



Can we alleviate current market failures from international price referencing of pharmaceuticals in middle income countries?

View of an academic expert from a middle income country

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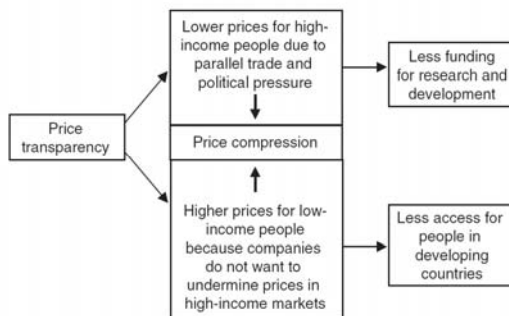
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Cost-containment measures related to pharmaceutical pricing in lower income European countries

- › Payers in almost all European lower income countries would like to have the European floor price for reimbursed medicines
- › Consequently payers need to have better information on ex-factory prices in other European reference countries. They
 - usually mandate the submission of exfactory prices in other countries,
 - often meet and exchange information on successful pharmaceutical cost-containment strategies.
- › There are initiatives in some European countries (certain projects are even funded by EU) to increase price transparency by building databases to support pricing decisions of payers'
- › Who benefits more from price transparency (i.e. pricing databases)
 - higher income countries, or
 - lower income countries?

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Impact of transparent pricing



Ridley DB: Pharmacoeconomics 2005; 23 (7): 651-658

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Solutions to facilitate differential pricing (1)

- › Ramsey (differential) pricing – adjustment of ex-factory prices to local purchasing power – the old method. May not be realistic expectation...
- › Explicit adjustment of ex-factory prices according to 3-4 tiers of GDP (see vaccines; GAVI) – fair approach, but against
 - the general EU framework
 - the Transparency Directive (national regulation of pricing and reimbursement decisions)
- › Restrictions on international price referencing (e.g. according to the GDP) and parallel trade

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Solutions to facilitate differential pricing (2)

- ▶ confidential rebate mechanism in lower income countries (e.g. discount, rebate, claw-back)
 - successful approach only if confidentiality remains; and confidential rebate is not implemented in high income countries
 - how to prepare economic evaluations, if there is no price list? → HTA (especially calculation of ICER) cannot be completed until the final price is set
- ▶ risk-sharing in lower income countries (see innovative pricing methods; patient access schemes)
 - caveat: HTA/ICER should be revisited according to the risk-sharing agreement
 - financial risk sharing: easy to implement even in small lower income countries
 - outcome based risk-sharing
 - experience mainly in higher income countries → started in Poland and Hungary
 - subject to economies of scale

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Stakeholders may alleviate market failures

- ▶ Monopoly of innovative pharmaceutical manufacturers:
 - initiate confidential pricing agreements only in lower income countries
 - oppose international price referencing and parallel trade
 - develop more transparent value based pricing mechanisms
 - funding academic research on pharmaceutical pricing in lower income countries
- ▶ Monopsony of payers in lower income countries:
 - oppose international price referencing
 - oppose involvement into pharmaceutical pricing databases (unless it is not used by payers in higher income countries)
- ▶ Monopsony of payers in higher income countries:
 - acceptance of higher pharmaceutical prices than in lower income countries
- ▶ Regulation of externalities and inequity by European Union
 - allow control on pharmaceutical parallel trade for manufacturers, or develop restriction mechanisms
 - control on international price referencing of pharmaceuticals
 - funding academic research on pharmaceutical pricing in lower income countries

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Most crucial questions

1. Do we want to control the opportunistic behaviour of monopsonistic payers in higher income countries?
2. Can we create mechanisms to control the opportunistic behaviour of monopsonistic payers in higher income countries?
3. If international price referencing and parallel trade is controlled, will monopolistic pharmaceutical manufacturers sell their innovative medicines at lower price in lower income countries?

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Conclusion

- ▶ Stakeholders, especially in middle income countries and at the EU level, should
 1. understand the implications of increased transparency of pharmaceutical pricing,
 2. and develop solutions to prevent the limited accessibility of new medicines in lower income countries.

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