

Is International Reference Pricing and HTA Driven Reimbursement Compatible?

Part 1: International Reference Pricing 101

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Welcome!

Topics covered:


What is IRP

Why is IRP used

How and **When** is IRP applied

What is IRP?

IRP in a nutshell



International price referencing is the process in which national decision bodies **compare cross-market prices** in order to **set or influence** the price of a product in its own market

In most markets, **national pricing authorities determine** (at least partly) prices for pharmaceutical products by considering the **price of the product in other markets**

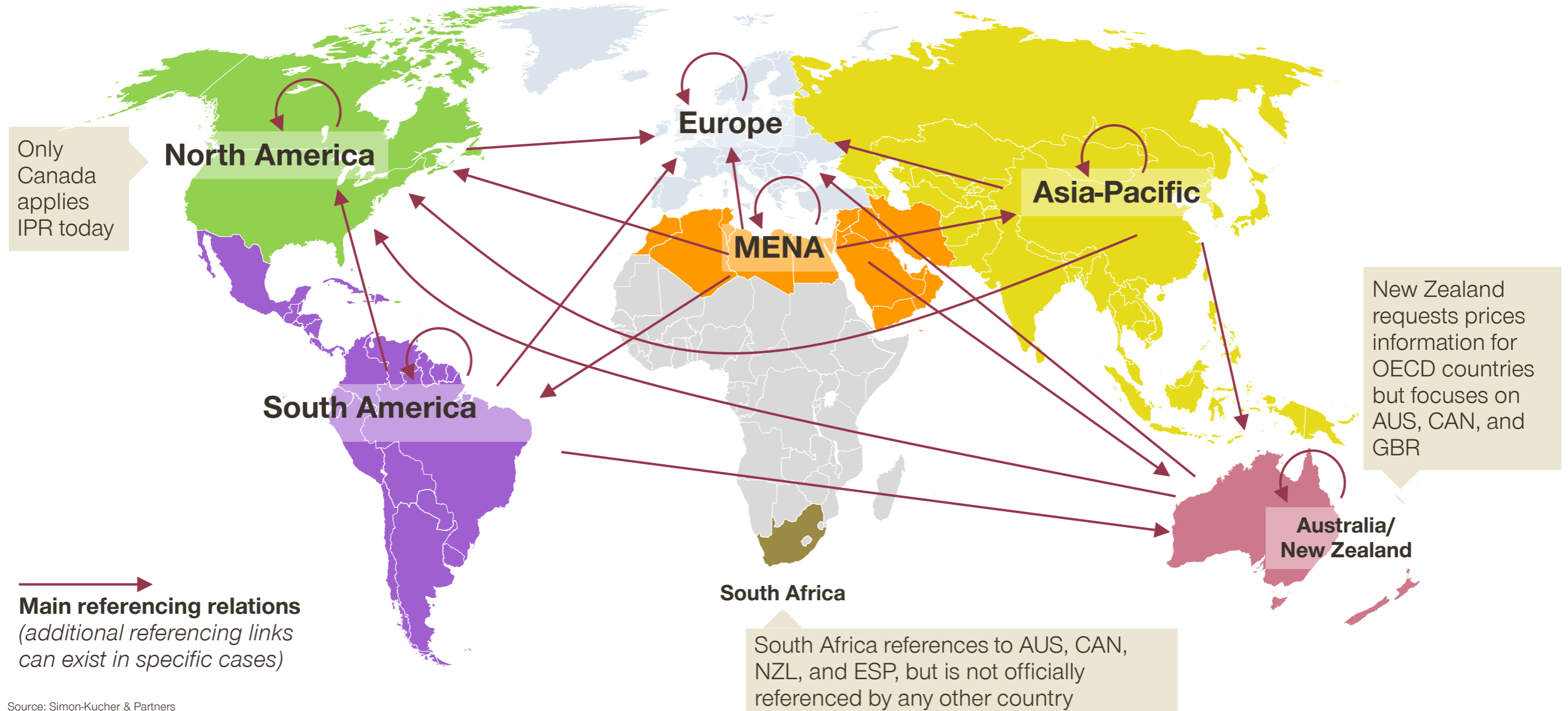
Rationale from authorities:

"Why should we reimburse the product for a higher price than in market xyz?"

What is IRP?

International price referencing practices are highly complex, and consists of both formal and informal referencing rules\

While countries within Europe mainly reference each other, other regions use a more diverse selection of countries.

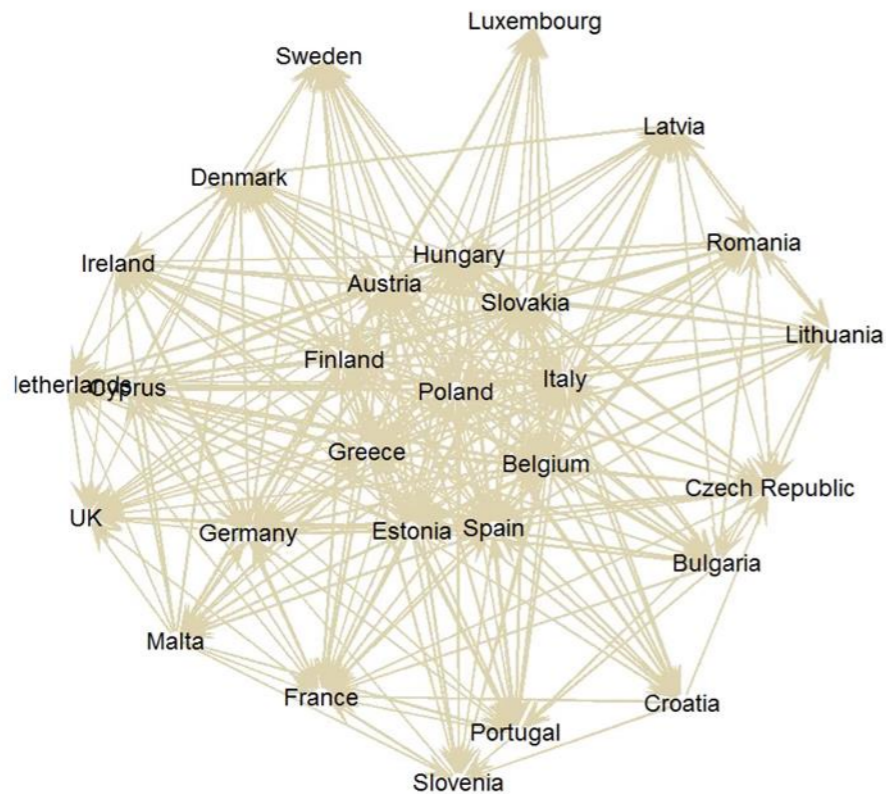


Source: Simon-Kucher & Partners

What is IRP?

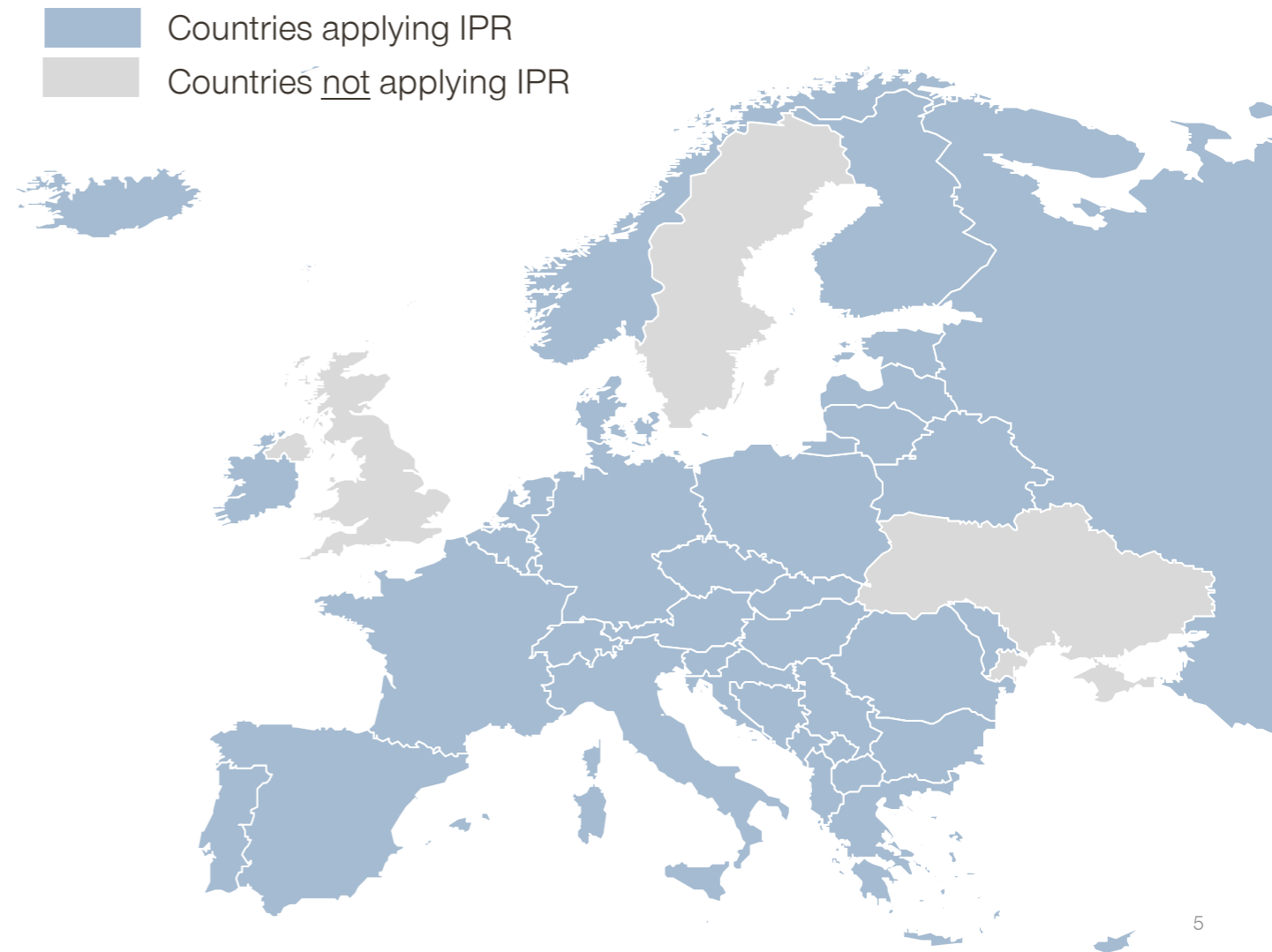
IPR creates a complex web of regional/global reference pricing interactions both directly or indirectly

Referencing relationships between countries in the EU



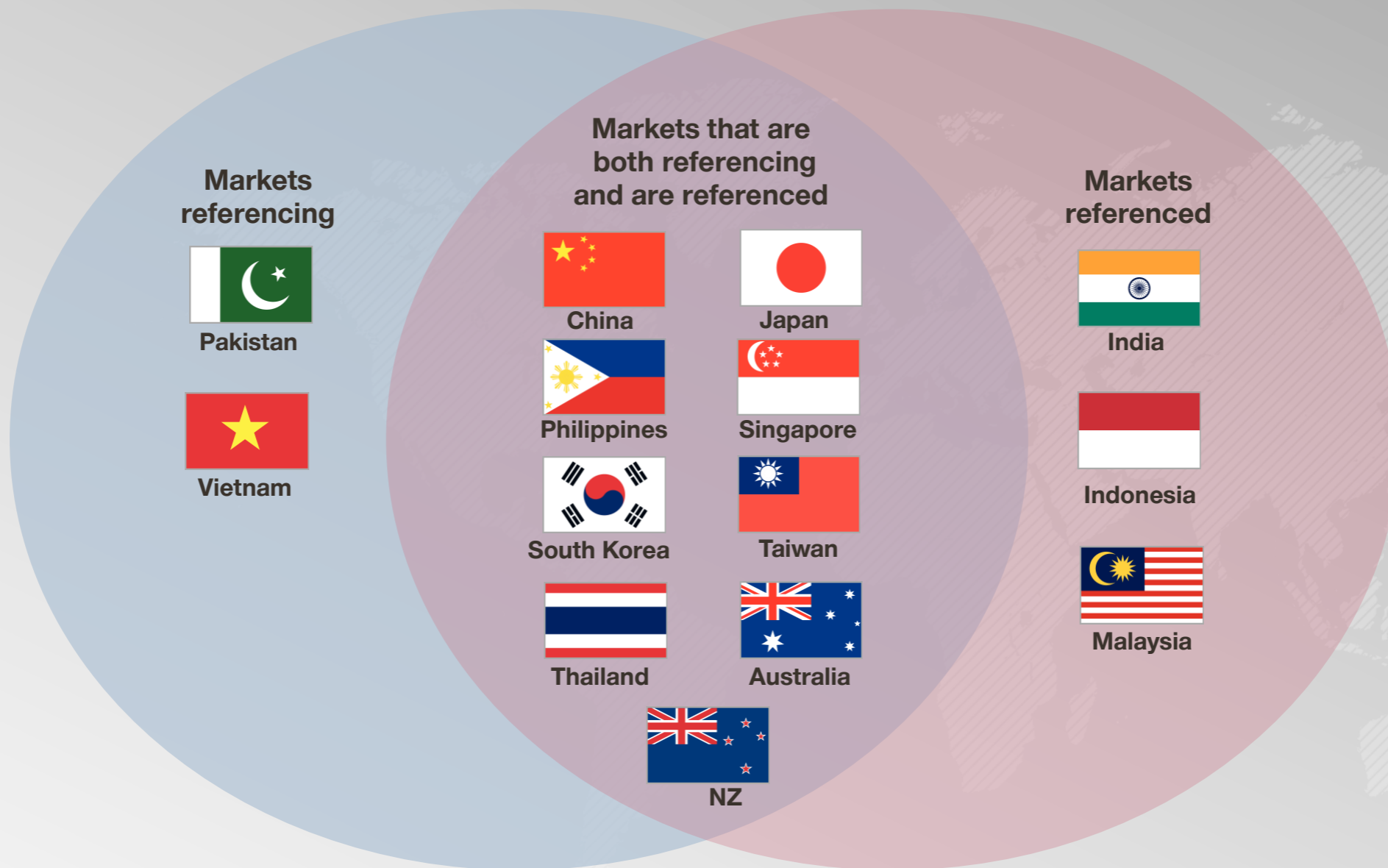
Price referencing may affect a referencing market either directly (A → C), or indirectly (A → B → C)

Application of IPR in Europe



What is IRP?

Several markets within Asia Pacific have been reported to use international price referencing either through formal or informal rules



Why is IRP used?

There are a few common approaches to the pricing of therapeutic products, with international price referencing as one of them

Cost plus pricing



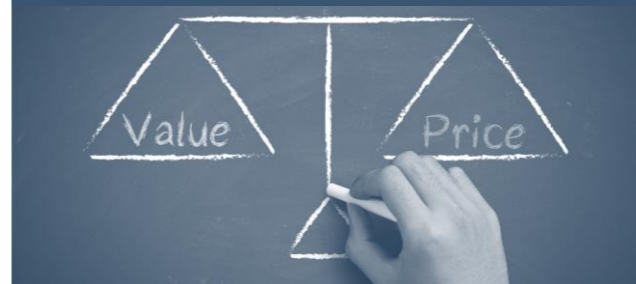
- Cost Plus Pricing is a cost-based method for setting prices of medicines
- Pricing considers production costs, research and development (R&D), administrative costs, and overheads
- A margin of profit is granted to determine the final reimbursed price

Internal price referencing



- Internal Reference Pricing benchmarks the cost of a medicine against currently available therapeutic products within a market
- Pricing is determined by referencing prices of medicines within the country that are identical, similar, or therapeutically equivalent
- Price premiums may be awarded for a superior product (e.g., Japan)

Value based pricing



- System of setting the cost for a healthcare service in which healthcare providers are paid based on the quality of care (e.g., ICER per QALY)
- Value-based pricing may give patients access to better treatments for lower costs
- Value-based pricing ensures that a product's price is in line with the value it delivers to patients

International price referencing



- IPR is the practice of referencing prices of medicines in other markets, in order to determine or influence the price of the medicine in another, and is often used as a tool for cost containment
- IRP may be used especially when internal price benchmarks are not available (e.g., in C&G therapies), or in markets without formal HTA assessments

Determining the reimbursement price of a product may consist of multiple methodologies in some markets

Why is IRP used?

International Price Referencing is a powerful tool for cost containment, lowering prices to patients and the overall budget impact to payers

Conceptual

Based on our HTA assessment, we are only willing to pay \$750 for your product...



A

***A** is only paying \$750 for your product.. So, the maximum I will pay is also \$750*



B

***B** is only paying \$750 for your product.. At best, I can only agree to \$800*



C

***C** is only paying \$800 for your product.. We will agree to reimbursement if you match that price*



D

...

However, what are the trade-offs of IRP?

- Deviation from value-based pricing?
- Delay in drug access due to pharmaceutical launch sequencing?
- Ironically, less transparency on drug pricing due to confidential contracting?

How and When is IRP applied

The application of IRP depends on the product setting, country-specific factors, and price-specific factors

For each country, the individual methods and processes used to adjust a certain drug price is based on different parameters.

Product-specific factors

Brand setting



Patented



Generics



Biosimilars

The delivery point



Hospital



Retail

The prescription status



Prescription-only



OTC

Country-specific factors

The list of countries referenced



The formula itself

- Lowest price in reference set
- Average price (- X%)
- Lowest price - X%
- Average of three lowest prices
- etc.



The frequency of referencing

- At launch only
- At specific intervals (every six months, every three years, etc.)
- No specific timing



Price-specific factors

The price metric considered

- Ex-manu. (used by most countries)
- Wholesaler
- Hospital purchased
- Public

Other factors

- Consideration of mandatory/negotiated discounts
- Exchange rates



International price referencing can be formal or informal



Thank you!

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