pharmacy

Review

Factors Impacting Pharmaceutical Prices and Affordability: Narrative Review

Kah Seng Lee *, Yaman Walid Kassab, Nur Akmar Taha and Zainol Akbar Zainal *

Faculty of Pharmacy, University of Cyberjaya, Cyberjaya 63000, Selangor, Malaysia; dryamankassab@yahoo.com (Y.W.K.); akmar@cyberjaya.edu.my (N.A.T.)
* Correspondence: ksl.pharm@gmail.com (K.S.L.); zainol.akbar@cyberjaya.edu.my (Z.A.Z.); Tel.: +60-3-83137000 (Z.A.Z.)

Abstract: Increasing prescription drug pricing often reflects additional work stress on medical professionals because they function as financial advisors for patients and help them manage out-of-pocket expenses. Providers or prescribers wish to help patients with prescription costs but often lack related information. Healthcare plan providers try to display prescription and drug cost information on their websites, but such data may not be linked to electronic prescription software. A mark-up is defined as the additional charges and costs that are applied to the price of a product for the purpose of covering overhead costs, distribution charges, and profit. Therefore, the policies implemented in the pharmaceutical distribution chain might include the regulation of wholesale and retails mark-ups and pharmaceutical remuneration. If mark-ups are regulated, countries are highly recommended to use regressive mark-ups rather than fixed percentage mark-ups. This narrative review provides insights into the framework of pharmaceutical mark-up systems by describing different factors impacting pharmaceutical prices and affordability. These include the interplay of medicine pricing and the supply chain, the impact of pertinent laws and regulation and out-of-pocket expenditure.

Keywords: mark-up mechanism; pharmaceuticals pricing; availability; pharmacoeconomics

Citation: Lee, K.S.; Kassab, Y.W.; Taha, N.A.; Zainal, Z.A. Factors Impacting Pharmaceutical Prices and Affordability: Narrative Review. *Pharmacy* **2021**, *9*, 1. https://dx.doi.org/10.3390/pharmacy9010001

Received: 2 September 2020
Accepted: 3 November 2020
Published: 23 December 2020

1. Introduction

Countries across the world are implementing various pharmaceutical pricing policies and procedures in order to cope with increasing drug prices [1]. Most countries implement a combination mechanism to determine and regulate pharmaceutical product prices. Four policies and strategies that are most commonly used are the regulation of mark-ups and distribution chains, external/international reference pricing, promotion of generic medicine use, and tariff/tax exemptions. Among the countries that implement regulation on mark-up distribution are Malaysia [2], Indonesia, Myanmar, Laos, Vietnam and the Philippines, but only in the public sector, so the private sector is left unregulated. Only Malaysia [3], Vietnam and Laos practice external reference pricing to regulate the price of pharmaceutical products while most of the ASEAN countries, especially Malaysia and Indonesia, apply generic medicine promotion to enhance the use of generic medicines as they are much cheaper [4]. However, the availability of generic substitutions in each country varies greatly.

A mark-up is defined as the additional charges and costs that are applied to the price of a product for the purpose of covering overhead costs, distribution charges, and profit [5,6]. Therefore, the implementation of pricing policies in the pharmaceutical distribution chain might include the regulation of wholesale and retail mark-ups and pharmaceutical remuneration. The manufacturer's selling price is the price of a product defined by its producer, and this is also the initial price of the whole supply chain. Distribution costs and the wholesaler's mark-up are the overhead costs applied on top of the manufacturer's selling price. Following that, retailers add their own expenses to cover procurement and marketing costs. The add-on price is then known as the retailer's mark-up. The reason for