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Japan Pricing Reform Process Must Be Participative – Pfizer

by Ian Haydock

Against a background of ongoing discussions in Japan over the reform of the drug pricing and reimbursement system, Pfizer is calling for greater industry participation and recognition of the value of innovation.

While the main focus of *Pfizer Japan Inc.*'s annual business update in Tokyo was not surprisingly on the performance, outlook and R&D pipeline of the largest pharma multinational in Japan, the US giant also took the opportunity to present some of its views on ongoing official discussions over drug pricing and reimbursement reforms.

Pointing to the subsidiary's achievement of 100 new drug approvals in Japan over the past 20 years, and the contribution of these to medical care, country president Ichiro Umeda stressed that such development activity is enabled largely by the reinvestment of commercial profits.

Any change in this stable system of returns and a lack of policy predictability due to repeated ad hoc reform discussions would jeopardize future R&D and other long-term investments, meaning "we may not be able to provide drugs to patients appropriately," he cautioned.

Overall investment by the pharma/biotech sector in Japan is already in third place overall at around 11% of the total for all industries, compared with 19% (second place) in the EU and 17% (first) in the US, he noted, and so should be encouraged rather than comprised.

Revised Japan Prices Include Big Cuts For Gilead HCV Drugs

By Ian Haydock

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With policy surrounding the regular drug price revision in Japan next month finalized and a list of new tariff prices just released, it has become clear that Gilead is facing sizeable reimbursement reductions for its two big-selling hepatitis C drugs in the country.

“Drug expenses have been managed effectively and appropriately over a long period of time” under Japan’s current system of biennial price revisions, and any shift to more frequent price cuts “will have a negative effect on many companies,” Umeda warned.

[Read the full article here](#)

Need For Predictability

Under Japan’s current system, drug reimbursement prices under the national health insurance system are revised every other April, based on prior surveys of actual market prices and designed to bring reimbursement prices more into line with these levels.

The last regular biennial revision in April 2016 for instance saw prices cut by roughly 6% across the board, with larger one-off reductions of around 32% for some big-selling hepatitis C drugs. Pfizer’s business had an average drug price cut of around 7%, and while sales are negatively affected, companies can generally plan for and adjust to the regular reductions.

However, since late last year and following political and public outcry over the cost to the healthcare system of the rapidly expanding use of [Ono Pharmaceutical Co. Ltd./Bristol-Myers Squibb KK](#)’s *Opdivo* (nivolumab) in lung cancer – which eventually led to a 50% price cut for the drug - the government has renewed official discussions over pricing reform.

In December, the Council For Economic and Fiscal Policy under Prime Minister Abe came out with initial basic recommendations that included a planned increase in the frequency of general drug price revisions to once a year, and to up to four times a year for selected big-selling drugs.

Industry Exclusion?

While discussions over the details of these potential policy changes are ongoing, the main message from Pfizer and Umeda in the meantime was that the reform process should be broad and inclusive.

Industry Fears Realized As Japan Moves To Annual Price Cuts

By [Ian Haydock](#)

20 Dec 2016

Against the protests of the innovative pharma industry, Japan is pushing ahead with an overhaul of its drug reimbursement pricing system that will include a shift to annual price revisions.

[Read the full article here](#)

“Drug prices in Japan have already fallen below the EU average in recent years,” he said, pointing to data from US industry association PhRMA showing that the median of the Japan to EU ratio (including the UK, France and Germany) was 0.89 in 2016 (for 19 drugs), and 0.99 (146 products)

on average over the 2011-16 period.

Calling for the voices of stakeholders including patients and the industry to be heard, Umeda said that “no substantial formal opportunities are being given for the pharma industry to take part in the reform process.”

Given that the overall drug market in Japan is expected to remain flat, any further penalization of medicine prices would not be reasonable and may cause the market to shrink, he warned.

Shift To Prevention

One major facet of the reform discussions, the executive suggested, should be to help control rising healthcare costs through more official emphasis on disease prevention.

Given Pfizer’s interest in vaccines, this view is perhaps not surprising, and Umeda pointed to the value of such products along with diet, exercise and smoking cessation (another area of business interest for the company) as the “foundations for a healthy country.”

He also argued that if the public can be appraised of the broad value of innovation and the real benefits to health and society of new medicines, they would be accepting of the costs. While he stopped short of specific suggestions on how to do this, Pfizer already has a number of initiatives in Japan relating to disease awareness, patient support and general health.

From the editors of PharmAsia News.