The Political Economy of Incrementally Separating Prescription from Dispensation in Japan

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Health Care System of Japan

• Universal coverage by social health insurance scheme since 1961
• Largely Private sector
• One third of physicians practice in clinics
  - Almost are solo practitioners = medical providers and business managers at the same time
• Free and unlimited access to any clinic and hospital, in principle
• Fee-for-service system
Health Care System of Japan (cont’d)

• Self-dispensing Doctor
  - Traditional in Oriental medicine
    • Compounding medicines based on consultations
    • Compensated for medication
  - Popular in East Asia (e.g. SK and Taiwan)
  - Incentives to over-prescribe and to prescribe higher-margin medicines
Background of the Separation

• Increase in health and pharmaceutical expenditures
  - Achievement of universal coverage, technology development, positive list system of pharmaceuticals

• Overuse of drugs
  - Financial incentives of self-dispensing physicians fuelled by relatively low price in the medical fee schedule
  - Lack of a gate-keeping system

• Financial difficulties and neo-liberalism in the 1980s

• Foreign pressure for pharmaceutical market reform
Separation of Prescribing and Dispensing

• Policy reforms in the past - Westernization
  1. Isei in 1874
     – This manifesto was not legally binding
     – The number of pharmacies and pharmacists was limited
  2. Separation law in 1951
     – The medical association protested strongly against compulsory separation
     – As a result, separation has not been realised despite the existence of this law

• Policy learning
  – Comprehensive, compulsory separation brings political disputes with the medical association
  – Incremental, voluntary separation, through creation of financial incentives, causes less opposition
Separation of Prescribing and Dispensing (cont’d)

• Process of the separation
  
  - Biannual revision of reimbursement prices
    1. Setting global revision rate between Japan Medical Association and Ministry of Finance, mediated by Diet members
      • It accounts for the financial status of physicians
    2. Revision of prices on medical and pharmaceutical fee schedules at the Central Social Insurance Medical Council
      • Medical fee is decreased if its volume expands
      • Pharmaceutical price is adjusted to the market price
Separation of Prescribing and Dispensing (cont’d)

Manipulation of Medical and Pharmaceutical Fee Schedules

- Estimated Drug-price Margin
- Rate of Overall Drug Price Reduction in Pharmaceutical Expenditure
- Ratio of Achieved Separation
- Prescription-issuing Fee

Challenges of the Separation

• Incomplete separation
  – Sign of levelling off
  – Disparity in region and specialty

• Collusive relationship between clinics/hospitals and pharmacies
  – Gateway pharmacies

• Change in prescribing pattern
  – Generic to brand

• Still increasing health and pharmaceutical expenditures
  – Aging Population
Current Challenges in Health Care

Total Health Expenditure, 1970-2005

- Total Health Expenditure
- Total Health Expenditure as % of GDP

Source: Statistics Bureau, Ministry of Internal Affairs and Communications 2007

Pharmaceutical Expenditure

- Pharmaceutical Expenditure
- Pharmaceutical Expenditure as % of Total Health Expenditure

Source: OECD Health Data 2007
Comparative Perspective

• South Korea
  - Pharmacists had dispensed based on their consultation
  - Pharmacists as well as physicians opposed separation in the beginning
  - Civil society organizations played an important role in policy-making process
  - Comprehensive, radical separation by law was implemented in 2000

• Taiwan
  - Efforts toward separation started in 1997 and expanded on an experimental basis
  - The aim was for compulsory separation, but was not achieved due to the sanctioning of on-site pharmacists
Implications and Concluding Remarks

• Political efforts toward separation were accelerated beginning around 1980 and the separation ratio rapidly increased through the 1990s

• Separation has been realized incrementally as a result of policy learning

• Further efforts are needed to promote the separation movement and to contain pharmaceutical expenditures
  – Generic substitution, pharmacoeconomics

• Comparison with South Korea might provide insights for Japan to move beyond incremental reform in its pharmaceutical policy