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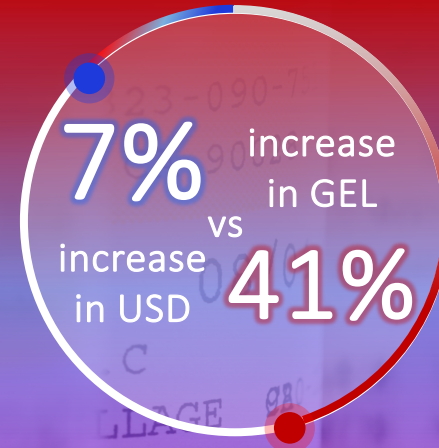
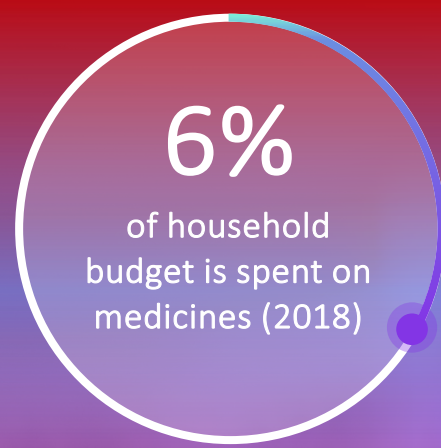
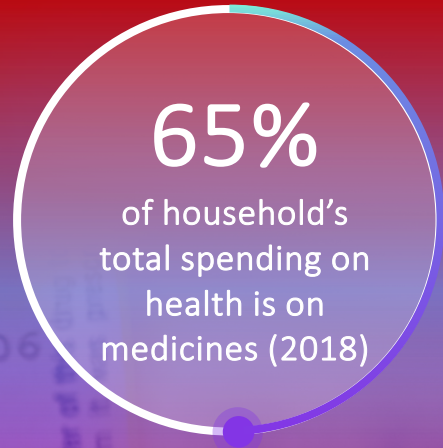
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Inflation on healthcare with a focus on pharmaceuticals

Prepared by Curatio International Foundation

Background



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

The prevalence of catastrophic pharmaceutical spending increased from 11.5% to 17.4% between 2013 and 2018. The average annual expenditure on pharmaceuticals of an average household is 267.9GEL

The 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>

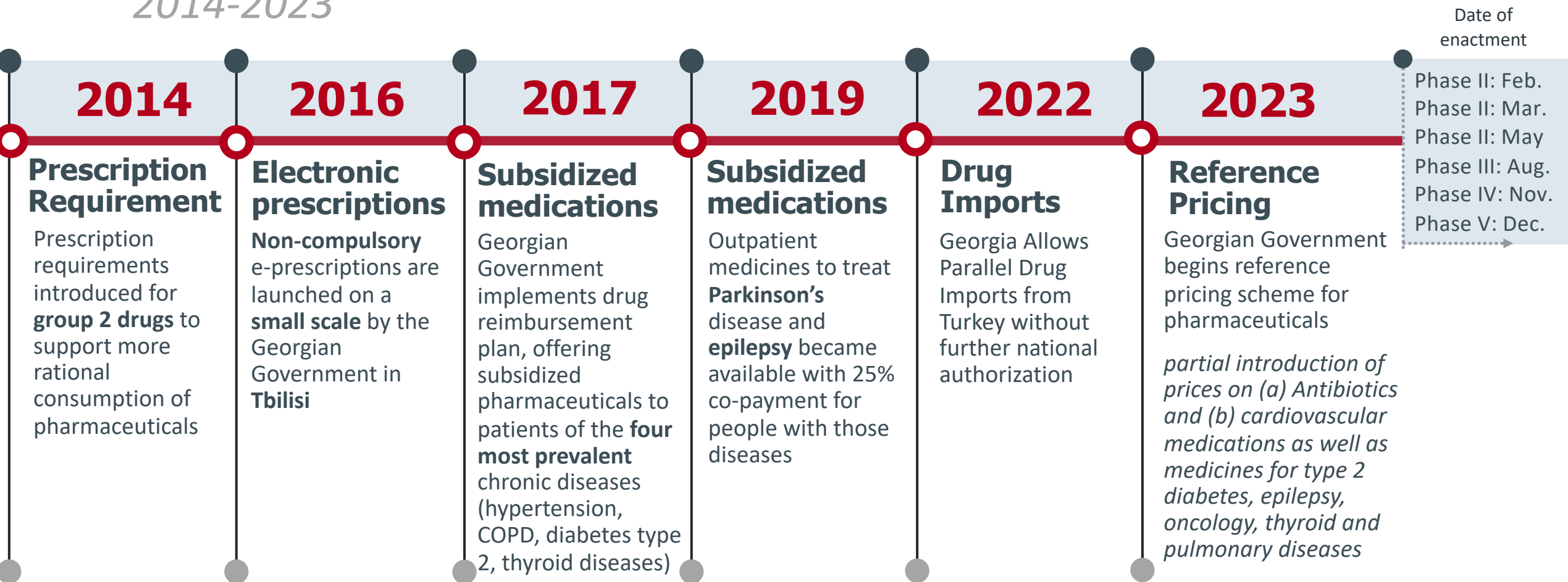
Competition agency. (2021). Monitoring of pharmaceutical market. /<https://admin.competition.ge/uploads/0e920af7373747e089b6921817fb9e12.pdf>

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/>

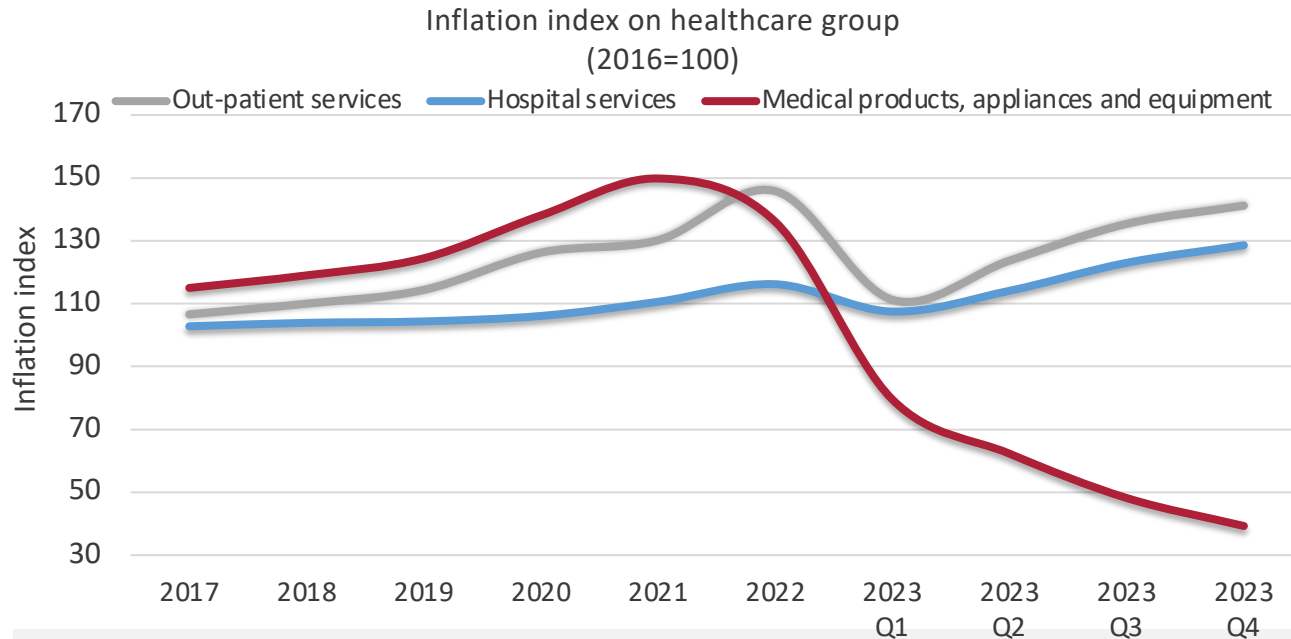
Pharmaceutical policy reform

2014-2023



Inflation on healthcare

Inflation index on healthcare group



- The prices for the **healthcare group** decreased annually by 3.8%, with the main contribution from the medical products, appliances, and equipment sub-group decelerating by -8.9% in December 2023. At the same time, prices increased for outpatient services (5.8%) and hospital services (5.6%), the latter accelerating faster since 2021.
- According to the inflation index (2016=100), after a long upward trend in medical product price growth, there was a substantial decline after 2021, potentially linked to parallel imports from Turkey.
- Prices in December 2023 fell further below the 2017 level.

Monthly inflation rate

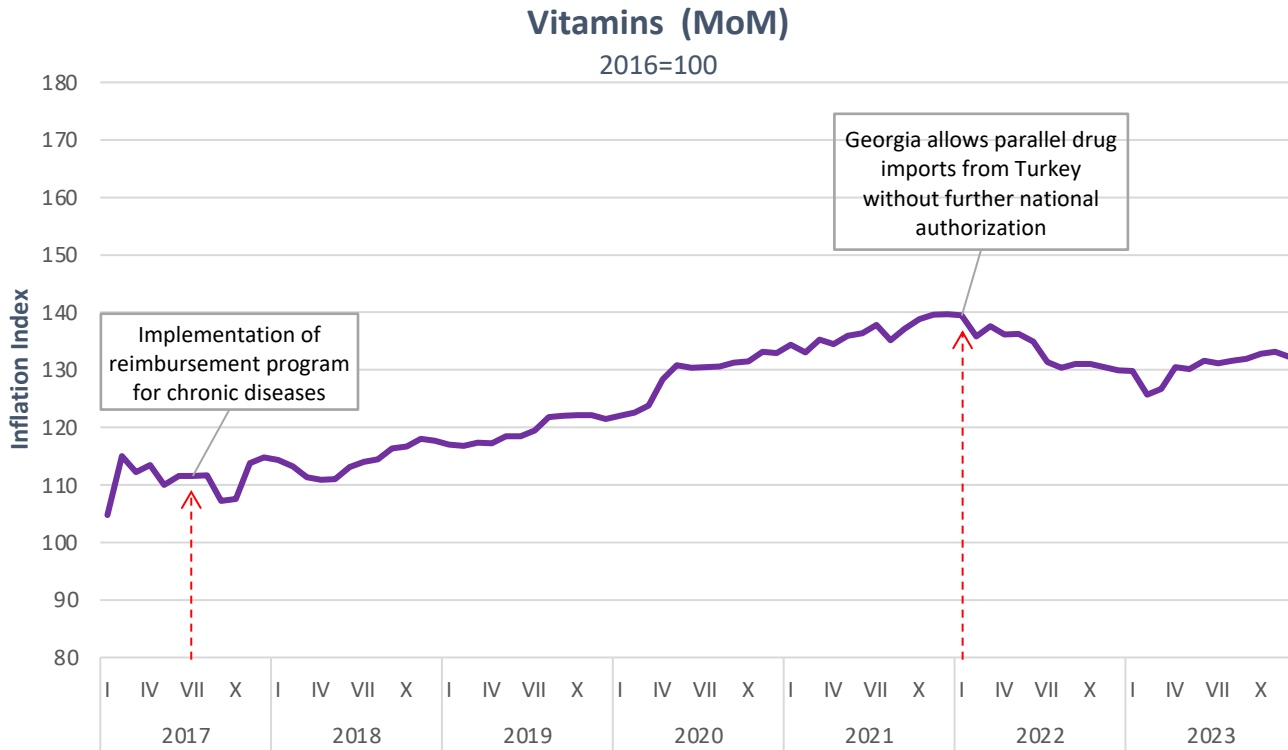


In November 2023, the healthcare group was among the top contributors to the overall monthly inflation rate, after food and furnishings, household equipment, and maintenance groups. The **prices for healthcare group decreased by -0.8%** in November, compared to previous month.



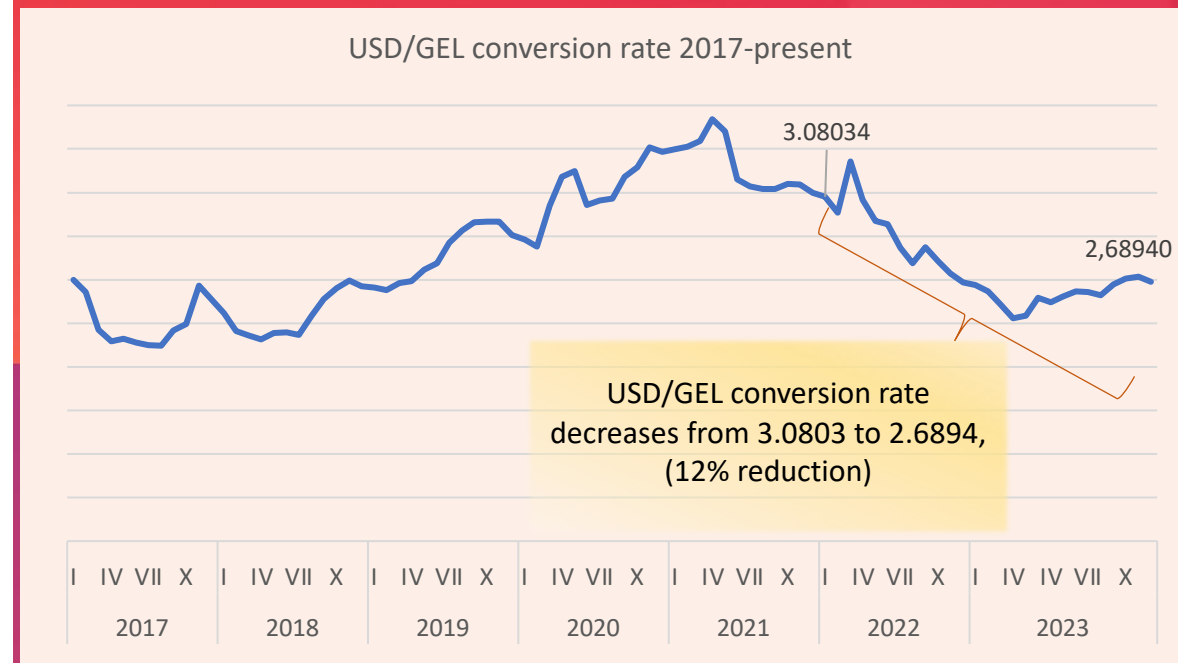
Since 2021, there has been a declining trend in prices for **medical products, appliances, and equipment** which is maintained, most likely due to policy reforms.

Inflation Index of certain Medicines



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>



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

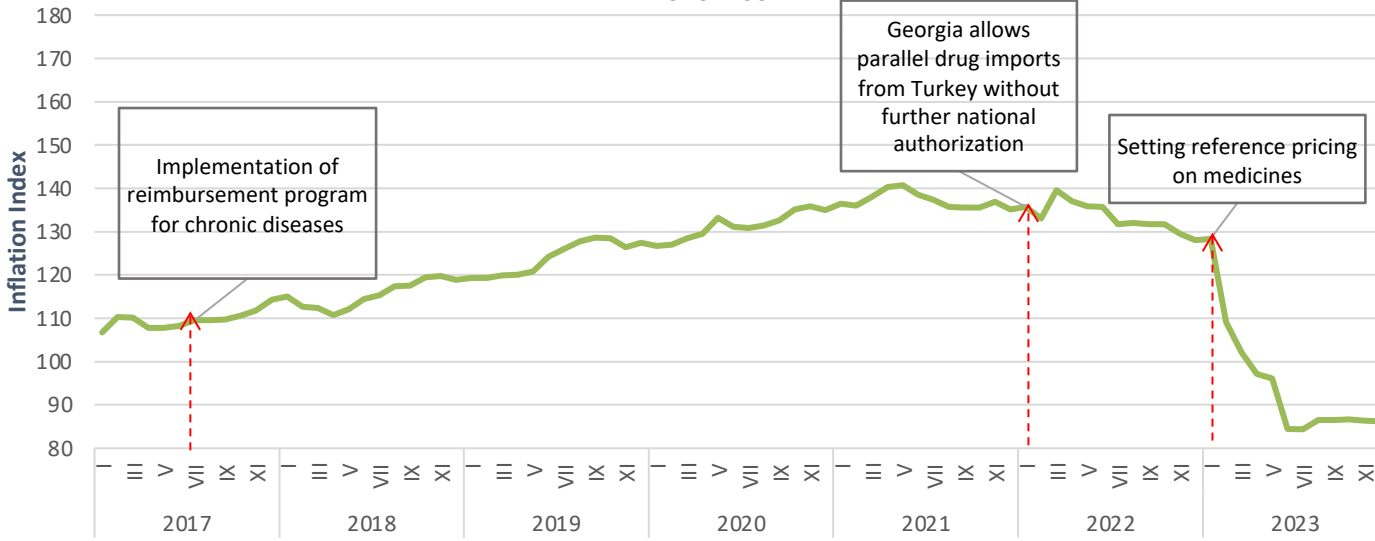
- Prices for all medicines have declined since the introduction of imports from Turkey and after the introduction of reference pricing.
- The decline could be partially explained by GEL appreciation against USD by 12%

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)

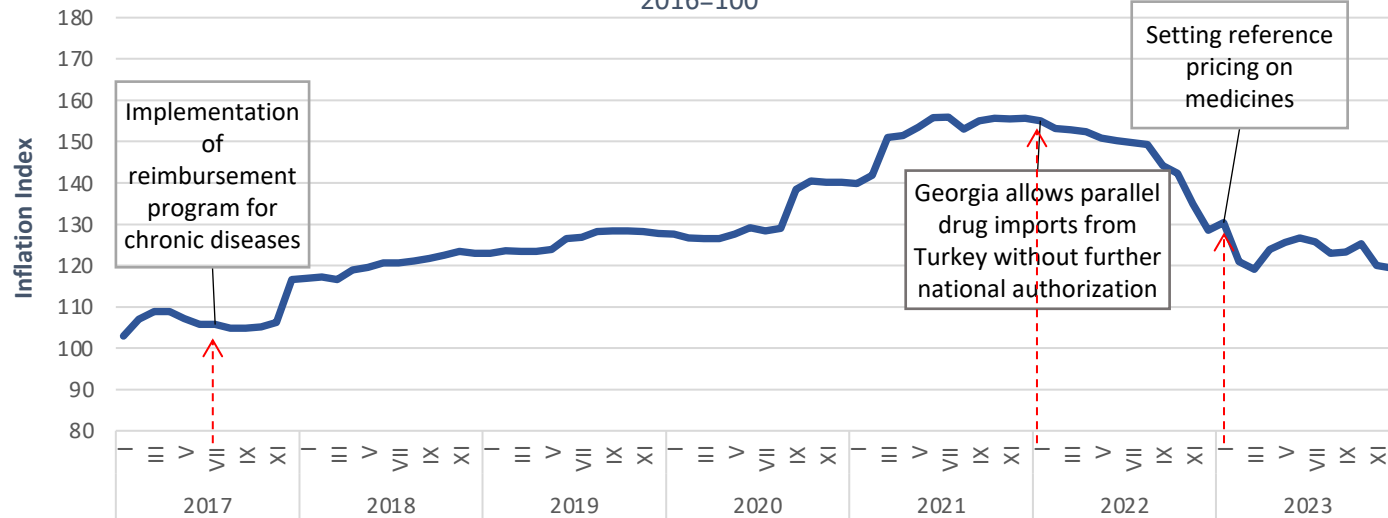
Antibiotics (MoM)

2016=100



Cardiovascular dilative medicaments (MoM)

2016=100



- 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 from March to December 2023.

- Furthermore, it resulted in a slightly more significant decrease in the Consumer Price Index (CPI) during the first two quarters of 2023 for *Antibiotics and Cardiovascular medicaments* compared to medications without reference pricing, indicating the influence of Phase I of the reform.

- Reform potentially contributed to the overall price decline in 2023.¹ However, the decline was more pronounced during the initial months, and since the pace of reduction seems to have stabilized.

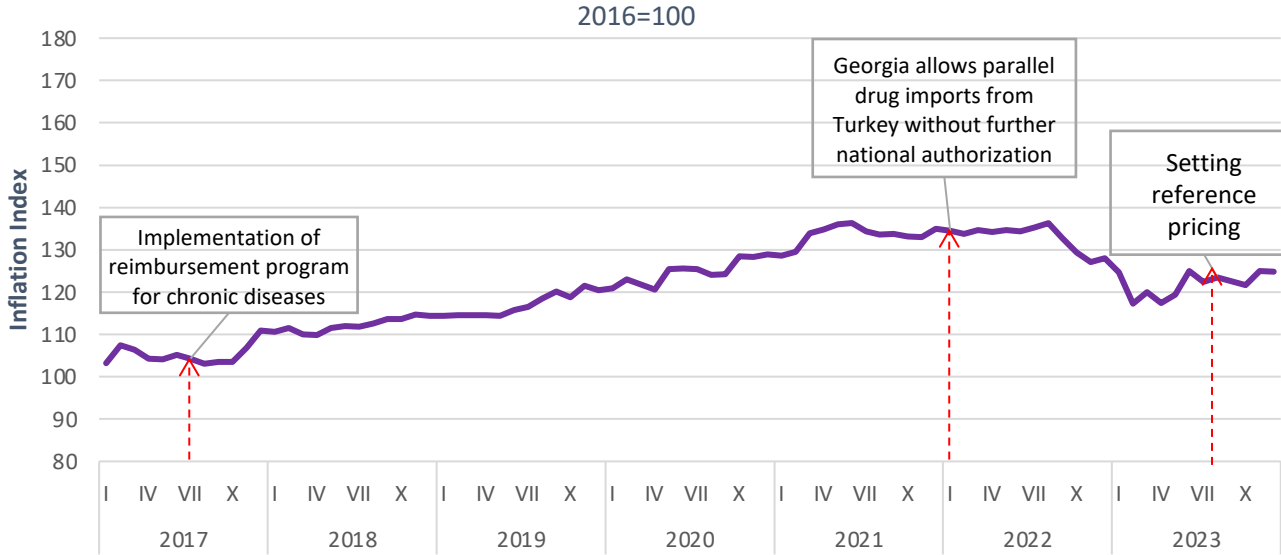
1. WB. GEORGIA MONTHLY ECONOMIC UPDATE – JUNE 2023, retrieved from <https://thedocs.worldbank.org/en/doc/0fdf1859b07785ebc3b6f23335122438-0080012023/original/GEO-MEU-June-2023-eng.pdf>

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

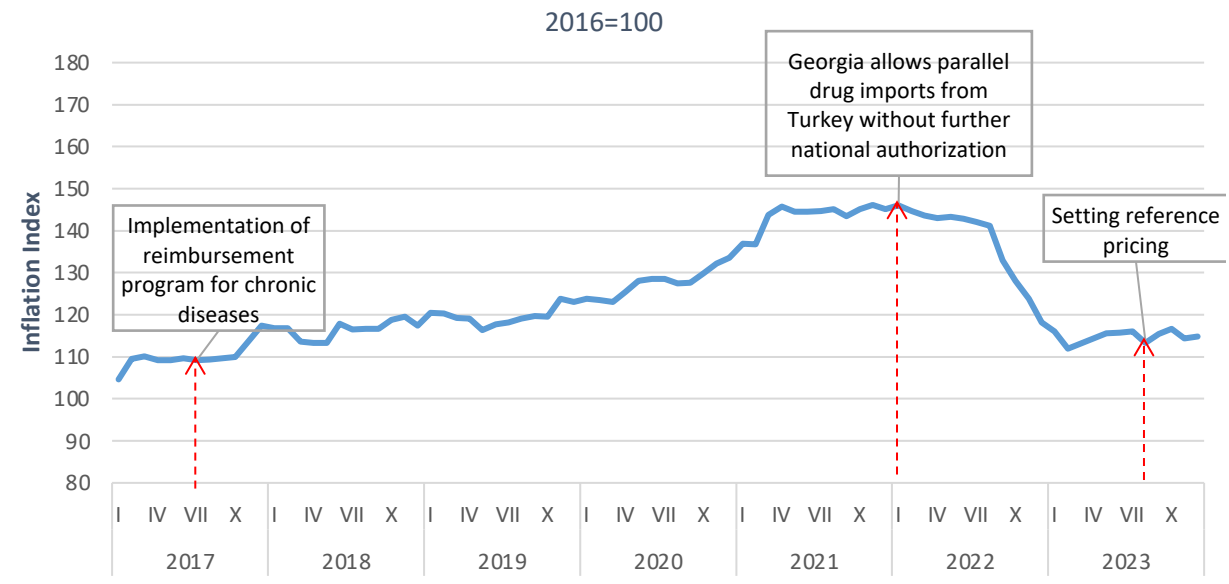
Data source: Geostat. (2017-2023). Consumer Price Index (Inflation). <https://www.geostat.ge/en/search?query=inflation&page=12>

Inflation Index of certain Medicines (3)

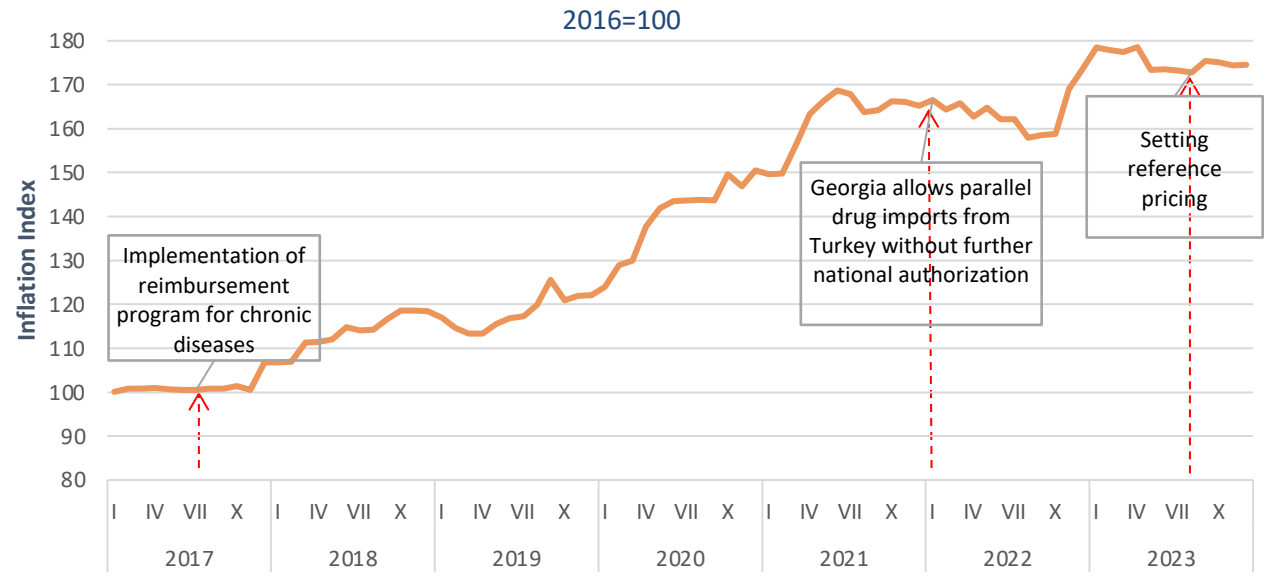
Anti-inflammatory medicaments



Digestive system medicaments



Analgetic



However, prices for medication groups not covered by the reference pricing in the initial phase increased. For medicine groups such as *Anti-inflammatory, analgesics, and medicines for the digestive system*, reference prices were introduced only in August 2023, and the list of medicines subject to reference pricing was gradually expended through the year, potentially leading to the halting of the escalation of prices.

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

Summary 1

- The Georgian pharmaceutical market is highly dependent on imports, amounting to US\$489.6 million in 2023 (Jan-Nov). *
- High prices for medicines are one of the most critical 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, persist.
- Over the past few years (2016-2021), prices of medical products, appliances, and equipment (including medicines) have increased. However, starting from 2022, the price growth began to decelerate dramatically for the first time since 2012.
- Also, according to the NDI public opinion poll at the end of 2022, every third Georgian reported spending less on drugs than last year, further confirming the trend captured in the GeoStat data. However, household expenditure on medicines still consumed a significant share of household income. **

* Geostat. (December 2023). External merchandise trade of Georgia in January-November 2023. Retrieved from <https://www.geostat.ge/media/59231/External-Merchandise-Trade-of-Georgia-in-January-November-2023.pdf>

** 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

Summary 2

- The presented data suggests that prices of medical products, appliances, and equipment grew until 2021. The newly introduced reforms (to import drugs from Turkey and adopting reference pricing) maybe are yielding positive results. But, the stabilization of the price reduction towards the end of 2023 needs close monitoring.
- While achievement seems prominent, according to the October-November 2023 NDI poll results, most of the public still considers the high cost of drugs as one of the leading problems in the healthcare system.**
- Thus, gaining a deeper understanding of the cause-and-effect relationship of the policy actions, evaluating the long-term sustainability of these outcomes, and assessing their lasting effects on patients' well-being requires an extended observation period using more rigorous methodology, tools, and data.

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

** NDI, CRRC Georgia (December 2023). Public Opinion Research.. Retrieved from

https://www.ndi.org/sites/default/files/NDI%20Georgia_GGF%20poll_October_2023_Eng_VF.pdf

Summary 3

Although prices for medical products, appliances, and equipment have declined since 2022, we also note accelerated prices for outpatient care and hospital services, which should be concerning and may require a prompt policy response.



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