasingly missing out. Distressing, because not infrequently life-saving drugs are involved.

It is remarkable that the public and political debate in the Netherlands is mainly about the cost of all these medications, which account for only 5.6% of total healthcare spending. And this while we can cure more and more people or give them a better quality of life. Even in health care we can only spend each euro once, so it is always good to be alert. But the overshooting cost focus is one-sided, unnecessary and painful for Dutch patients. Especially when compared to other European countries.

Persistent myths

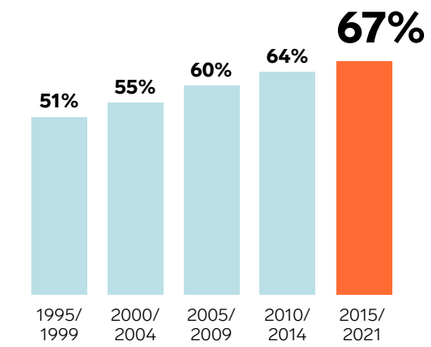
How did we get into this predicament? What persistent myths underlie our medicine policy, which is largely dominated by the drive to control costs? And most importantly, how do we ensure, while respecting cost-consciousness, that Dutch patients get the medicines they need now and in the decades to come?

Facts and Proposals

In this publication, we would like to set out some facts in order to then have a clean and constructive dialogue about the real problem in our country: the poor availability of medicines. We also offer directions for solutions, fully realizing that we, as the pharmaceutical sector, cannot do this alone. Government, insurers, doctors, pharmacists, patient organizations and companies ... we desperately need each other to get out f this impasse. This requires guts and also means that - sometimes in unconventional collaborations - we all have to compromise, in the interest of the patient.

Context

5-year survival after cancer diagnosis



Source: IKNL

First, some context. Healthcare spending in our country is rising every year. Not surprising, since the number of people needing care has been rising significantly for years. The aging population will continue until 2040. By then, more than a quarter of the population will be at least 65 years old. These elderly people - our parents and soon ourselves - naturally want the best possible care.

Fortunately, we have better and better treatments and medicines for this in the Netherlands. This is reflected in our life expectancy at birth. It rose significantly between 2002 and 2022, according to CBS: from 78.4 to 81.6 years.

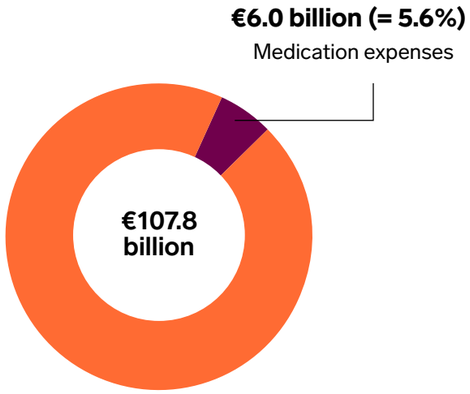
If we zoom in on cancer, a disease that affects half of all Dutch people sooner or later, we also see this progression. You can measure that, for example, by the proportion of patients who are still alive five years after diagnosis. That percentage rose from 51% to 67% over the past 20 years.

There are more achievements to report. A few examples. Thanks to drugs, HIV evolved from a deadly to a chronic disease within a few decades. Rheumatoid arthritis patients now rarely end up in wheelchairs. And corona vaccines not only relieved the burden on hospitals, but also took the Dutch economy and society off the lock during a very difficult period.

People and money

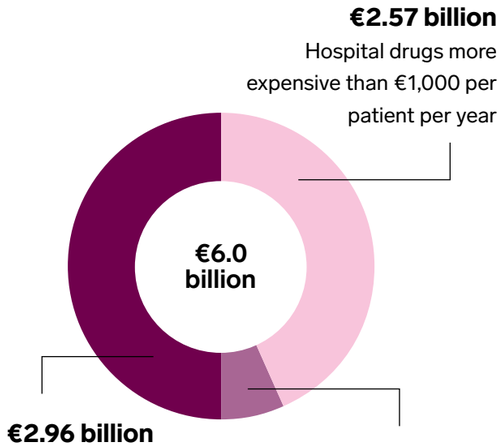
Beautiful figures and facts, which say something positive about the quality and duration of human life and the value of medicines and the impact of medicines and vaccines on the Dutch economy and society. Yet there are also clouds in the sky. For example, there is a shortage of good healthcare personnel. This is mainly due to an aging population. Many Dutch people are not comfortable with that.

Total healthcare spending 2021



Sources: CBS, GIP Database, fiROM.

Distribution of net drug spending 2021*



* Including offsets

And precisely because diseases like cancer are less likely to kill, the number of chronically ill people in our country is also increasing. In 2018, 57% of Dutch people had at least one chronic condition. In 2040 it will be 60%, according to the RIVM. That, too, is driving up the demand for care.

There are also concerns about money. This often involves looking at Gross Domestic Product (GDP), the total of what we earn together. The portion of that that goes to healthcare spending will rise from 10% in 2020 to 18% in 2060, according to the Netherlands Bureau for Economic Policy Analysis (CPB).

In itself, therefore, it is understandable that some are asking: how long will we keep this up? And is it at the expense of other expenditures within healthcare, such as surgeries? Or perhaps also at the expense of education, infrastructure or defense, for example?

Medicines and healthcare spending

The Netherlands spends €107.8 billion per year on healthcare (CBS, 2021). A modest portion of that, namely net €6.0 billion, went to drugs (GIP Databank and fiROM, 2021). This excludes pharmacists' prescription dispensing fees and after accounting for rebates that The Ministry of Health, health insurers and hospitals have negotiated. That net amount corresponds to 5.6% of total healthcare spending. Only 2.2% of all drugs are more expensive than €100,000 per patient per year.

That 5.6% is good news from the drug front, you might say. Yet there has been a lot of discussion about 'expensive drugs' in recent years, especially in politics and in the media. Before we discuss this category, some more background.

Cheaper than cheese sandwich

About 11 million Dutch people take prescription drugs every day (2021, GIP). About 80% of those drugs are generic. That means the patent is off and they are often cheap. On average, a pack of generic, sometimes life-saving drugs in our country costs less than €2. That doesn't even buy a cheese sandwich. These are yesterday's innovations that we will reap the benefits of for generations to come, because their value is often lasting.

Lately, medication shortages have been occurring more and more frequently with these drugs. A worrying development, because these medications - cholesterol reducers, antacids, painkillers, and so on - keep the Dutch literally and figuratively on their feet. At home and at work.

The discussion in politics and media is dominated by another part of all medicines, namely the 20% of medicines that still have a patent. By the way, that patent comes off eight to ten years after introduction, after which these drugs too will become a lot cheaper, for successive generations.

In this publication, we check what is true of the persistent myths about medicine that threaten to take our eyes off the real problem.

In fact, the real problem is not that drugs are so expensive in the Netherlands, but that there is an overshooting focus on cost control, making the availability of existing and new drugs worse and worse. This is now affecting millions of patients. So it is very worthwhile to take a closer look at what is true about the perception of financial aspects. We do this using three check questions:

1. Is medicine spending rising in the Netherlands?
2. Are we spending too much on medicine?
3. Are drug prices so high that they are crowding out other care?

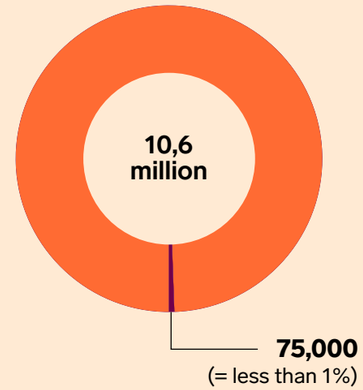
What are we talking about?

Opinions can differ about what is expensive. And especially about what is too expensive, set against the most precious thing you have: your health. But let's look at how many people use drugs that cost more than €10,000 per patient per year.

The Netherlands has 10.6 million medication users. Within that group, there are only 75,000 patients who use hospital medications that cost more than €10,000 per patient per year. That is less than 1% of all medicine users.

Another important insight: 70-80% of all drugs used in our country are cheaper than €2 per pack.

Number of drug users



Only 75,000 patients use hospital drugs that are more expensive than €10,000 per patient per year

Myth:
'Drug spending is skyrocketing ... right?

Check question 1:

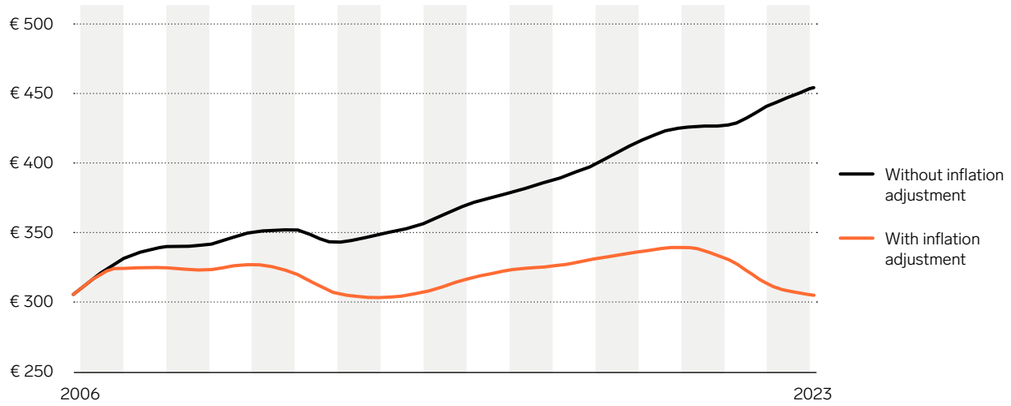
Is drug spending rising in the Netherlands?

The number of drug users has been increasing for years. This is mainly because we are getting more elderly people, who are also living longer. And that in turn means that there are more chronically ill people, often with multiple conditions. But what about per capita drug spending?

Per capita drug spending per year has remained flat over the past 18 years.

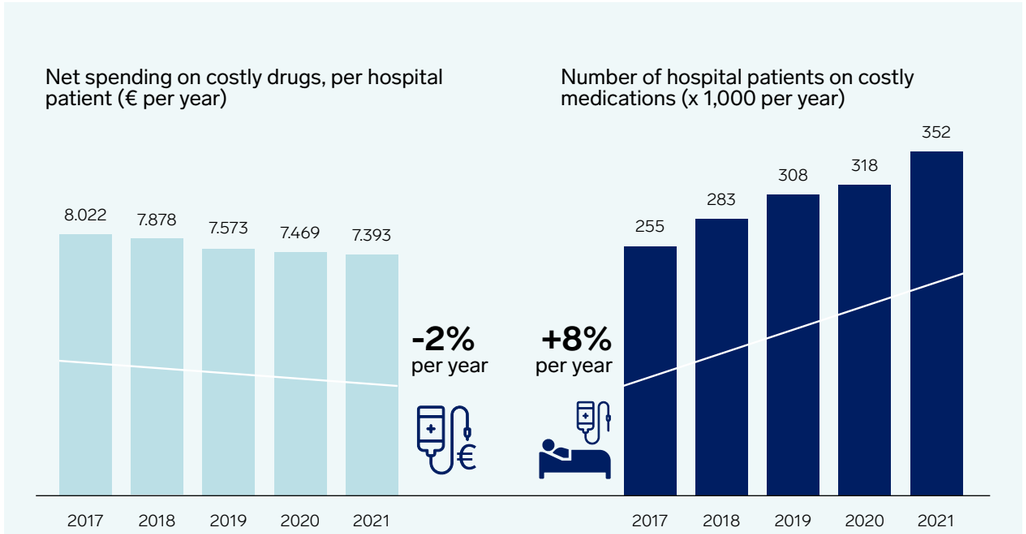
The Financieele Dagblad recently analyzed drug spending between 2006 and 2023. Medicare spending per capita per year rose from roughly €300 to €450 during this period, but when you factor in inflation, it still came out around €300 in 2023. Average inflation during this period was 2.4% per year.

Medication spending per capita per year remains the same



Source: Het Financieele Dagblad

Medication spending per hospital patient decreases



Net spending on costly drugs in of hospitals grew from €2.0 billion in 2017 to €2.6 billion in 2021.

This is mainly due to strong growth in the number of hospital patients using medicines.

Source: NZa (Dutch Healthcare Authority)

There are, however, increasing numbers of drug users, at lower expenses per patient.

The Dutch Healthcare Authority (NZa) calculated that the number of users of costly drugs in hospitals between 2016 and 2021 grew at an average annual rate of 8%. During the same period, net spending per unique inpatient patient actually declined, by an average of 2% per year. In other words, in hospitals we are treating more people with expensive drugs, for less money per person.

Myth:
'But then the total drug expenses will probably be way too high!'

Check question 2:

Are we spending too much on drugs?

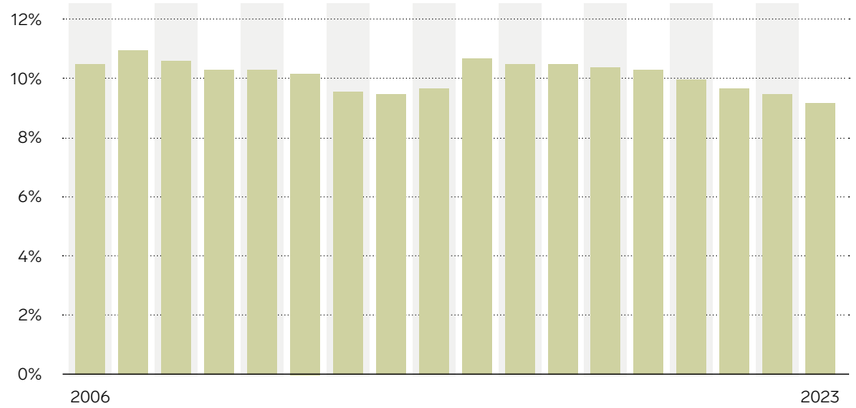
The Netherlands spends an increasingly smaller portion of healthcare spending on drugs.

Figures from the Health Care Institute (published by the FD) show that the share of drugs in total health care spending has declined in recent years. See graph.

What you see in the media is not the net price

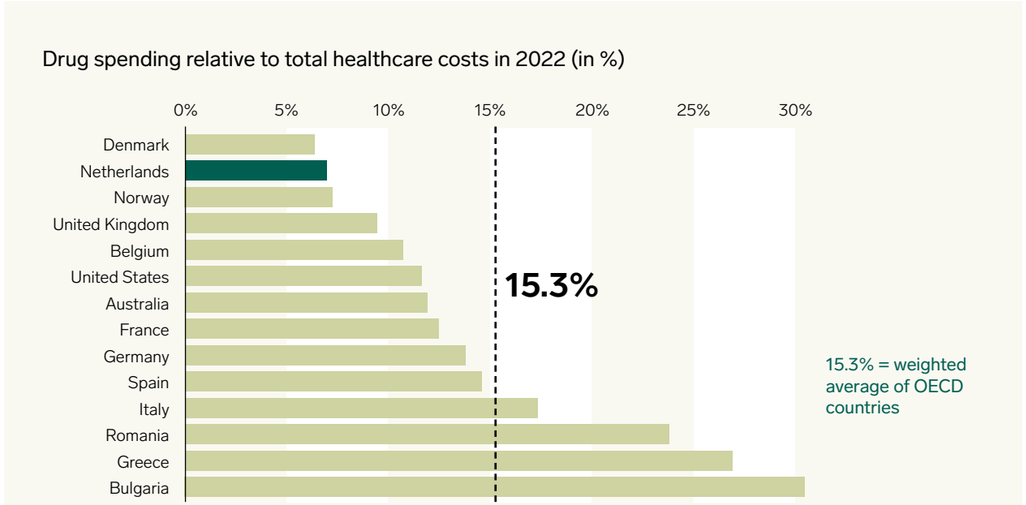
The public prices of a new drug are the initial asking prices. After confidential price negotiations between the drug company and the Ministry of Health, an average of just over half of that remains (source: The Ministry of Health, Parliamentary Letter, 2023). Simply put: what you read in the newspaper is not the price that is ultimately paid!

Medication spending as a percentage of healthcare budget



Source: Het Financieele Dagblad / Zorginstituut Nederland

Netherlands scores well internationally



Source: Het Financieele Dagblad /OECD

Drug spending in the Netherlands is among the very lowest in Europe.

Other European countries spend a significantly higher percentage of their healthcare spending on medicines, according to OECD, the organization of the 38 richest countries in the world. Only Denmark spends even less.

Lowest drug spending in EU

Our per capita medicine spending is among the very lowest in the EU. In 2021, it was $456 (over €400) in the Netherlands. Countries like Germany ($1,006), France ($701) and Belgium ($640) were well above that. Source: OECD.

Myth:
'New drugs are so expensive that they are crowding out other care!'

Check question 3:

Are drug prices so high that they are crowding out other care?

Commissioned by the Health Care Institute, research firm Equalis examined the effects of the lock in 2023. From this came two main conclusions:

Even without price cuts, new expensive drugs displace less health than they provide.

The table below shows how much health was lost during the prolonged lock-in period, when government and pharmaceutical companies were still negotiating the price of the new drug and the drug was not yet available to patients. The table below is expressed in Quality Adjusted Life Years (QALYs, life years in good health).

The conclusion is that we lost 12,234 life years during the lock-in period for the drugs studied because the drug was not yet available. There is therefore also spared displacement of other care (5,700 years of life) but that is less than half the lost life years. In other words, we would have been better off reimbursing the lock medication immediately, without price negotiations and at the original asking price. Indeed, this would have given Dutch patients 6,534 life years.

After negotiations and price reductions, the drugs studied are obviously even more cost-effective, meaning they provide even more health benefits for their money.

Medications that are reimbursed, by definition, have a socially responsible price.

Valuable innovative drugs approved by the European EMA that may pose a financial risk will not simply enter the basic package of health insurance. If, according to the government, they are not cost-effective (too expensive) - taking into account price, number of patients and added value - come they in the so-called lock, for price negotiations. The Ministry of Healthcare usually negotiates prices to below the level of what the Healthcare Institute considers socially acceptable, according to the NZa.

Listen to podcast: "What are we willing to pay?" by Koos van der Hoeven and Hans Severens.

	Gezondheidseffecten (QALYs)			Financiële effecten
	Toelating	Verdringing	Netto	Budget
Sluis	12,234	5,700	6,534	€ 382,089,961

Source: Equalis

Finally ... is there no problem at all?

Yes. As outlined in the introduction: the supply of medicine in the Netherlands stands heavy pressure. This is not just because of our country's overshooting cost focus, but that approach does make the problem unnecessarily dire.

A 'race to the bottom' in drug pricing is leading to increasingly painful consequences for patients across the drug supply.

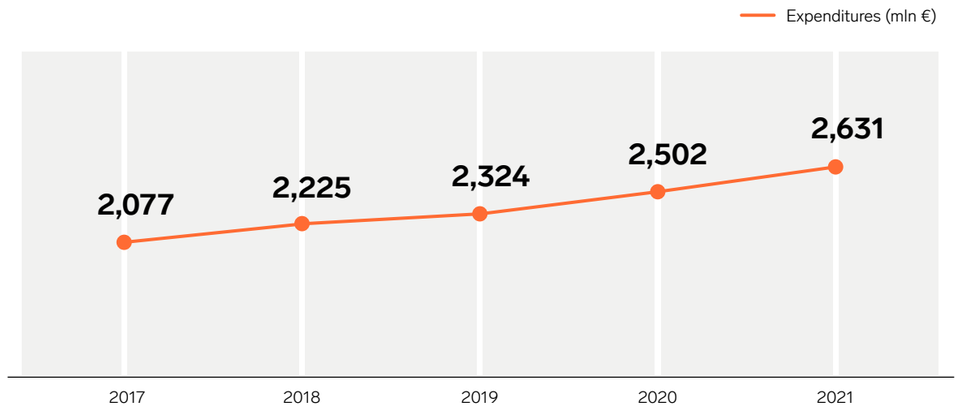
Generic (off-patent) drugs are experiencing increasing shortages, much to the frustration of patients, doctors and pharmacists. Global bottlenecks in the raw material supply and drug factories are not specifically Dutch - they affect many other countries as well. Yet there is an additional factor at play in our country, which puts further pressure on availability: insurers' sharp purchasing policies, stemming from the recently slightly relaxed preference policies.

And for the innovative drugs (with patents), the Dutch patient sits in the waiting room longer and longer until reimbursement is arranged. That waiting time regularly amounts to 600 days or more. In many other European countries, especially Germany and Denmark, it is faster. And more drugs are available a few years after EMA approval.

Hospitals

In hospitals, expensive drugs do represent a bottleneck, but this is a result of policy choices. First, in recent years many expensive drugs have been transferred to the hospital budget. Second, many new drugs must also come into that budget. And third, in terms of expenditure growth in the coming years, hospitals must adhere to a zero line (Integral Care Agreement, IZA), even though the number of patients is increasing. Therefore, the spending of expensive drugs as a percentage of hospital spending is increasing. This can be seen in the picture below. In 2021, hospitals spent €26.1 billion. Of this, €2.6 billion (= 10%) spent on expensive drugs.

Expensive drugs in hospitals



Source: Ministry of Health

So how should it be done?

Patients all want the admission of new drugs to be accelerated. But it is also important that we spend our euros well: on care that works. To this end, there are already various initiatives and policies in place, both from drug companies and the government.

1. More focused and faster

If we in the Netherlands took a more risk-oriented look at expensive drugs, that would already go a long way. That requires deregulation. And for proper triage before a new drug possibly enters the pipeline for price negotiations. It would be good if the patient only had to wait for reimbursement if there were serious doubts about whether the drug would live up to its price, relative to the added value it provides (cost-effectiveness). Former Minister Kuipers, in his outline letter on a future-proof system for reimbursement of expensive drugs, has already given an important impetus to this end. The Dashboard Expensive Drugs presented by the Ministry of Health in late 2023 is also a useful step. More efficient processes always begin with a clear view of the facts.

2. More often benefit of the doubt

If there is doubt about effectiveness in practice, new drugs should be given the benefit of the doubt more often. The drug is reimbursed so that the patient has quick access gets, but the effects of the drug are monitored more closely than has often been the case to date. In this way, we also encourage appropriate use. Practice data should be given a more important role to this end, that reduces cold feet on reimbursement. Meanwhile, let's not forget that the EMA has already approved these drugs - and thus looked closely at efficacy and safety. If the effects are disappointing, after an agreed period, reimbursement can be adjusted or dropped (pay for performance). Better cyclical package management based on effectiveness in practice, in other words.

3. Clear, predictable procedures

Now it is increasingly unclear whether a drug will be reimbursed at all in the Netherlands. And if so: how much time and effort it will take. It is therefore of great importance for patients, doctors and companies that the Dutch procedures for reimbursement become clearer and more predictable. This will make it more attractive for companies to apply for reimbursement in our country, once the EMA has approved the drug.

4. European cooperation

Within Europe, from 2025, there will be more intensive cooperation in assessing the therapeutic value of medicines. We will save time and work more efficiently if this relative effectiveness against existing drugs is determined once centrally, instead of separately in 27 countries.

It can only be done together

For all these solutions, they can only be realized through good cooperation. The Ministry of Health, the Care Institute, insurers, companies, scientists, hospitals, doctors, pharmacists, patient organizations ... we all have a piece of the puzzle. But we can only put that puzzle together if we are all at the table. So the drug industry is happy to sit down, to come up with solutions together for the patient!

Dutch Association Innovative Medicines

info@innovatievegeneesmiddelen.nl
www.innovatievegeneesmiddelen.nl

Dutch Association Innovative Medicines
PO Box 11633
2502 AP The Hague
070 - 313 22 22
info@innovatievegeneesmiddelen.nl
www.innovatievegeneesmiddelen.nl

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Dutch Association Innovative Medicines (VIG)
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