

THE BENEFITS AND CHALLENGES OF REFERENCE PRICING OF PHARMACEUTICALS

In the majority of countries, the role of the state in the organization of the health care system is crucial due to the extremely high importance of health of the population. Significant public spending on health care associated with excessive spending on pharmaceuticals by patients are entitled to their consumption free of charge. The national healthcare systems of the countries of the Eurasian Economic Union (including Belarus) face serious challenges: annual price increase for medicines, low life expectancy compared to developed countries and high mortality, chronic underfunding of healthcare systems, organizational problems. Taking into account relevance of the problems mentioned, **the aim** of this research is to analyze current international practice of pricing policy in pharmaceutical industry and find the ways for the Republic of Belarus to overcome the challenges using modern approaches in public administration.

One way to reduce costs is the so-called reference pricing, when a state (or less often an insurance company) sets appropriate reference prices for government purchases or reimbursement of certain medicines. So the reference price is the maximum price for a specific medical product that the state (or an insurance company) is willing to pay under the relevant public purchases or reimbursement programs.

There are so-called internal and external reference pricing. With external reference pricing, the maximum price for a particular medicinal product is set based on the price level in several countries, usually are at approximately the same level of socio-economic development as the country where the price is set. More often, this method is used for those pharmaceuticals that have not yet entered the market in a particular country and / or their generics.

With internal reference pricing, internal prices for similar medicines are used for comparison. The choice of similar medicines can be carried out according to different methods. Different countries have different methods for selecting groups of similar drugs for setting reference prices.

Thus, in the European Union, public and private spending on medicines for outpatient treatment is 16% of all health care spending, which corresponds to 1.6% of GDP. Moreover, the lion's share of expenditures is covered by the state budget – 1.1% of GDP. Average data show that in the EU the share of public spending in the overall structure of medicine consumption (in the retail segment) is 60% [1].

Stable pricing for medicines is a paramount task for the EAEU states, this task can be achieved using various tools, including the method of “external reference pricing”. This

method is a fairly new instrument for curbing the prices of medicines in the EAEU countries.

The Russian Federation was the first country in the EAEU to introduce this pricing method in 2010. In 2015, the Republic of Kazakhstan began to use the method, in 2019 the Republic of Belarus made first steps in that directions, and in 2020 the Kyrgyz Republic also introduced this method. In the EAEU states, similar methods for determining prices are used. When they are established, external reference pricing methods are applied. However, there are differences both in the list of reference countries and in the methods of price calculation. The list and number of reference countries as well as the methodology for calculating the regulated price differ.

Today, there is a price disproportion in the markets of medicines in the EAEU states, in which the cost of medicines in some countries of the Union differs significantly from prices in other states of the EAEU, which is also due to approaches to pricing.

The EAEU countries use the external reference pricing in different ways, this is due to the fact that the members of the integration union differ in the size of the population, income level, the size of the pharmaceutical market, the efficiency of the state apparatus, etc. Thus, the EAEU countries use a different number of countries in their reference baskets. The Republic of Kazakhstan in its basket uses 16 reference countries and the “country of origin” of the medicinal product. The Russian Federation uses 11 countries and the “country of origin” of the medicine in its reference basket [2].

Research conducted in other countries demonstrates, that pooled procurement saves about 10% of pharmaceutical costs [3, P.25]. Experience with the “Revolving Fund” and centralized purchasing mechanisms used in Brazil, Argentina, Uruguay and Chile has shown that by consolidating product requirements and increasing purchase volumes, buyers can benefit from economies of scale that lead to lower prices and higher procurement efficiency

Expanded use of pooled purchasing can indeed improve efficiency and reduce medicine price fluctuations. In June 2019, Mercosur, a trading block made up of Argentina, Brazil, Paraguay, and Uruguay, announced an agreement to jointly negotiate prices for some high-priced medicines [4, P.43]. For the effective functioning of the external reference pricing system, the EAEU countries also need to jointly regulate prices for medicines, exchange information and conduct joint purchases of medicines.

Summing up, there are 2 **main findings**:

1. The Republic of Belarus included 13 countries as “the countries of origin” in its basket. That amount should be increased in order to provide better costs for imported medicines.

2. Hence, there is no ideal solution for using reference pricing in pharmaceutical industry, therefore, each country is trying to solve the issues it faces, trying to choose the most adequate one from the existing approaches. As the experience of various integration unions shows, only by joining forces, the Republic of Belarus and other EAEU countries will be able to effectively restrain prices for medicines and provide the population with the necessary medicines.

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INTEGRATION OF THE REPUBLIC OF BELARUS INTO THE GLOBAL WORLD ECONOMY

In the context of globalization, Belarus has the opportunity to integrate into the world economy through participation in regional economic integration.

Participation in the regionalization processes allows national economies to go through the adaptation period and prepare for integration into the global economic system. Currently, the Republic of Belarus is involved in 4 regional and sub-regional integration associations: the CIS, the Union State of the Republic of Belarus and the Russian Federation, the EurAsEC, the CES of Belarus, Russia, Ukraine, Kazakhstan. Thus, the purpose of this work is to determine the level of integration of the Republic of Belarus into the global global economy through regional associations.

The Republic of Belarus is a co-founder of a large regional organization – the Commonwealth of Independent States (CIS), which includes 11 countries of the former Soviet Union. Headquarters (Executive Committee) This organization is located in the capital of our country, Minsk. Since March 1994, the CIS has had observer status at the UN. In the current decade, the most pressing issues of cooperation between the Commonwealth countries include strengthening economic contacts, migration control, interaction of rescue services, countering the spread of drugs and psychotropic substances, terrorism and organized crime, cooperation in the humanitarian sphere,