Volume-Based Procurement and “Sales with Gold”
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Abstract

“Sales with gold”, also known as various rebates in the field of drug purchase and sales, has long been a popular marketing model in the field of drug purchase and sales in China, which has violated the original intention of establishing a pharmaceutical representative. Therefore, China has also implemented a series of policies to address this phenomenon, including the policy of Volume-based procurement. This article studies whether the currently implemented Volume-based procurement policy can suppress the “sales with gold” behavior of pharmaceutical companies. Using a total of 13 quarterly data periods starting from the first quarter of 2018, the study found that the implementation of the “4+7 pilot plan” has not yet shown any inhibitory effect on the marketing activities of pharmaceutical enterprises; After the implementation of the “Alliance Expansion Policy”, the marketing intensity of pharmaceutical enterprises was significantly suppressed, and the results also passed parallel trend tests, placebo tests, and PSM-DID tests. Further research has found that the stronger the correlation between pharmaceutical companies and the implementation of Volume-based procurement policy in purchasing drugs, the more significant the degree of inhibition of their marketing investment; The marketing intensity of bid winning enterprises, generic drug enterprises, Western medicine enterprises, and non-innovative drug production enterprises has decreased relatively more. In addition, the nature of equity also affects the degree of adjustment in corporate marketing activities, with non-state-owned pharmaceutical enterprises experiencing a more significant decrease in marketing intensity compared to state-owned pharmaceutical enterprises. All evidence indicates that the Volume-based procurement policy being implemented in China has effectively suppressed the “Sales with gold” behavior of pharmaceutical companies, contributing unique empirical evidence from China to this field. This discovery also provides effective experience for other countries with similar problems.

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