



CONSULTING

OUTLINING THE DEBATE ON INDICATION-BASED PRICING AND HOW IT HAS BEEN IMPLEMENTED TO DATE

Should drug prices differ by indication? *Results of a Consultation*

OHE

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Background

The notion that the price of a medicine should be linked in some way to the value it generates for patients and the health system is generally accepted. Yet, how can this be achieved when, increasingly, medicines are being developed that offer patient benefit across many different indications?

Indication-based pricing (IBP) has been proposed as a way to tackle this issue, permitting price to vary according to indication and, importantly, according to value.

OHE published a Discussion Paper accompanied by a Consultation Survey (Cole et al., 2019). The survey was designed to collect responses, from a range of stakeholders, around potential benefits or draw-backs of IBP, and considerations for implementation.

Aim

Our aim is to summarise and discuss the responses to the consultation exercise.

By doing so, we hope to work towards a shared understanding of IBP and to capture a range of perspectives on its use.

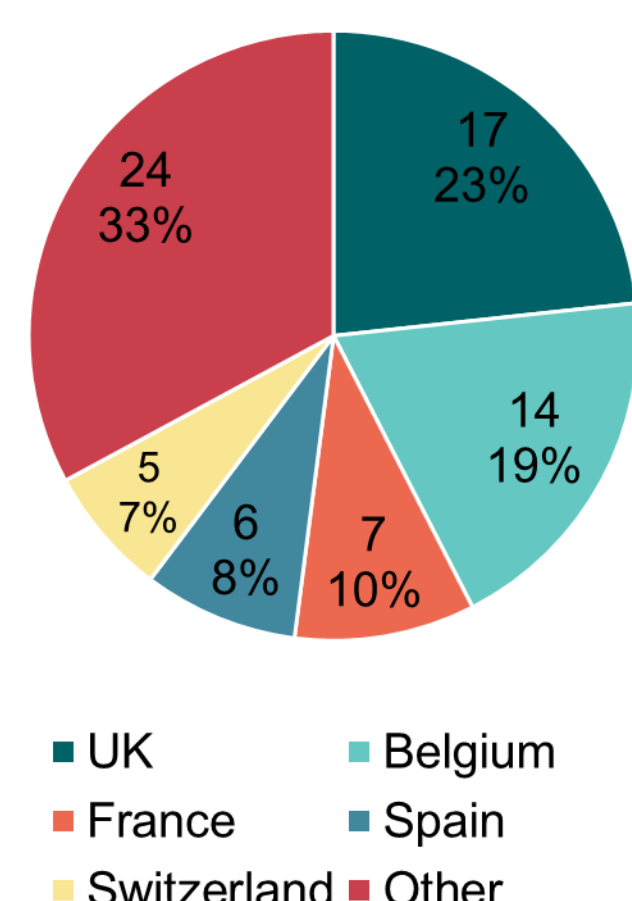
Methods

1. The survey, launched in English, French, and Spanish, consisted of multiple choice and open questions.
2. Results from multiple-choice questions are reported by country, type of stakeholder, and whether or not respondents have practical experience of IBP.
3. Open questions are analysed thematically.

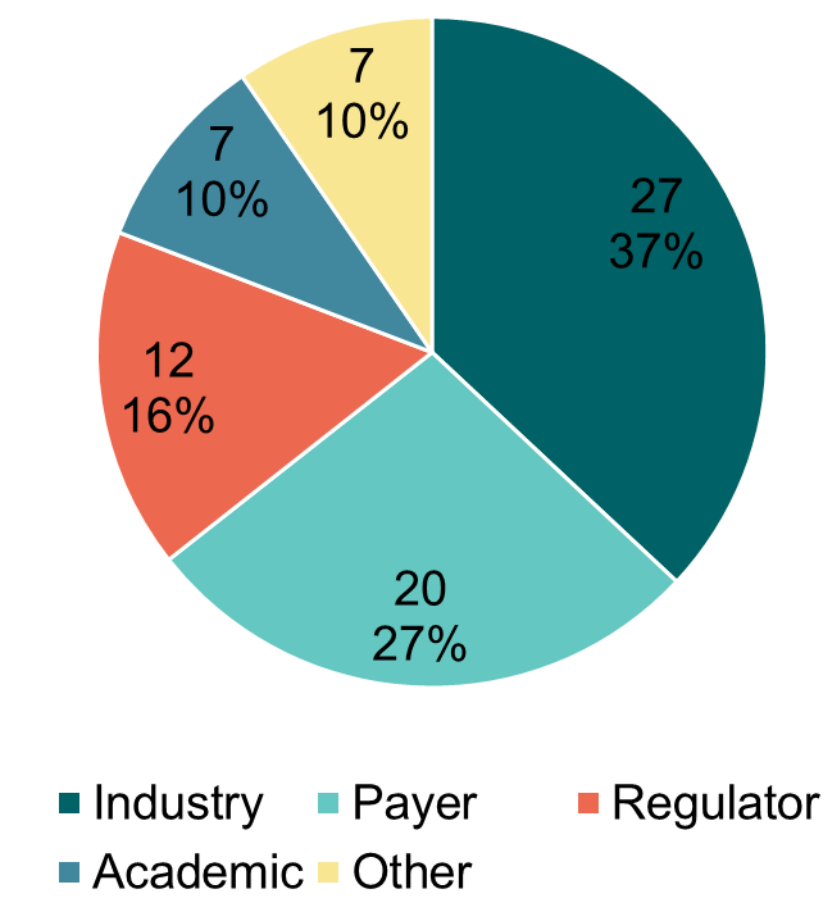
Results – 1

1. CHARACTERISTICS OF RESPONDERS

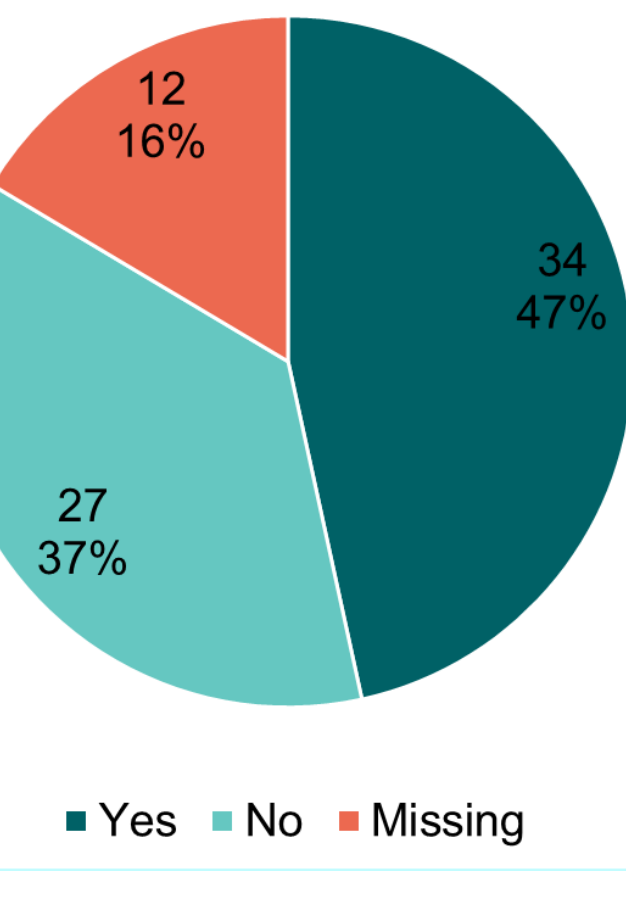
In what **country** do you live and/or work professionally?



To which **stakeholder** group do you belong or represent?

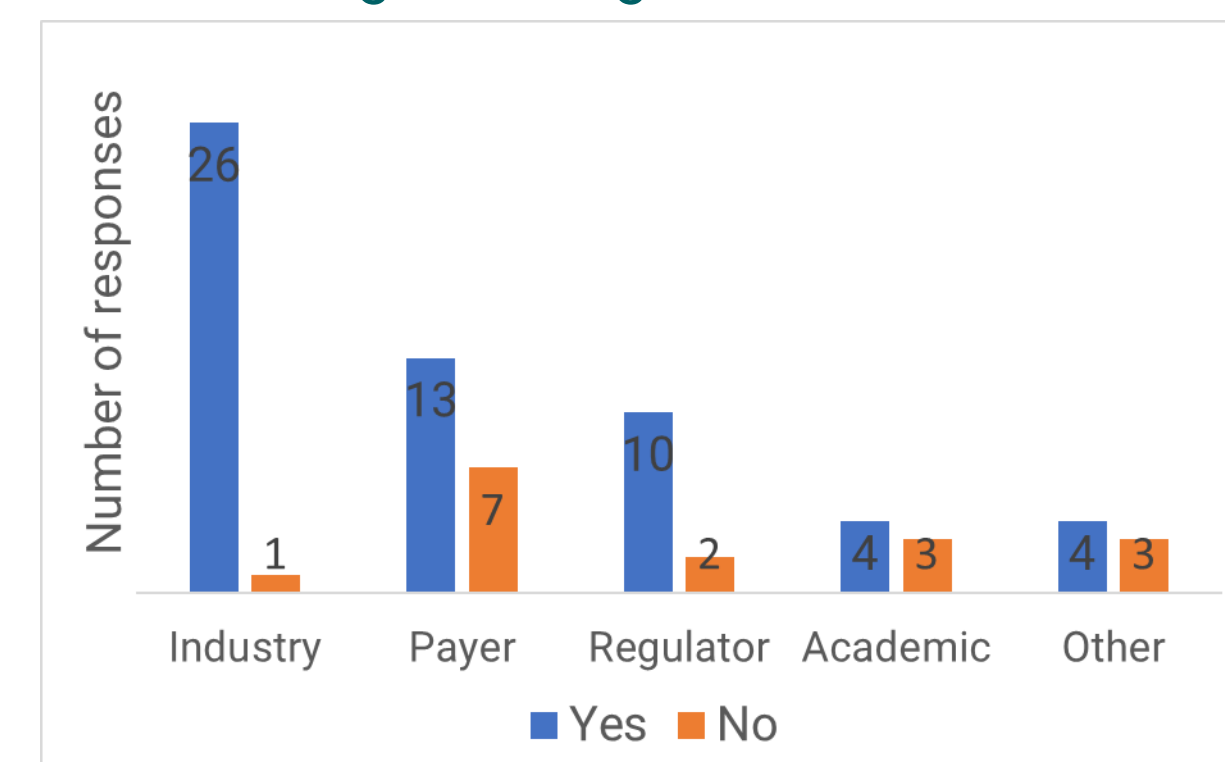


Do you have any **practical experience** of IBP?

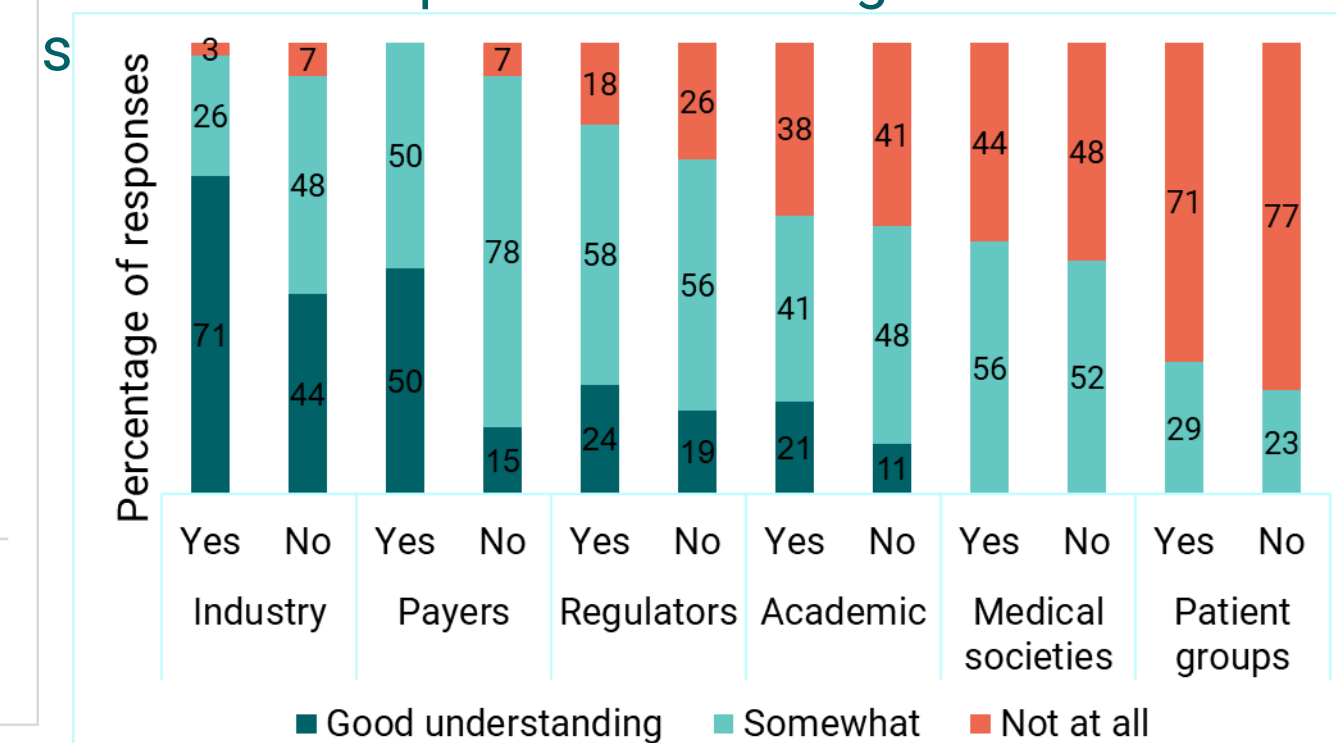


2. THE NEED FOR AND UNDERSTANDING OF IBP

By type of stakeholder: Would some form of IBP be a good thing?

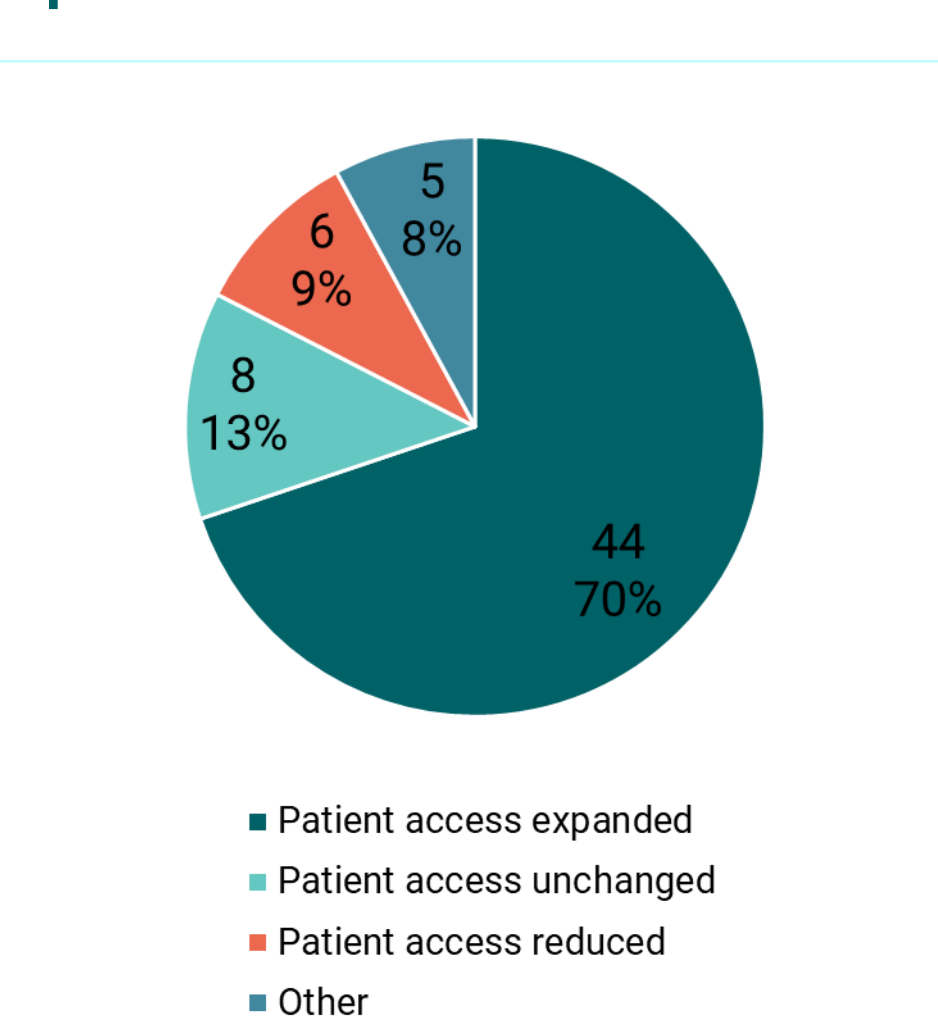


By Yes/No practical experience of IBP: To what extent do you think there is a broad understanding of IBP and its implications among relevant

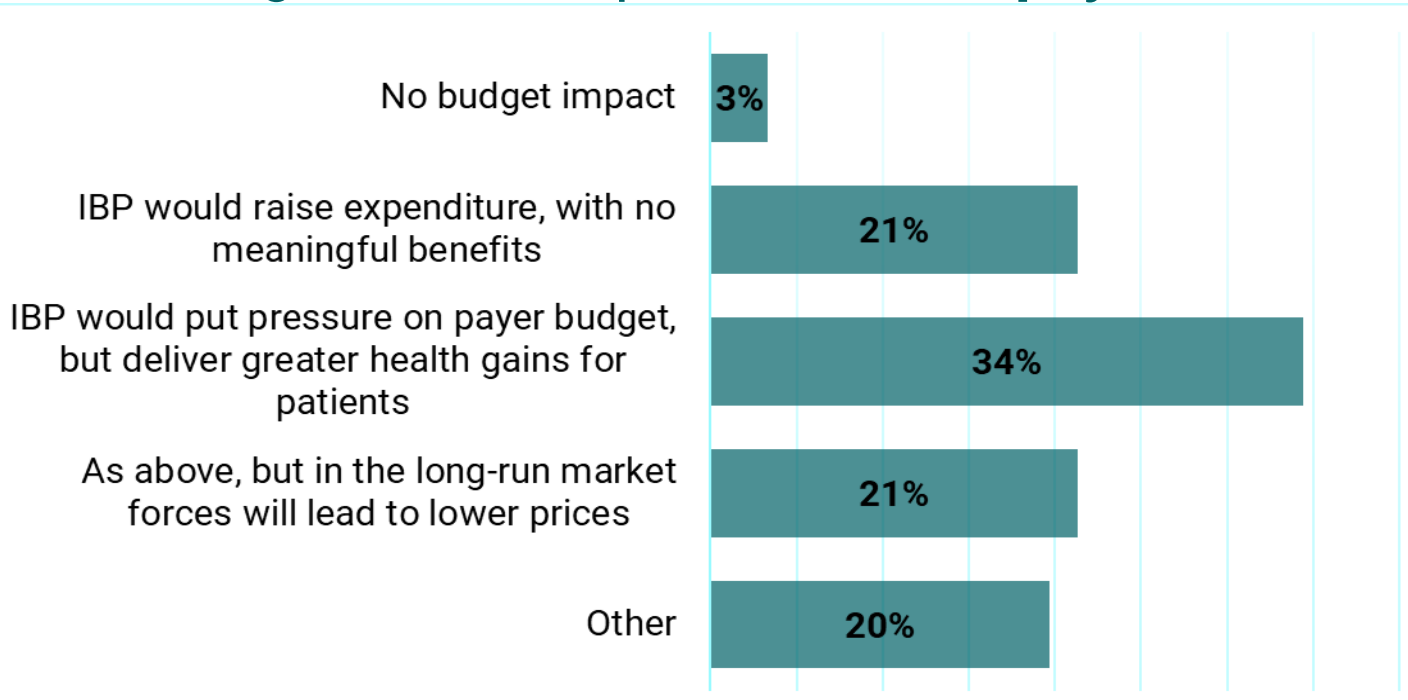


3. THE POTENTIAL IMPACTS OF IBP

What might the impact of IBP be on **patient access**?



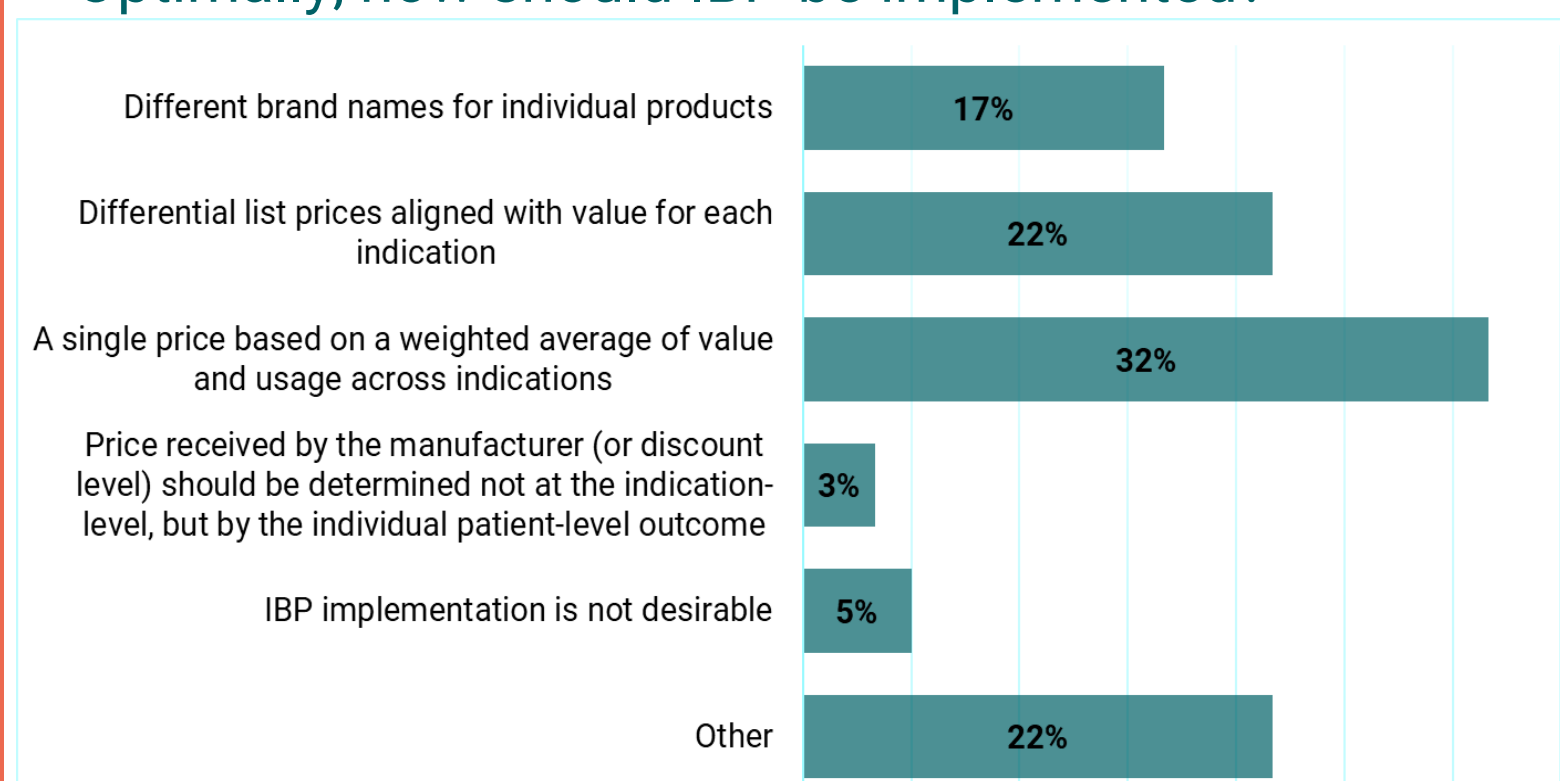
What might be the impact of IBP on **payers**?



- **All stakeholders** could gain from IBP (57% responses).
- IBP could have a significant impact (48% responses) in terms of delivering **sustainable access** to future treatments (83% thought at least some impact).
- Main impact on **industry**: IBP would allow industry to optimise R&D spending, (e.g. providing freedom to target unmet need), and may increase profits.

4. IMPLEMENTATION OF IBP

Optimally, how should IBP be implemented?



- The most significant perceived **barriers** to the implementation of IBP are:

- Political will and lack of stakeholder buy-in (30%)
- Data infrastructure (technical capacity to collect the information required) (30%)

Some suggested **solutions** to address these challenges include:

- Improved communication between payers and industry; sharing of best practices; pilot and scenario schemes; standardized datasets for capturing medicine usage and/or measuring health outcomes

Results – 2

WHY WOULD SOME FORM OF IBP BE A GOOD / **BAD** THING?

- IBP is value based
- IBP expands and accelerates access to innovative medicines
- IBP supports R&D, by allowing manufacturers to target unmet need
- IBP supports launching new medicines
- IBP helps sustainability and management of healthcare budgets
- IBP is needed due to new disease definitions and R&D sequencing
- IBP is difficult to implement
- IBP could plausibly incentivise gaming in prescribing
- IBP puts pressure on budgets

Discussion and Conclusion

- The case for IBP continues to be debated.
- IBP could in principle lead to more efficient allocation of resources, expanding patient access and delivering sustainable access to future treatments.
- A majority argue that IBP would put pressure on payer budgets, but many think that in the long-run market forces will lead to lower prices.
- Respondents believed that IBP may impact manufacturers by:
 - Enabling parallel development or less concern about sequencing;
 - Enabling earlier launches, and accelerating price negotiations.
- A number of barriers would need to be overcome to allow implementation of IBP and the benefits to be realised.
- Most payers think IBP should be implemented either as a single price based on a weighted average or as differential list prices.
- Most regulators think IBP should be implemented either as a single price based on a weighted average or as differential list prices.
- Industry also proposes the single weighted average price to implement IBP and elaborates on other implementation formulas (e.g. confidential discounts based on usage, and different net prices by indication).
- IBP is not currently considered to be a policy priority, although it is considered as a moderate priority in some countries (Switzerland, the US).
- Many state IBP *should* be a policy priority, as:
 - It provides a rational way to price a drug whose effectiveness varies across indications;
 - It is essential to managing pricing and cost of combinations of different medicines.

References

Cole, A., Towse, A. & Zamora, B., 2019. Indication-Based Pricing (IBP) Discussion Paper. OHE Briefing, London: Office of Health Economics.

Available at: <https://www.ohe.org/publications/indication-based-pricing-ibp-discussion-paper-should-drug-prices-differ-indication>

This research was funded by

