PHARMACEUTICAL INDUSTRY

CURRENT SITUATION

The health of the nation is one of the key factors, if not the most important factor, of productivity and economic growth in society, directly related to investments into the healthcare system. At the same time, ensuring the supply of medicines and the availability of the latest therapies are among the key preconditions for positive results of the healthcare system of any country. In addition to the unhampered supply of medicines and availability of the latest therapies, the normal functioning of a healthcare system requires a systematically regulated and functionally efficient link between the three pillars supporting the medical treatment of the population: manufacturers, pharmaceutical wholesalers and healthcare institutions (private and state-owned).

The share of healthcare in the distribution of the gross national product in Serbia stands at approximately 10%. It is important to note that state/public resources account for only 62% of this amount (the National Health Insurance Fund (NHIF), the Ministry of Health and local governments), while the remaining 38% are private payments by citizens (the so-called out-of-pocket payments). This means that a significant burden of financing healthcare has been shifted to the patients. This is certainly not a positive attribute, having in mind the importance of the social role of the state in the provision of healthcare services. By comparison, in the European Union (EU), Member States finance between 70 and 80% of the total healthcare needs of the population from public sources.

Of the total public healthcare budget, 20% is allocated for medicines. Despite considerable steps forward in improving the availability of advanced therapies compared to the preceding period, this progress is not sufficient. Further strategic thinking and actions regarding the management of funds in the healthcare budget are important, having in mind the degree and character of the vulnerability of the health of the population, i.e. the need for modern therapies for all, even the most severe diseases. The average life expectancy in Serbia is considerably below the EU average (74.7 compared to 80.2). The greatest risks for the health and life of the population of Serbia are caused by coronary and vascular system diseases, malignant diseases, diabetes and chronic obstructive pulmonary diseases. For example, the gravity and complexity of this problem is best illustrated by the discrepancy between the cancer incidence rate, where Serbia is 18th in Europe, and cancer mortality rate, where it holds 2nd place. Bearing in mind the discrepancy in the cancer incidence rate and mortality rate in Serbia and the EU, the availability of oncological, as well as innovative medicines from other fields of therapy is clearly insufficient, while at the same time being crucial for reducing the high mortality rate of the population.

It is completely clear that the NHIF, even with the assumption of the best resource management, is not able to adequately respond to all patients' needs for drug therapies from its own income. For that reason, purposeful and continuous intervention from the central budget is necessary, in addition to the existing allocations of the NHIF for medicines.

It is very important for stable pharmaceutical market functioning to continue the harmonization of the domestic legal framework with EU acquis, primarily through the Law on Medicines, which should be adopted. That way the practice inapplicability in some of its provisions and non-transparency in certain procedures should be eliminated. Another problem is that time frames for important decisions are often too long and, even so, typically not observed The participation of representatives of the pharmaceutical sector in the drafting of all relevant acts is necessary, and significant progress can already be seen in this field.

COVID-19

The COVID-19 epidemic affected the pharmaceutical industry as follows:

- The health care system, by the nature of things, was the most exposed in the state's fight against the pandemic. In such a situation, the relevant ministry was forced to make numerous personnel and organizational adjustments within health care institutions. On the one hand, it was necessary to provide appropriate treatment to patients with COVID-19, related to which there are no reliable guidelines anywhere in the world. On the other hand, all other patients needs should not have been neglected. Although both goals were to be achieved in parallel, it was inevitable that due to limited human and spatial resources, there would be some interruptions / slowdowns in starting / continuing therapy. For example, therapies with drugs from List C, treatment drugs of rare diseases, as well as slowing down in regular vaccination process. However, we emphasize that even in the most critical periods during the state of emergency, the supply of all medicines was extremely stable and without significant shortages. This was achieved through constant and joint activities of the state and manufacturer representatives, wholesalers and all drug licenses holders.

When it comes to the state reaction to the new situation, the following is to be pointed out:

- Regarding the medicine availability in health care institutions, including pharmacies, it can be said that the competent institutions (primarily the NHIF) have fully managed to maintain the stability of market supply. Through the continuous information exchange with drug license holders, as well as the introduction of new platforms through which the condition of all drug stocks in the country was monitored, the basic and common goal of NHIF and license holders was achieved - that domestic health institutions have all drugs used for treatment COVID-19 in the world, as well as drugs needed to treat all other chronic and acute diseases.

- We would also like to commend the significant step towards Medicines and Medical Devices Agency of Serbia (ALIMS) digitalization, which has enabled the electronic applications submission for most of its services through the e-government portal and / or e-mail, while still requiring original applications and paper documentation submission by regular mail. In contrast, we believe that even in difficult circumstances, an interruption in the adoption of the Decision on the drugs highest prices for human use whose prescription regime (Decision) by the Ministry of Health, could have been avoided, which leads to the impossibility of submitting new requirements for listing NHIF drugs. We would like to emphasize, therefore, even during the pandemic, which could be measured in months and even years, the regular dynamics of publishing drug prices must not be questioned, because that automatically leads to further market disruptions.

POSITIVE DEVELOPMENTS

1. The positive trend of negotiations and the signing of special agreements between the NHIF and pharmaceutical companies has continued in 2018 and the first half of 2019. However, the budget allocated for these purposes is significantly lower compared to 2016 (13 new innovative medicines have been placed on the Reimbursement List through the above process).

2. Negotiation and concluding special contracts process has been further intensified in second half of 2019, and the director of the NHIF announced that the Ministry of Finance will provide as much as 5 billion RSD for innovative medicines in 2020. In March 2020, just before the outbreak of the COVID-19 pandemic, 16 innovative drugs (MS, Oncology and Hepatitis C) were put on the Drug List, but implementation was delayed due to COVID-19 until June 2020.

3. A new model of a special contract was introduced at the end of 2019, which enabled the drug license holders to commit to lowering the price of the drug exclusively in the public procurement procedure, and not by lowering the "visible" price on the Reimbursement List (additional contract flexibility)..

4. An important step forward was made regarding the quantification of funds required to place new medicines on the Reimbursement List. Namely, a common list of priorities was produced, covering all areas of therapy by the Central Medicines Commission, and/or competent national expert commissions. Based on this, the NHIF has produced an assessment of the funds required for this purpose, amounting to approximately EUR 80 million, with the calculation including significant concessions that pharmaceutical companies with prioritized medicines would commit to. The entire process unfolded with the support of the Ministry of Health and the Ministry of Finance, whose representatives in multiple meetings clearly expressed the position that the availability of medicines is one of the key priorities for both ministries, emphasizing that they will invest maximum effort to continuously allocate significant funds for this purpose.

5. Considerable improvements have been made in the communication and joint work of industry representatives (SCCI, Inovia and Genezis) and the Ministry of Health in drafting regulations of importance for doing business. The procedure for issuing licences under the remit of the Ministry of Health has also been accelerated.

6. During 2020 direct payment for medicines to suppliers as per the CPP by the NHIF continued, along with technical system improving.

7. The Law on Medical Devices was adopted in December 2018, followed by the adoption of by-laws. The system for the electronic submission of documentation for medical devices has also been introduced by the Medicines and Medical Devices Agency of Serbia (ALIMS). In June 2020, Medicines and Medical Devices Agency of Serbia started implementing an electronic portal for the medicine documentation submission, with a lim-

ited number of procedures that can be initiated / conducted through the portal.

8. Amendments were adopted to the Rulebook on registration, in order to implement the provision of the applicable Law on Medicines introducing the issuance of permanent licences for medicines.

9. The procedure of determining the maximum price of medicines was made significantly shorter, with the option of continuous communication with representatives of the Ministry of Health and the Ministry of Trade throughout the process.

REMAINING ISSUES

1. A lack of a systemic solution for financing the introduction of new drugs on the Reimbursement List.

It is necessary to provide assigned funds transfer from the central budget to the NHIF every year, to maintain the continuity of the new drug introduction on the Reimbursement List. This should be preceded by a statement of all competent medical commissions within the MoH / NHIF, after which evaluating all submitted requests for placing drugs on the Reimbursement List would determine the exact amount that has to be transferred to meet the needs of patients in all therapeutic areas.

2. Shortcomings in the process of including medicines on the NHIF Reimbursement List

The Rulebook on criteria for including/removing medicines from the Reimbursement List, as a key by-law in this area, needs to be amended to include clearer and more detailed criteria for the selection of medicines covered by the mandatory health insurance system. Although certain progress is already visible, each individual procedure for the placement of a medicine on the Reimbursement List should be even more transparent and with a mandatory explanation of the final decision, and the right to appeal.

3. The "duality" of medicine prices

The pricing of medicines is subject to strict administrative control, and involves a two-tier pricing procedure, by the Ministry of Health and by the NHIF.

Article 30 of the Rulebook on criteria for the inclusion of medicines on the Reimbursement List from April 2014 envisages that the difference in price between the original and generic A-list medicine with the same or similar pharmaceutical properties and in the same dosage may not exceed 30%, which is co-paid by patients. This limits the availability of medicines, primarily of original and branded generic medicines, as they often cannot fit into such a limited price range, and thus cannot be found on the Reimbursement List. Given that this difference in price does not represent a financial burden for the NHIF, an option allowing a price difference up to the maximum approved price would ensure a better availability of original and branded generic medicines.

4. Illiquidity of state healthcare institutions

Nonliquid state-owned healthcare institutions (hospitals, community health centres, drugstores), severely threaten wholesale liquidity and continuous supply, by maintaining long-term large debt to suppliers, after public procurement conducted, for delivered drugs and medical devices. The total debt of state health institutions is amounted to over 11 billion RSD at the beginning of this year.

At the same time, the old debt of hospitals (before the introduction of direct payment) was not settled in March 2020, despite the official state announcement and the formation of a special Government commission.

In addition, although the NHIF introduced direct payments to suppliers in 2019, in order to have better control, assigned spending and prevent the new debts of health care institutions, a delay by the NHIF payment, therefore growing debt to suppliers, already can be stated in 2020.

The burden sustained by pharmaceutical wholesalers and other drug suppliers in financing the state healthcare system debts is enormous, limiting their ability to regularly supply pharmacies and hospitals in the future. This situation is not sustainable, and if the liquidity of pharmaceutical wholesalers is endangered, there will be consequences for all other participants in the pharmaceutical sector - medicine manufacturers, importers, and, ultimately, healthcare institutions and the healthcare system.

5. Administrative procedures and the issuing of licences for medicines

ALIMS had an extremely large number of delays in 2018 in issuing renewed licences for medicines, leading to an interruption in the continuity of the market supply for a

large number of medicines. Average delays were around 6 months after the expiry of the licence for a medicine, with the situation only stabilizing in October 2018 after the adoption of an amendment to the Rulebook on issuing a licence for a medicine which extended the validity of a licence for a 6-month period. The time frames for issuing renewals were reduced during Q1 2019, although the time frames prescribed by the law are still not being adhered to.

In addition to new registrations and licence renewals, ALIMS is still considerably tardy when it comes to approving amendments to licences (variations). Such delays regarding new indications and variations in medicine safety have a considerable impact on the availability of the latest information on the use of medicines both for doctors and for patients.

The Agency is applying new, significantly higher fees for its services as of 1 January 2018, thus the costs of acquiring new licences, their renewal and amendments (variations), and the newly introduced pharmacovigilance fees, have led to a doubling in the regulatory expenses, creating a further burden on the pharmaceutical industry. However, this has not led to increased efficiency in the work of the Agency regarding adherence to time frames, since no additional staff has been hired for the relevant jobs.

6. New regulations that make business more difficult

When the Law on Fees Use of Public Goods was prepared and adopted, harmful consequences of this regulation on manufacturers, drug holders and wholesalers have not been properly considered. Basis of special waste compensation-medicines that remain in possession after the date expiration and are collected from citizens are initially estimated as an additional burden of as much as EUR 37 million EUR. The Law determines the compensation basis as the "total drugs quantity produced in the Republic of Serbia and drugs imported into the Republic of Serbia" which indicates that all produced and imported drugs will not be used for the citizens treatment, but considered as pharmaceutical waste.

The Rulebook for acquiring basic knowledge about personal hygiene training program introduced an obligation for employees in the medicines production, trade and dispensing to undergo training organized and conducted by the Ministry of Health, with the prescribed fee payment. Ministry of Health did not take into account that the obligations and responsibilities of drug manufacturers, wholesalers and pharmacies in the part of hygiene training are already regulated by special regulations as well as strict requirements of the Guidelines for Good Manufacturing Practice (GMP) and Guidelines for Good Distribution Practice (GDP). Therefore applying the provisions of the Rulebook, everyone in the supply chain is additionally exposed to unnecessary costs and significant process delays.

FIC RECOMMENDATIONS

ALIMS should:

- Adhere to the existing time frames established by the Law on Medicines regarding new registrations, renewals and variations of licences. (2)
- Provide for electronic submissions of all requests for medicines (new registrations, renewals and variations). (2)
- Revise and harmonize the amount of certain tariffs; PV tariffs based on the INN; reduce the amount of tariff for the documentation control for each imported series of a medicine. (2)

The Government should:

- Provide steady funding for innovative medicines and generic medicines while expanding the indications through a special-purpose transfer of budget funds to NHIF, thus compensating for the clear lack thereof in the financial plan of NHIF. (3)

- Take a position regarding the future of its healthcare institutions, primarily pharmacies. If state pharmacies have a future as such, a strong recommendation is to entrust them to a private partner in accordance with the law, with the key law being that on public-private partnership, and in accordance with the model respecting the specifics originating from the status and business operations of publicly-owned pharmacies undergoing PPPs. This guarantees the legality of the procedure, transparency and the maximization of benefit for everyone involved. (2)

- Urgently start resolving the issue of settling old debts of state healthcare institutions towards pharmaceutical wholesalers for delivered medicines and medical devices, to ensure further continued supply for the institutions. (2)

- Ensure criteria and requirements in electronic business standardization, in order to harmonize the electronic business systems of state entities that are involved in the health system

    1. Technical (document size limit that can be inserted into the system, which are part of the standard procedures requirements)

    2. Administrative (defining the validity / acceptability of electronic documents vs. paper documents; acceptance or non-acceptance of electronic mail as a valid way of communication with records on the sending and receiving date; acceptance of electronic signature, etc.). (2)

NHIF should:

- Ensure the acquisition of the funds required from the central budget for introducing new medicines on the Reimbursement List. (3)

- Continue the positive trend of ensuring the predictability of the decision-making process, with clear time frames and a transparent consultation process with industry representatives. (2)

- Ensure greater flexibility regarding models for specific agreements, since every medicine has its own specific details that need to be incorporated into the agreement. (2)

- Enable the electronic submission of introducing new medicines on the Reimbursement List, without submitting paper documentation. (2)

- Ensure timely obligations settlement to suppliers for delivered drugs upon direct payment. (2)

The Ministry of Health should:

- Work continuously, together with the Ministry of Finance and the NHIF, on securing additional funds from the budget of the Republic of Serbia with the aim of including new therapies on the NHIF Reimbursement List. (3)

- With the aim of accelerating patients' access to medicines, allow the submission of documentation for obtaining the highest price of medicines for use in human medicine to competent ministries as of the moment the holder of the licence for the medicine receives a Report from ALIMS following a session of the Commission for the Placement of Human Medicines on the Market. Enabling parallel processes for finalizing the licensing procedure for a medicine and for obtaining its maximum price would considerably reduce the time frame for placing each individual medicine on the market. Therefore, the proposal is to enable two processes to take place in parallel: the final part of the process of obtaining a licence for placing a medicine on the market from ALIMS, and the

process of publishing the maximum price of the medicine in a Decision on the highest prices of medicines for use in human medicine by the Ministry of Health. (2)

- Urgently draft a new Law on Medicines in cooperation with industry representatives. (2)
- Eliminate from the new Law on Medicines the issuing of approvals by ALIMS for the use of promotional materials and other documentation regarding the advertising of prescription medicines and/or promotional materials and other documentation intended for the professional public. (2)
- Amend the Rulebook for acquiring basic knowledge about personal hygiene training program so that employers can conduct training for employees in the medicines production, trade and dispensing, as it is already regulated by other regulations. (2)

The Ministry of Finance should:

- Make a positive decision on a reasoned request by the Ministry of Health for a special-purpose transfer of NHIF funds for new medicines. (3)
- Ensure an equal tax and customs treatment of raw materials and finished medicines. (2)
- Abolish VAT on donations of medicines and medical devices to health care institutions. (2)
- Amend the Law on Fees for the Use of Public Goods in the part of fees for medicines that remain in possession after the expiration date and are collected from citizens, so that compensation basis is determined by the amount of medicines collected from citizens, which needs to be disposed of as pharmaceutical waste and precisely determine the taxpayer. (2)