

Recognising Value of Multi-Indication Therapies: Can Pricing by Indication Benefit Payers As Well As Patients? *Results of a modelling exercise*

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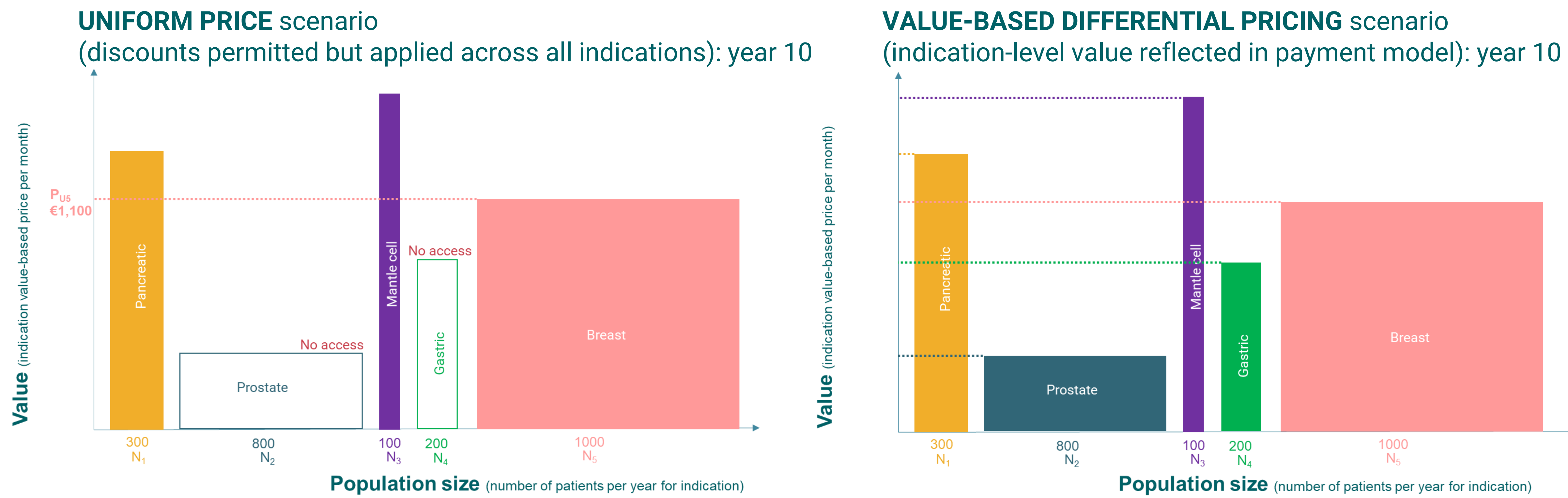
1. Background

It is broadly accepted that a medicine's price should align with the value provided to patients and the healthcare system. This is challenging for the growing number of medicines that could serve multiple indications.

It has been suggested that failing to recognise indication-level value in payment models can **restrict patient access** to new treatment indications (for example, if the prevailing inflexible price represents poor value for money in a new indication), and/or could **fail to incentivise treatment development** (for example, if the prevailing price is too low to offer a return on its testing and development in a new indication)¹. However, the implications for **payers** of moving toward pricing by indication is not well understood.

4. Results

- The model demonstrates that, where payment models do not account for differential value, the case for R&D investment may not be supported for all indications.



Over the 10-year time horizon modelled, versus the non-flexible uniform pricing scenario, value-based differential pricing was associated with:

- Potential short-term higher budget impact for payers:** higher initial investment[#] due to increased treatments being available to patients, but which may be mitigated by procurement negotiations and increased competition.
- A more granular view and greater budget control for payers** at the indication-level (both of payment and volume). The extra specificity of indication-level value and procurement decisions would allow payers to re-evaluate those as new medicines become available for a given indication.
- Greater patient access & benefit:** The differential pricing scenario is associated with substantially greater health gain[#].
- Better incentives for innovation:** Treatment accessible to patients in two further indications.

Notes

*Note that Minxian Congé is no longer an employee of AstraZeneca, but her contribution to this research was during her time as an employee of the company

[#] Over the 10-year time horizon modelled, indication-level pricing is associated with 509 further quality-adjusted life years (QALYs) generated; If prices were set to correspond with the indication-level value-based price, this would require a higher investment of up to EUR 18m for the hypothetical medicine. In our conclusions we explain why the budget impact is likely to be lower in practice.

2. Key Question

Can value-based pricing at the indication-level support better patient access and value whilst protecting the financial sustainability of payers?

3. Method

- We develop a model to demonstrate the indication-expansion journey of a hypothetical medicine, comparing uniform pricing with payment by indication.
- Illustrative assumptions are applied around value-based decision-making by payers, assuming a fixed cost-effectiveness threshold that guides reimbursement decisions in a uniform pricing scenario and the level of the value-based price "ceilings" in a differential pricing scenario.
- While we use an illustrative threshold as a quantitative basis for calculating the value-based prices in our model, the results are transferable to settings that use an alternative basis for assessing or determining price.
- We assume a 10-year horizon, over which five indications are (or could be) developed.

5. Conclusions

- One of the most important proposed benefits of flexible payment models that account for indication-level value is that more treatment options could be available for patients, via value-based pricing per indication and the development of further treatment indications. However, evidence of "undeveloped indications" is difficult to observe in practice.
- Through an illustrative modelling exercise, we demonstrate that payment models that account for differential value across indications **better incentivise innovation and lead to expanded patient access and health benefit**.
- The budget impact depends on how indication-level value is reflected in the payments/rebates. Extra (short-term) investment may be needed to support broader patient access; If prices are set to correspond with the indication-level value-based price, this would require a higher investment. However, in practice, prices are likely to be set below these value-based price "ceilings", through more directive payer procurement, negotiation, and budget management at the indication-level. Over time, pricing by indication will lead to more treatment options available within indications, with competition driving prices down further, thereby promoting better value for payers.
- This means that patients will benefit from expanded access, and payers and health systems can benefit as well.
- Payers are recognising the need to secure better access and value for multi-indication therapies; this drove reforms in **Belgium** toward more flexible recognition of indication-based value. **Estonia** has leveraged routine electronic health records to enable value-based differential pricing to improve access to innovative therapies within a constrained health care budget.

Payment models that recognise value at the indication-level provide payers with more granular information to support value-based budget management. By providing value-based incentives for innovation, patients' access and health benefit can be maximised.

References

- Cole, A., Towse, A. and Zamora, B., 2020. Indication-Based Pricing (IBP) Consultation Report. Office of Health Economics