OECD Health Ministerial
Ministerial Break-out Session: Adapting Health Systems to New Technologies
Theme 1: Tackling High-cost Treatments and Personalised Medicine

Speech by the Minister of Health, Labour and Welfare, Japan
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Honourable Madame Chair Ms. Carmen Castillo, Distinguished Delegates, Ladies and Gentlemen,

I would like to address three recent policy reform efforts that I believe would be of relevance to all of us working to address the common challenges of sustaining UHC while facilitating innovative health care interventions.

The first policy reform is to implement health technology assessment (HTA) in order to inform our national fee schedule, enhancing efficient resource allocation. Last year, we introduced an HTA scheme into our health insurance system, which has enabled us to re-evaluate the value of medical products and technologies. I would also like to highlight the importance of considering the long-term benefit when evaluating cost-effectiveness of such services. This is particularly critical when setting prices for truly innovative drugs with extremely high cure rates. A recent example is the pricing of the highly-effective new hepatitis C antivirals, which can prevent hepatic cirrhosis and cancer following hepatitis. Last year, we cut the price of hepatitis C antivirals to two-thirds. Such innovative treatments have the potential to result in life-long health benefits and to save future health care costs. Another example is Opdivo® (Nivolumab), a new innovative, very effective immunotherapy medicine for cancer developed in Japan. The drug was approved for skin cancer with 470 patients in July 2014, and we further expanded the indication to lung cancer with 15,000 patients. In Japan, we set a cap to out-of-pocket payment by patients about 800 US dollars a month. So patients can afford to buy but the health insurance system would bankrupt if we take no actions. We took into consideration of the increased sales and cut the price by half. We set two requirements, one is to designate hospitals which can use the drug and the other is to prescribe the drug only when patients has indication to the new drug based on genomic analysis. In Japan, we are planning to adjust prices according to HTA outcomes from a long-term perspective.

The second policy effort is to transform the current pricing system to be more flexible so that the prices reflect the fundamental value of products while being responsive to dynamic market conditions. We have recently outlined a reform plan which enables price reductions according to its increases in

product sales in a more timely manner, while leaving a room for price increases, when appropriate, for innovative products based on their value.

Last but not least, market forces alone cannot solve the health care delivery issues. It is essential for governments to implement appropriate interventions that address market failures which result in unmet medical needs, and delivering value-based care to all patients in need. To this end, we have in place the following policy mechanism to mitigate market failures in drug supply. When our government receives requests from patient groups or medical societies regarding unapproved or off-label use of medicines, which address major unmet medical needs but are not yet used in this capacity in Japan, we request that the pharmaceutical industry consider their development for approval. Companies that proceed would in turn be rewarded in pricing decisions.

Through these key reforms, I am fully committed to promoting innovations while sustaining UHC, so that we will be able to continue to provide value-based care for the people in need at affordable costs.

Thank you.