



CAN WE ALLEVIATE CURRENT MARKET FAILURES FROM INTERNATIONAL PRICE REFERENCING OF PHARMACEUTICALS IN MIDDLE INCOME COUNTRIES?
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Due to parallel trade and IRP, new launch prices have converged significantly in Europe



2003 LAUNCHES CHOSEN TO ALLOW ROLL-OUT TO BE MEASURED ACROSS THE MAJORITY OF COUNTRIES


Source: IMS Consulting (Analysis covering NMEs launched by the top 13 pharma companies)



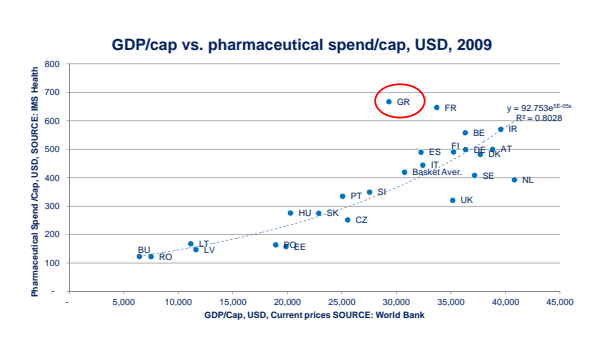
The economic crisis has accelerated this trend

- In the past international reference pricing was “well behaved”
 - Comparator baskets included countries of similar economic situation
 - Effectively this established price tiers within Europe and globally
 - Similar approach has been taken for vaccines (GAVI)
- Greece started to violate this approach by referencing all EU countries, including countries at significantly lower GDP per capita
- Other countries, including high income countries (eg Germany) are threatening to follow


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Situation in Greece: close to average GDP/capita but very high spend/capita (driven by volume)



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Germany: Spokesman for Health Minister asks for uniform prices in Europe

EU will gleiche Preise für Medikamente in Europa

Gute Nachricht für Patienten: Die EU will Arzneimittelpreise in Europa angleichen – das käme den Deutschen zu Gute.

... „Auf Dauer brauchen wir Arzneimittelpreise, die für ein bestimmtes Medikament in der gesamten Europäischen Union gelten“, sagte der gesundheitspolitische Sprecher der konservativen Mehrheitsfraktion im Abgeordnetenhaus, Peter Liese (CDU).

...„In Deutschland kostet ein Mittel zur Behandlung von Multipler Sklerose 1429 Euro, das gleiche Mittel kostet in Portugal nur 826 Euro“, erklärte Liese, der selbst Mediziner ist.

Liese und Weisgerber fordern, dass die Europäische Arzneimittel-Agentur in London die Preise für ein Medikament in ganz Europa festsetzt. „Dies könnte in Deutschland zu einer Beitragssenkung von bis zu 0,3 Prozentpunkten führen“, so Liese. ...

Einwände, dass sich Versicherte in Rumänien oder Bulgarien möglicherweise Arzneimittel zu einem einheitlichen europäischen Preis nicht leisten könnten, widersprach Liese: „Arzneimittelpreise sind keine Sozialleistung.“

Die Welt, June 23, 2010

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What are the implications for industry?

- Even tighter price corridors across Europe
- Trade off level of price and breadth of coverage
- Manage launch sequences
- Investigate innovative approaches to access, eg value based pricing, risk sharing, performance arrangements
- Not launching or delisting of products will be considered a strategic option (eg NovoNordisk and Leo in Greece)

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Consequences for EU member states

- Everybody expects lower prices – there is a shortterm opportunity of exploiting remaining price differentials
- If large, higher income countries reference smaller, lower income countries, access in those countries will be delayed or restricted
- We have witnessed the consequences in the UK:
 - Survival after breast cancer significantly worse than in continental Europe due to restricted access to innovative medicines (Karolinska Report)

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International reference pricing is at odds with value based pricing

- There is increasing consensus that prices should reflect the value the innovation delivers to patients and societies
- The value of pharmaceuticals varies across countries in line with prices for other health care resources (hospitals, nursing care) and indirect costs (labor)
- Value also varies across patient segments
- If we accept value based pricing, we have to reject international reference pricing
 - Or accept access restrictions to “high value patient segments”

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Price referencing can be mitigated if we create new mechanism to increase price flexibility

- Portfolio rebates
 - “taxation” on total revenues
- Price volume arrangements
 - Rebates linked to volume
- Dual-pricing arrangements
 - Sell at nominal list price
 - Rebate for documented sales within country
- Capitation or dose capping
 - Flat price or maximum price per patient
- Performance based risk sharing models
 - Reimbursement linked to response/outcome
- Value-based pricing
 - Effective price linked to value in patient subgroups



Increasing complexity/data requirements

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Conclusions

- International reference pricing leads to tighter price corridors
- This will reduce industry flexibility to provide medicines at lower prices in lower income countries
- We have to devise mechanisms to create flexibility – through price-volume arrangements, confidential discounts or patient access schemes
- Patients in lower income countries will be the victims - lower income countries should protest against higher income countries exploiting their price differentials
- International reference pricing is at odds with value based pricing: We cant have both: same prices and same access

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