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IP6: Is indication-based pricing feasible and/or beneficial for society?

WHOSE SURPLUS IS IT ANYWAY?

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Voluntary disclosures:

Dr Briggs reports receiving speaking and consulting fees from: ALK, Amgen, Bayer, BMS, Boehringer Ingelheim, Daiichi Sankyo, Eisai, GSK, Merck, Novartis, Sanofi, Takeda, Vertex

Whose surplus is it anyway?

Theoretical objections:

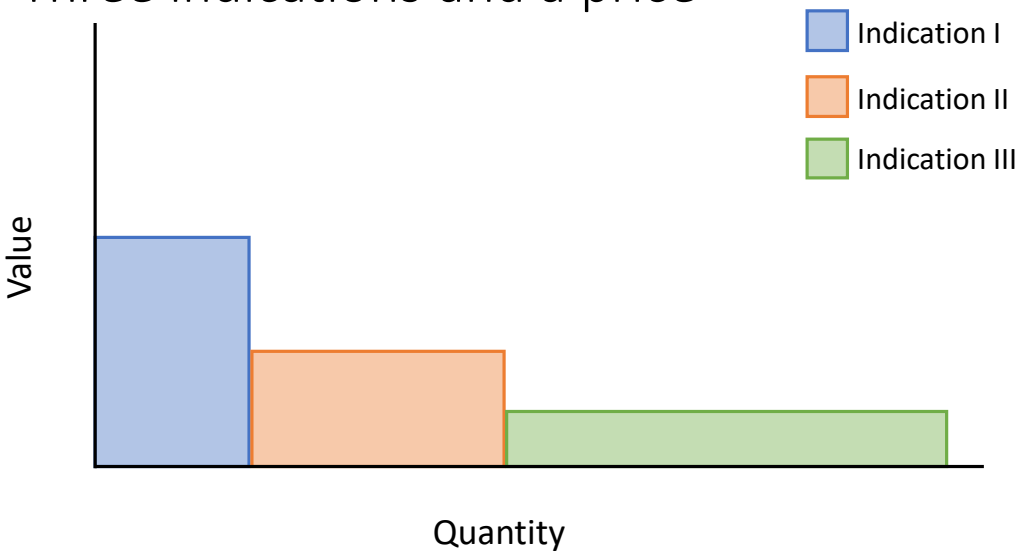
- Monopoly pricing during exclusivity period should be enough
- Expanding access at the threshold will have opportunity cost implications

Practical objections:

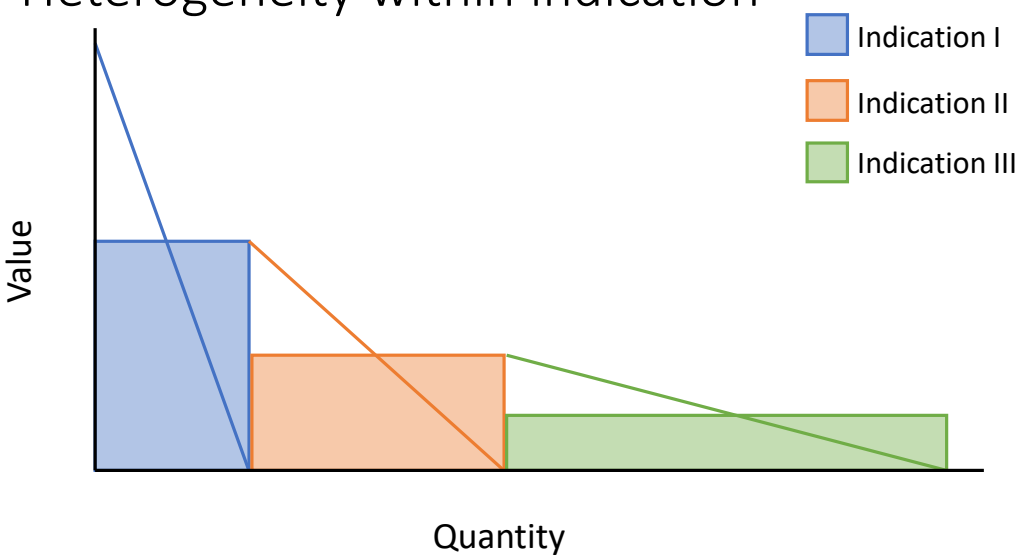
- Enforcement of indication-specific pricing problematic
- Case-study: NICE and Lucentis / Avastin in the UK

Monopoly pricing during exclusivity period should be enough

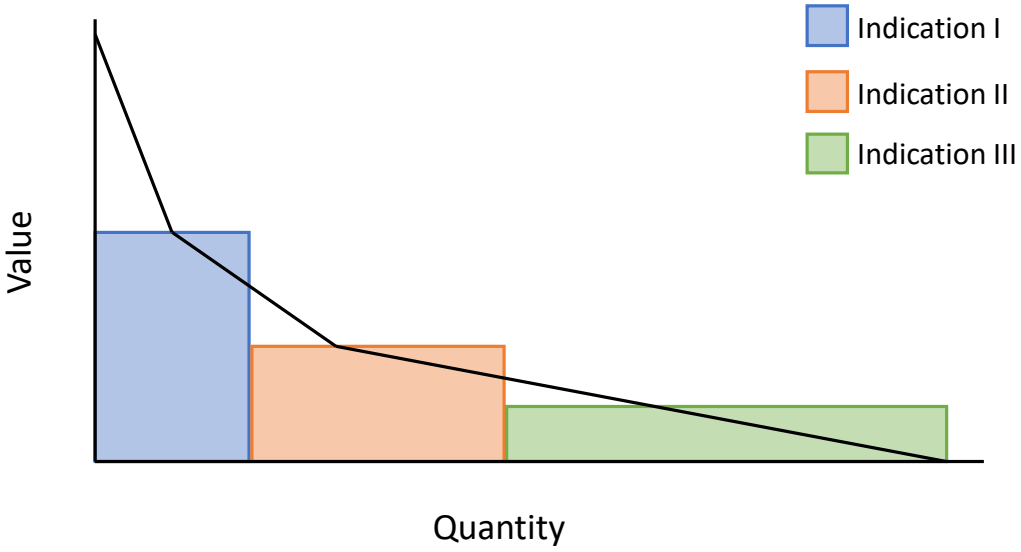
Three indications and a price



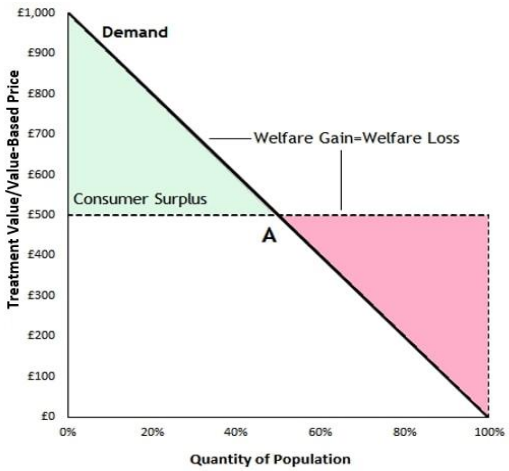
Heterogeneity within indication

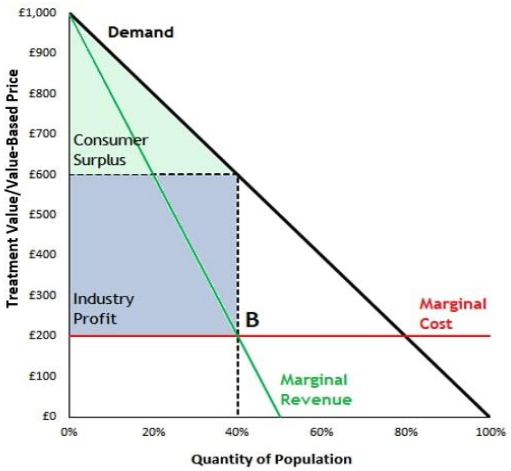


Demand curve across indications



Standard Monopoly Pricing





Expanding access at the threshold will have opportunity cost implications

Opportunity cost of expanding access

- Expanding access through indication-specific pricing means all indications will have cost-per-QALY equal to the threshold
- If adopted across the whole system, this will have non-negligible budgetary implications
- Opportunity costs at the margin increase
- Threshold for decision making should fall

Case study:
UK NICE, Lucentis and Avastin

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23rd January 2018

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GMC responds to new NICE guidance

Published 23 January 2018

Charlie Massey, Chief Executive of the General Medical Council said:

'In an ideal world a licensing solution for using Avastin would be found as the rigours of the licensing regime provide important assurances of patient safety. However, in the absence of this and given the clinical support for using Avastin, including from the Royal College of Ophthalmologists, we want to reassure doctors that this prescribing decision alone would not raise fitness to practise concerns, providing doctors are applying the broader principles of our guidance.

Whose surplus is it anyway?

- Monopoly pricing during exclusivity period should be enough
  - Why allow full consumer surplus to be captured by producer? Other policy tools should be explored if society considers producer profits are not sufficient to support R&D
- Expanding access at the threshold will have opportunity cost implications
  - Need to reduce threshold for decision making if we implement indication specific pricing
- Enforcement of indication-specific pricing problematic
  - Will require new laws / cooperation of all players in the system including patients
  - Is this realistic?