BlueRidge
LIFE SCIENCES

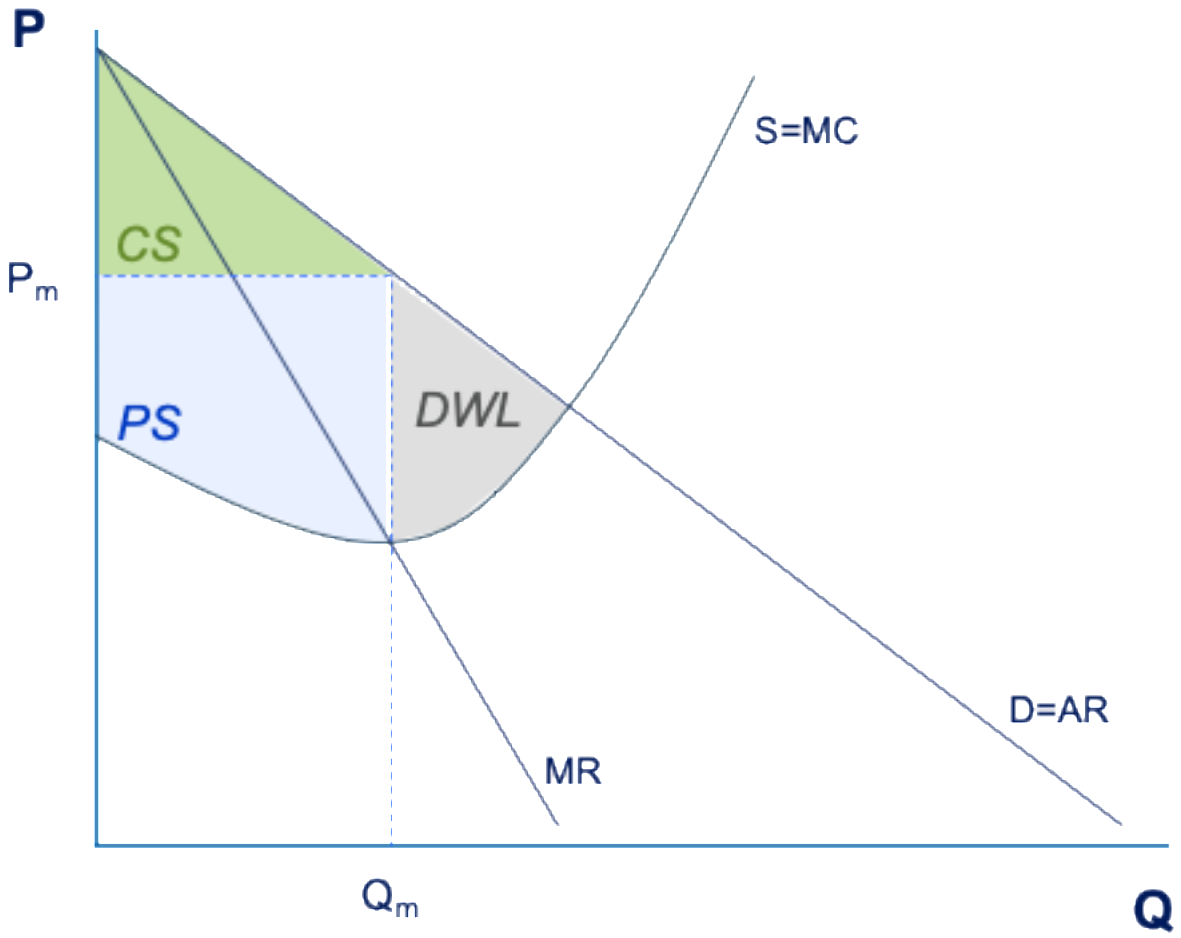
Can New Approaches to Estimating Dynamic Efficiency Help to Maintain Both Access and Innovation in Pharmaceutical Markets?

ISPOR 2026
Issue Panel
Room 201BC
Tuesday, May 19, 4:45 PM - 5:45 PM

Overview

- Panelists (~10 minutes each)
  - Bob Nordyke, PhD, BlueRidge Life Sciences, Los Angeles CA
    - Brief introduction and moderation
  - Anirban Basu, PhD, University of Washington, Seattle WA
    - Survey economic frameworks that aim to determine optimal producer surplus and their use as assessment tools
  - R. Brett McQueen, PhD, University of Colorado Anshutz, Aurora CO
    - Argue that access and innovation are better addressed through public policy proposals such as extensions to exclusivity periods or patent buyouts
  - Julie Patterson, PharmD PhD, National Pharmaceutical Council, Washington DC
    - Argue that converting theory into practice suggests tools not rules, while calling for evidence-based value debates from both sellers and buyers
- Discussion (20 minutes)

Econ 101 Refresh: What is dynamic efficiency and producer surplus?



In simple static analyses

- Consumer Surplus = CS
- Producer Surplus = PS
- Total Surplus = CS+PS
- PS commonly reported as a % of TS, max 100%

Static theory surplus calcs relevant to pharma

CS = Σ (Benefits – Price paid for benefit)

PS = Σ (Manufacturer net revenue – Cost[1])

Allocative and Productive efficiencies → current time period;
Dynamic efficiency → multiple time periods

How does this play out over time as new products are introduced in R&D intensive industries?

- $Products_{t+1} = f(PS_t)$
- $CS_{t+1} = g(Products_{t+1})$

} *Period t+1*

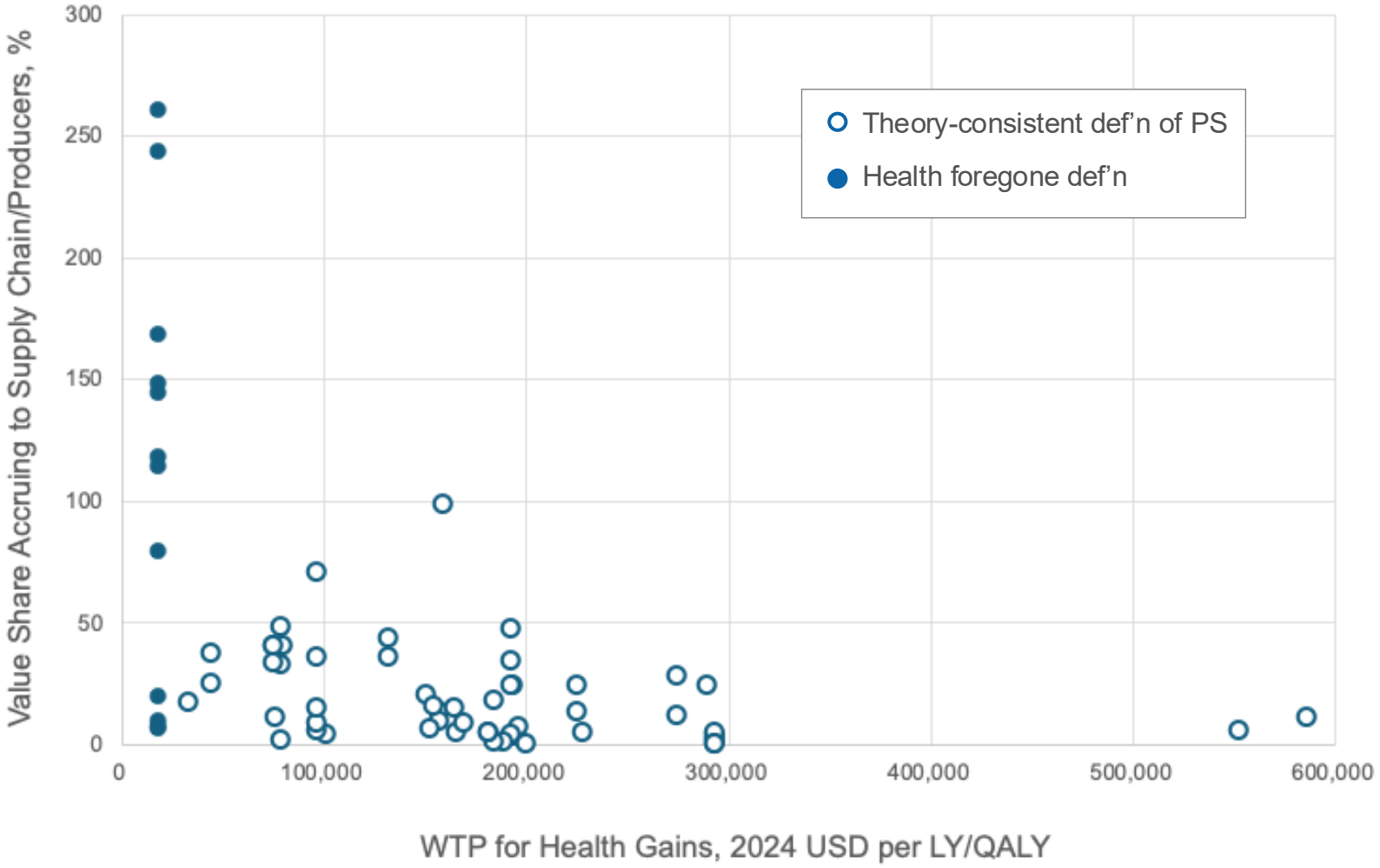
- $Products_{t+2} = f(PS_{t+1})$
- $CS_{t+2} = g(Products_{t+2})$

} *Period t+2*

- And so on…

1. Development costs not included, considered sunk.

Empirically, what is the share of total surplus that accrues to manufacturers?



Pre-LOE Period Only	Estimate, %
All estimates	43.9
Theory-consistent definition	14.7

BlueRidge LIFE SCIENCES

Overture: Drug prices are powerful and sometimes blunt tools

- Drug prices are currently used to achieve three goals
  - Make drugs affordable
  - Ensure that patients can get access
  - Manufacturers see enough financial returns for continued R&D
- These goals and use of price as a tool vary across countries and markets
- Other policy tools are also used to (re)balance access, affordability, and innovation

- Can we use price in new ways to balance access and innovation over long periods of time? How?

Contact info

- Anirban Basu, PhD, University of Washington, Seattle WA
  - basua@uw.edu
- R. Brett McQueen, PhD, University of Colorado Anshutz, Aurora CO
  - robert.mcqueen@cuanshutz.edu
- Julie Patterson, PharmD PhD, National Pharmaceutical Council, Washington DC
  - jpatterson@npcnow.org
- Bob Nordyke, PhD, BlueRidge Life Sciences, Los Angeles CA
  - bnordyke@blueridgelifesciences.com