Pharmaceutical Prices and Access to New Therapies

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Pharmaceutical Pricing Policies in a Global Market

- Conclusion from OECD study
  - “The prices manufacturers receive for their products vary across countries, although there is less variation in the most innovative products”
- Small variation in prices but large variation in ability to pay
- How does this affect access to important new therapies?
The Old Pricing Model

- National and separated markets
- Price discrimination
  - Lower prices in low income countries
- Advantages
  - Lower price barriers for access in low income countries
  - Higher revenue for manufacturers
- Disadvantage
  - Less competition in the market
New Pricing Model

- Global market with one price
  - Price span with variable discounts
- Advantage
  - More competition
- Disadvantage
  - Problem with access in low income countries
  - Inefficiency from lack of reimbursement in low income countries and restricted reimbursement in high income countries
Value, Affordability and Access

Uptake of TNF-α inhibitors for Rheumatoid Arthritis
US, Canada, E13, EU10

Sales

EURO per 100,000 Population

Country
- Canada
- E13
- EU10
- United States of America

YearQuarter
Value and affordability
Anti–TNF as example

Affordability Index
(Price in relation to income/health care expenditures)

Jönsson B, Kobelt G, Smolen J
European Journal of Health Economics, 2008;8(S):33–106
Access to New Cancer Drugs
Herceptin for breast cancer as example

![Graph showing sales over time for different countries.](https://example.com/graph.png)
Total sales of cancer drugs (L1+L2 A and B) in Austria, E13, France, Hungary, Spain, Switzerland and the UK. Different colors of the bars indicate first year of sales.
Pricing, Reimbursement and Access

- Without reimbursement no access for new expensive drugs
  - Access restricted to small segment of population
- Reimbursement based on cost–effectiveness
  - Value for money
  - “Value based pricing”
- Objectives of value based pricing and reimbursement
  - Efficient allocation of resources in health care
  - Optimal incentives for innovation
Two problems: Equity and efficiency

- Limited access is an equity problem
  - Access dependent on ability to pay
- It is inefficient that patients in low income countries cannot get access
  - Price is higher than marginal costs of making the new drugs available at the market
    - Production costs at the margin in the magnitude of 10–15% of price
    - Investments in R&D and production capacity are sunk costs
Consequences of new strategy for pricing and reimbursement

- Cost savings greater in high income countries
  - Higher direct health care costs
  - Higher indirect costs (salaries)
- Greater ability to pay for health gains
  - Higher threshold for cost per QALY
- Consequences for access to new drugs
  - Difficult to show cost–effectiveness in low/medium income countries and thus no reimbursement
  - Will only be available for the few who can pay direct out–of–pocket or indirect though private insurance
How can we improve the situation?

- Flexible pricing within a global strategy
  - Flexibility between countries
  - Flexibility between indications
  - **Aim**: Greater quantities at same or higher spending leading to better access and improved efficiency

- How can this work in practice?
  - Most new drugs are specialist products
  - Targeted therapies to defined patient groups
  - Follow up studies of who is treated with what effect increasingly common
  - Payment per treated patient or for performance – not volume of product
How can we improve the situation?

- International reallocation of funding for new drugs
  - Richer countries still pay most for R&D, but in a different way to facilitate higher use

- Cost-effectiveness based on average income countries
  - Lower international prices for important drugs and more reimbursement in low/medium income countries
  - Savings in high income countries transferred to countries with lower incomes
  - May first be tested for orphan drugs, which today is a significant number of new product introduction and where access is an obvious problem
Summary and conclusions

- More competition in the pharmaceutical markets has reduced prices
  - Still more room for improvement, particularly for generics in low income countries
- Higher prices for new innovative drugs create an access problem
  - Important new drugs not available
  - Inefficient use of resources
  - Combination of policies needed to improve both efficiency in the use of resources and access