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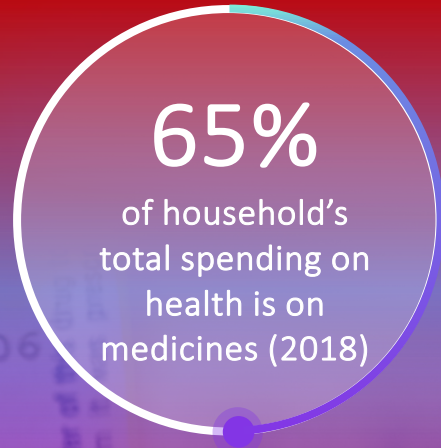
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25 Years for Better Health Systems

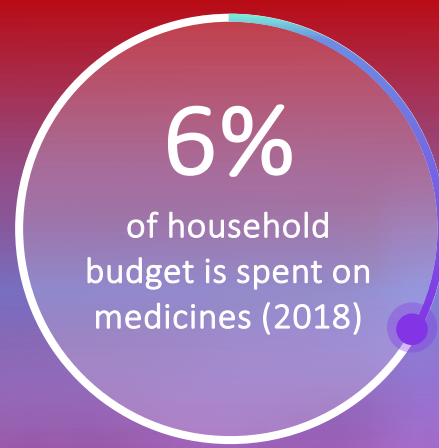
Inflation on healthcare with a focus on pharmaceuticals

Prepared by Curatio International Foundation

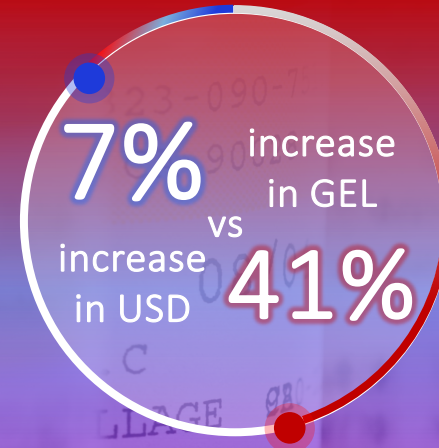
Background



Approximately 80% of households spend around 80% on medicines out of amount spent on health, only richest 20% is spending about 40%. Thus, pharma spending concerns almost everybody



Prevalence of catastrophic spending on pharmaceuticals increased from 11.5% to 17.4% between 2013 and 2018. Average monthly expenditure on pharmaceuticals of an average households is 267.9GEL



Cost of imported medicines increased by 41% in Georgian Lari (GEL) / 7% in US dollars (USD) from 2016 to 2020. (31.4% increase in USD/GEL exchange rate 2016-2020 likely contributes to this discrepancy between USD and GEL)



Imports make up a large majority of the pharmaceutical market in Georgia, amounting to US\$483.24 million during 2022

CIF. (2021). რა დაავადება ჭირს ქვეყნის ფარმაცევტულ სექტორს და რა შეიძლება იყოს მისი საშუალო?

Goginashvili K., Nadareishvili M., & Habicht T.(2021). [Can people afford to pay for health care? New evidence on financial protection in Georgia]. World Health Organization. Regional Office for Europe.

<https://apps.who.int/iris/handle/10665/342814>. License: CC BY-NC-SA 3.0 IGO

Geostat.(2023).Average monthly expenditure of households. <https://www.geostat.ge/personalinflation/?lang=en>

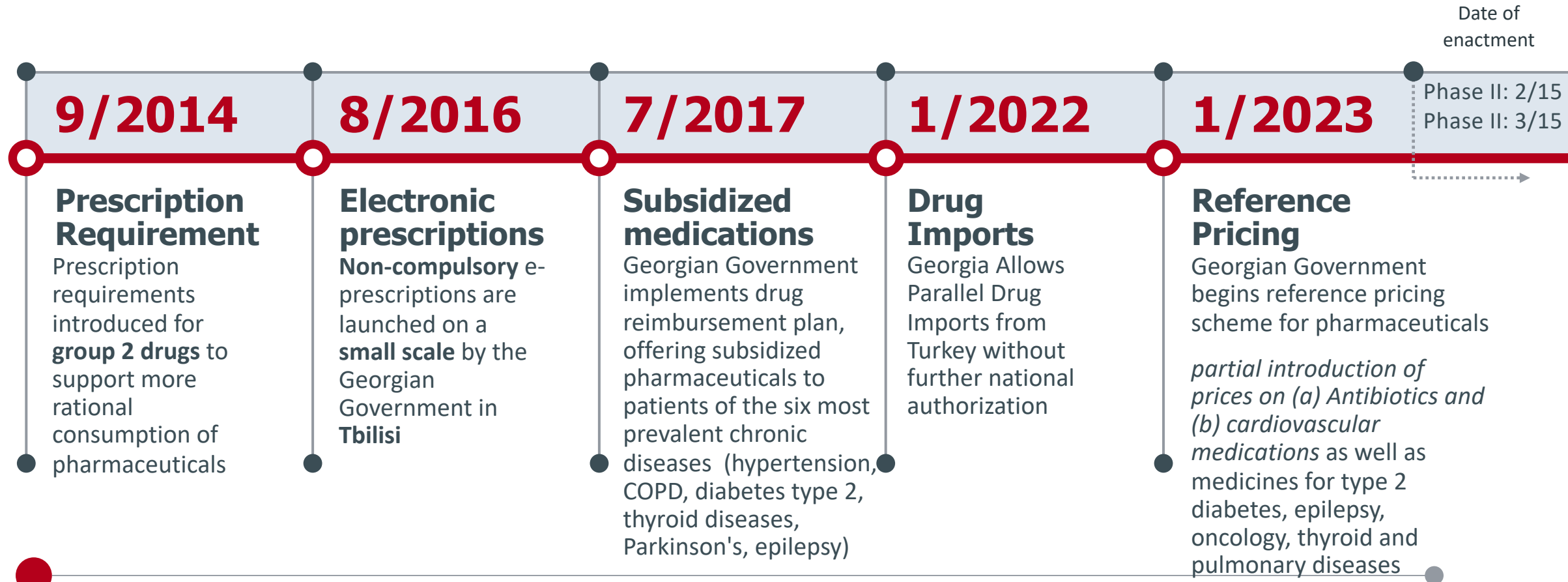
Competition agency. (2021). Monitoring of pharmaceutical market. /<https://admin.competition.ge/uploads/0e920af7373747e089b6921817fb9e12.pdf>

CIF. (2019). Pharmaceutical pricing policies to improve the population's access to pharmaceuticals in Georgia. https://curatiofoundation.org/wp-content/uploads/2020/02/Pharmaceutical-pricing-policies_Dialogue-Summary_3Feb2020_Final_ENG.pdf

UN comtrade. (2023). <https://comtradeplus.un.org/>

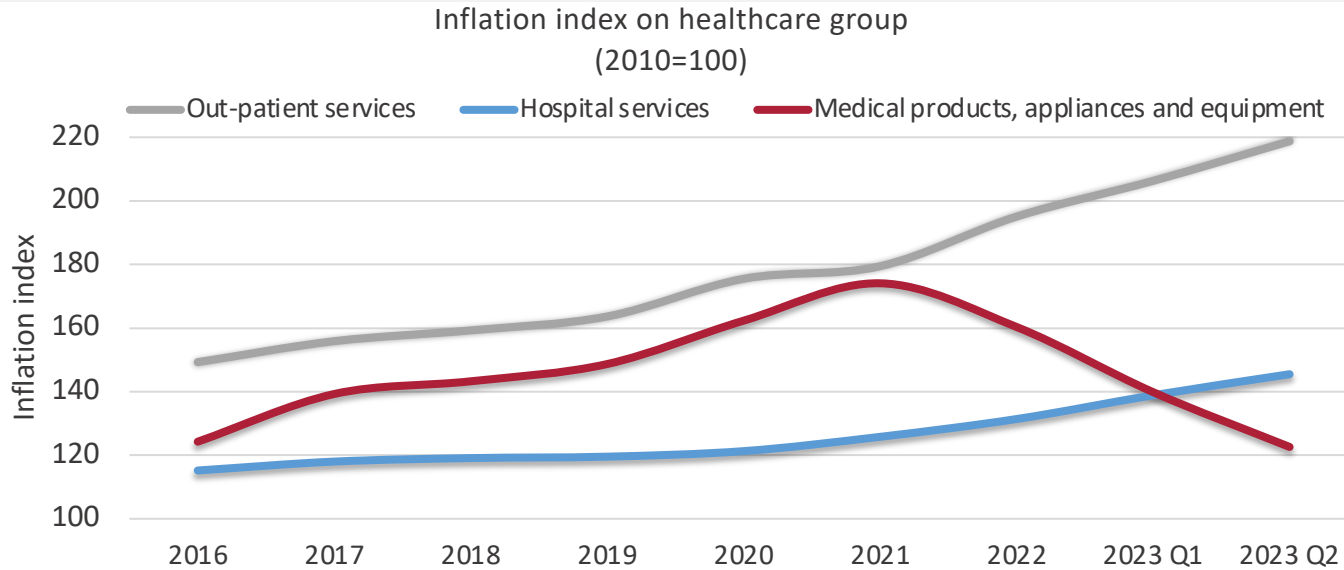
Pharmaceutical policy reform

2014-2023



Inflation on healthcare


Inflation index on healthcare group

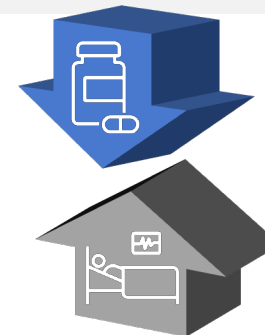


Note: 2023 includes data first 2 quarters

- The prices for the **healthcare group** decreased by 6.9% with main contribution from **medical products, appliances and equipment sub-group** that has decelerated by -17.2% in June 2023.
- According to the inflation index (2010=100), after a long upward trend in medical product price growth, there was a substantial decline after 2021, potentially linked to parallel import from Turkey.
- Prices in June 2023 fell below the 2017 level.

Monthly inflation rate

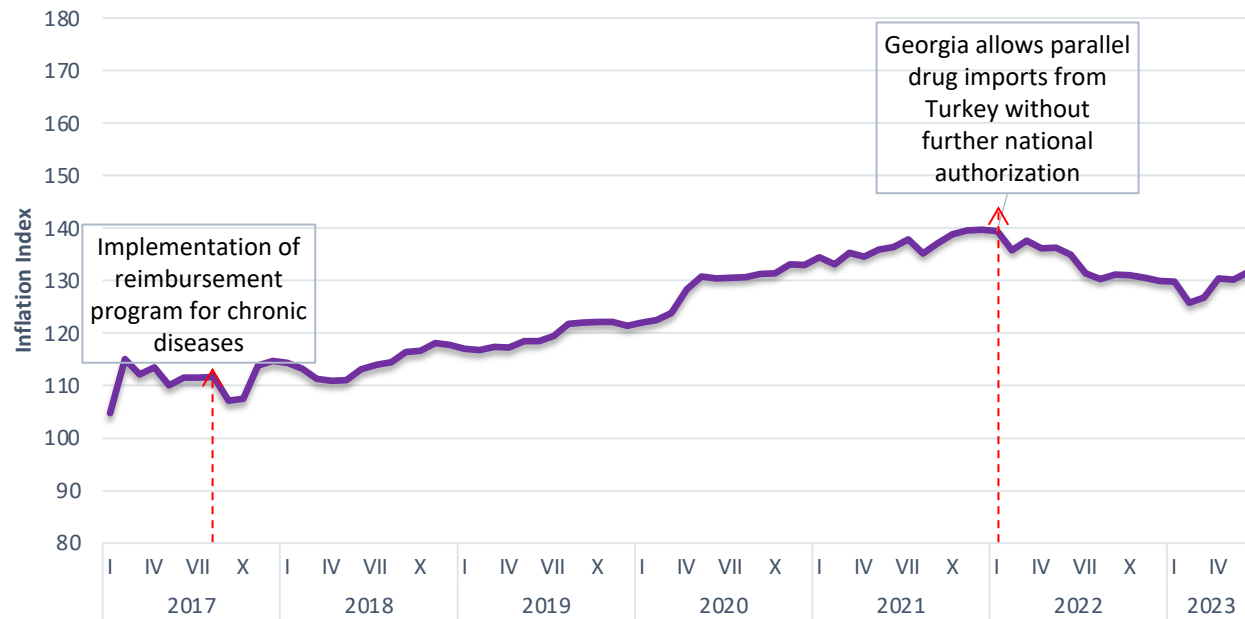
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- In the second quarter of 2023, **healthcare group** was *not* among top contributors to the overall monthly inflation rate, which was mainly driven by food, transport and utilities.
 - In April 2023, consumer price index for **healthcare group** *increased* by 0.9% compared to the previous month, while in the following months it showed slight decrease, and fell up to 0.6 in May and 0.3 in June.



In February 2023, the change in consumer price index (CPI) of **medical products, appliances and equipment** was -8.1%, while prices for hospital services increased by 1.3%

Inflation Index of certain Medicines

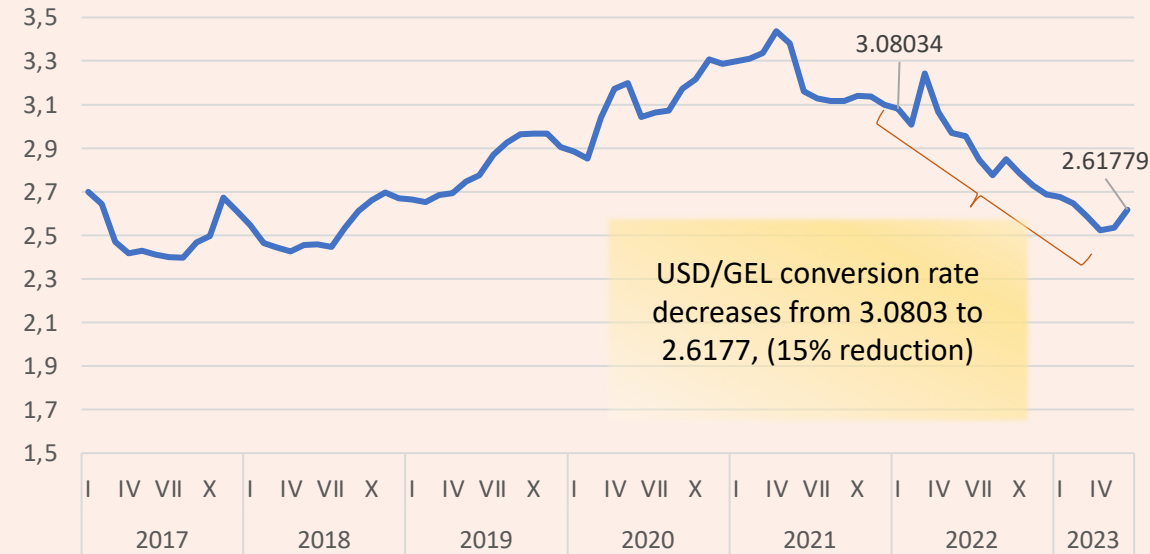
Vitamins (MoM)
(2016-100)



Note: MoM-month on month CPI change

Data Source: Geostat. (2017-2023). Consumer Price Index (Inflation). <https://www.geostat.ge/en/search?query=inflation&page=12>

USD/GEL conversion rate 2017-present



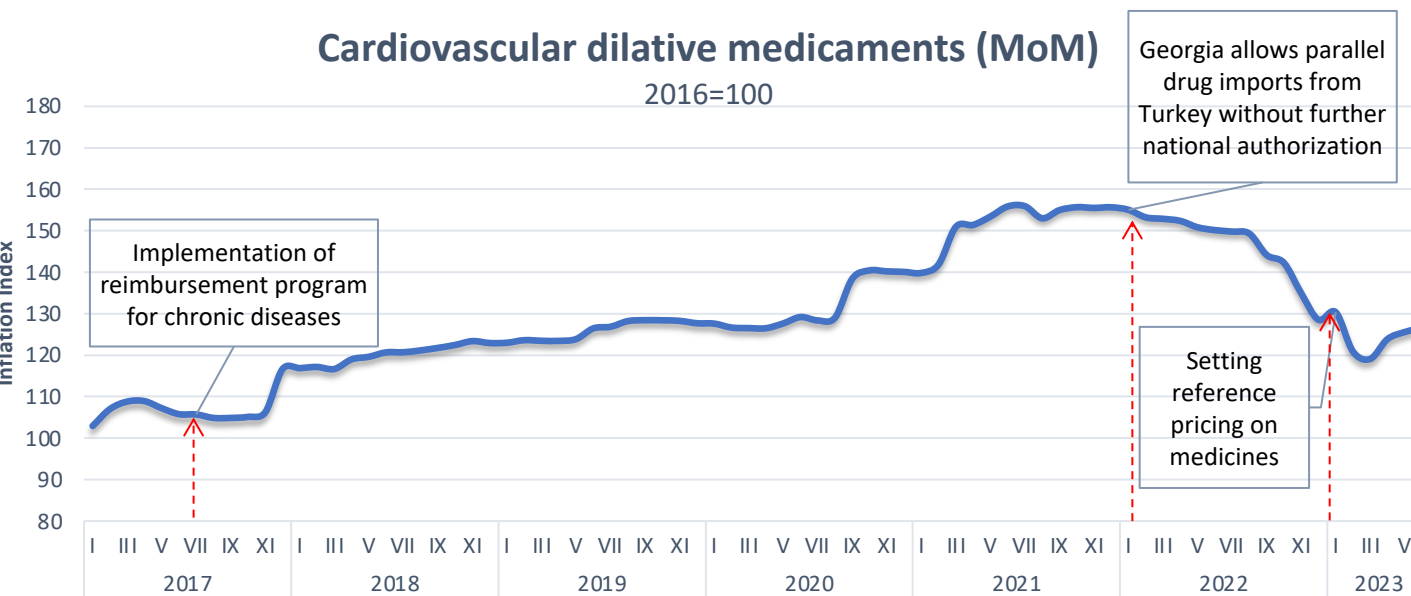
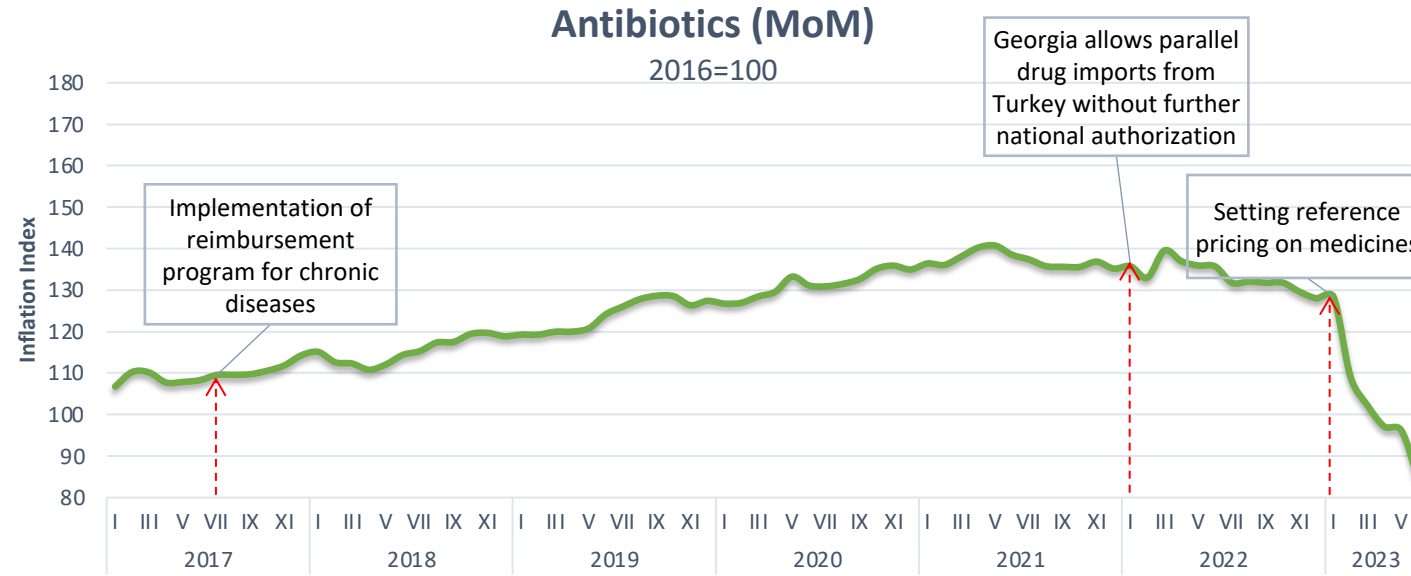
Data Sources: National Bank of Georgia (average monthly exchange rate)

- Prices for all medicines declined since introduction of imports from Turkey, which has gradually expanded
- The decline could be partially explained by GEL appreciation against USD by 15%

MoH. (2021). The list of medicines imported from Turkey has been expanded. <https://www.moh.gov.ge/ka/news/6614/Turqetidan-importirebuli-medikamentebis-sia-gafarTovda>

Business media.(2022). Medicines imported from Turkey can be purchased at 4 pharmacy chains - Ministry of Health. <https://bm.ge/news/turqetidan-importirebuli-medikamentebis-shedzena-4-saafiaqo-qselshia-shesadzlebeli---jandacvis-saministro/105461>

Inflation Index of certain Medicines (2)



- The first phase of the reference pricing system was enacted in Georgia on February 15th. It was introduced for selected categories of medicines, including *Antibiotics* and *cardiovascular medications*. Subsequently, the list of medicines under this system was gradually expanded in March and May, respectively.
- Reform potentially contributed to the overall price decline observed in May.¹
- Furthermore, it resulted in a slightly larger decrease in the Consumer Price Index (CPI) during Q1 of 2023 for *Antibiotics and Cardiovascular medications* compared to medications without reference pricing, indicating the influence of Phase I of the reform.
- It is worth noting that the list of medicines from the referred two groups continued to increase gradually in Q2, further positively impacting the price on Antibiotic group.

Note: ΔGEL/USD exchange rate 2022-2023 = -15%

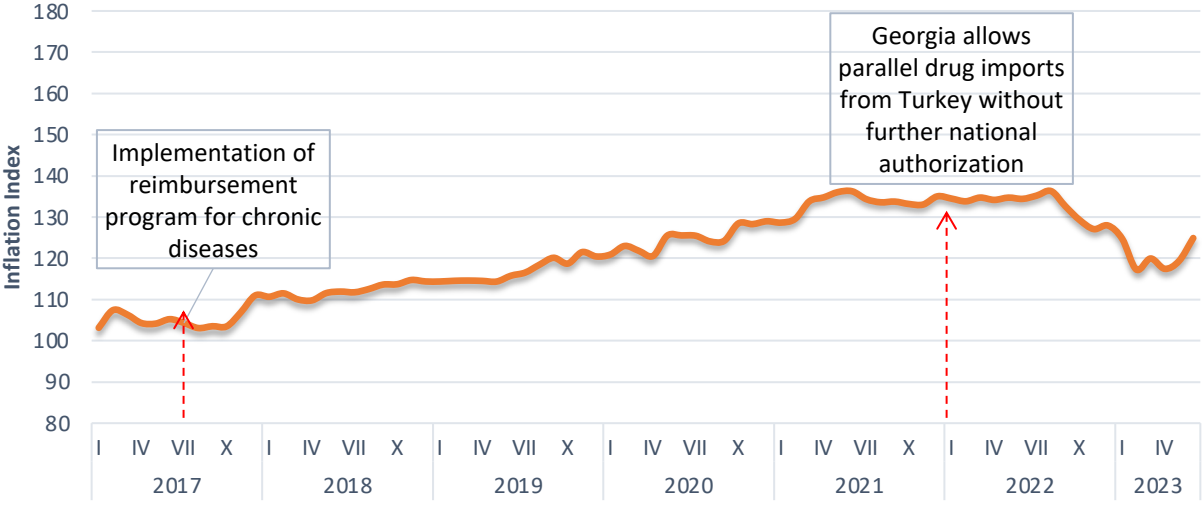
Note: These are the two drug groups from Phase I of reference pricing scheme, on which CPI is available on a public domain.

Data source: Geostat. (2017-2023). Consumer Price Index (Inflation). <https://www.geostat.ge/en/search?query=inflation&page=12>

1. WB. GEORGIA MONTHLY ECONOMIC UPDATE – JUNE 2023, retrieved from <chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://thedocs.worldbank.org/en/doc/0fdf1859b07785ebc3b6f23335122438-0080012023/original/GEO-MEU-June-2023-eng.pdf>

Inflation Index of certain Medicines (3)

Anti-inflammatory medicaments



Digestive system medicaments



Analgetics



- Parallel drug imports from Turkey have positively influenced the reduction of prices for almost all medicine categories (as visible from slides) since January 2022.
- However, prices for medication groups not covered by the reference pricing system during the first two quarters, such as *Anti-inflammatory, analgesics and medicines for digestive system*, in fact, increased since 2023.

Note: Graphs represent month-on-month changes in CPI, and *not direct changes in price itself*. Also note Δ GEL/USD exchange rate 2022-2023 = -15%

Geostat. (2017-2023). Consumer Price Index (Inflation). <https://www.geostat.ge/en/search?query=inflation&page=12>

Summary

- The Georgian pharmaceutical market is highly dependent on imports, amounting to US\$483.24 million during 2022.
- High prices for medicines are one of the most important challenges of the healthcare system in Georgia. Although reforms introduced since 2013 have improved *access* to health care, **high out-of-pocket payments, especially for outpatient medicines, persists.**
- But according to the NDI public opinion poll at the end of 2022, every third Georgian reported spending less on drugs compared to last year, though household expenditure on medicines still consumed significant share of household income².
- While over the past few years (2016-2021) prices on medical products, appliances and equipment increased, in 2022 the price growth decelerated dramatically for the first time since 2012.

In conclusion, presented data suggests that the newly introduced reforms, specifically the decision to import drugs from Turkey and the adoption of reference pricing, possibly are yielding positive results. This is also supported by a poll conducted in 2022 by NDI. However, it is probable that future NDI and other surveys will offer further insights into the impact of these policy changes on the people. Meanwhile, a deeper understanding of the cause-and-effect relationship of the policy actions, the long-term sustainability of these outcomes, and their lasting effects on patients' well-being requires an extended period of observation using a more rigorous methodology, tools and data.

1. NDI, CRRC Georgia . (September 2022). Public Opinion Research. Retrieved from https://www.ndi.org/sites/default/files/Poll%20Results%20%28English%29_0.pdf

2. NDI, CRRC Georgia . (February 2023). Public Opinion Research. Retrieved from https://www.ndi.org/sites/default/files/NDI%20Georgia_December%202022%20poll_public%20version_ENG_vf.pdf



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Disclaimer

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