


Value Based Pricing: What it will mean in Practice
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Jens Grueger, PhD
 Vice President, Head of Global Market Access



Value based pricing

- While the market for medicines is not always perfectly competitive, there are strong competitive forces in many areas, so price approximates value in many cases already
- Most manufacturers agree that “the price of pharmaceuticals should reflect the value of the innovation that it delivers to patients, societies and payers”
- Key issues center around:
 - How to include all dimensions of value?
 - How to ensure incentives for innovation – which comes in smaller and larger steps?
 - If we have a system for value based pricing, how will this be implemented in a devolved healthcare system? What will be the implications beyond the UK?

The UK Proposal addresses some of these concerns ...

- Recognizes a broader perspective beyond that of the NHS (Non-health benefits)
- Adjusts thresholds for burden of illness, therapeutic innovation and improvement

... however, some key aspects of implementation remain unclear

- NICE has reviewed the value of medicines for 10 years, the issue was less around VBP but more around funding.
 - Need to develop mechanisms to link value to uptake, eg medicines that are priced based on value considered pass-through cost for commissioning groups
- We have to manage uncertainty around clinical and financial outcomes and avoid overly conservative decision making
 - Need to evolve concepts like Patient Access Schemes and Coverage with Evidence Development to allow early reimbursed access to new differentiated medicines
- UK VBP has to be considered in a globally networked – price-referenced – pricing system?
 - Even if prices can be increased in the UK, once new evidence of value has been generated, other countries won't follow
 - In a competitive situation, an “innovation bonus” is short-lived if the 2nd medicine to market has a similar profile but lower price

... and much will depend on the “basic threshold”

- Discussion is driven by “need for lower prices” rather than incentivizing innovation and granting access to new differentiated medicines
 - Even at the current threshold and price levels, the UK has fallen behind the rest of the world in many disease areas, eg cancer care

Value Based Pricing will only affect a small proportion of the market

- Need to maintain a single coherent UK pricing and reimbursement environment
 - Value based pricing for medicines launched after 1st January 2014
 - What about medicines (and other healthcare technologies) already on the market?
- Need to strike the right balance between requiring evidence of efficiency for new medicines, and addressing efficiencies elsewhere in the system.