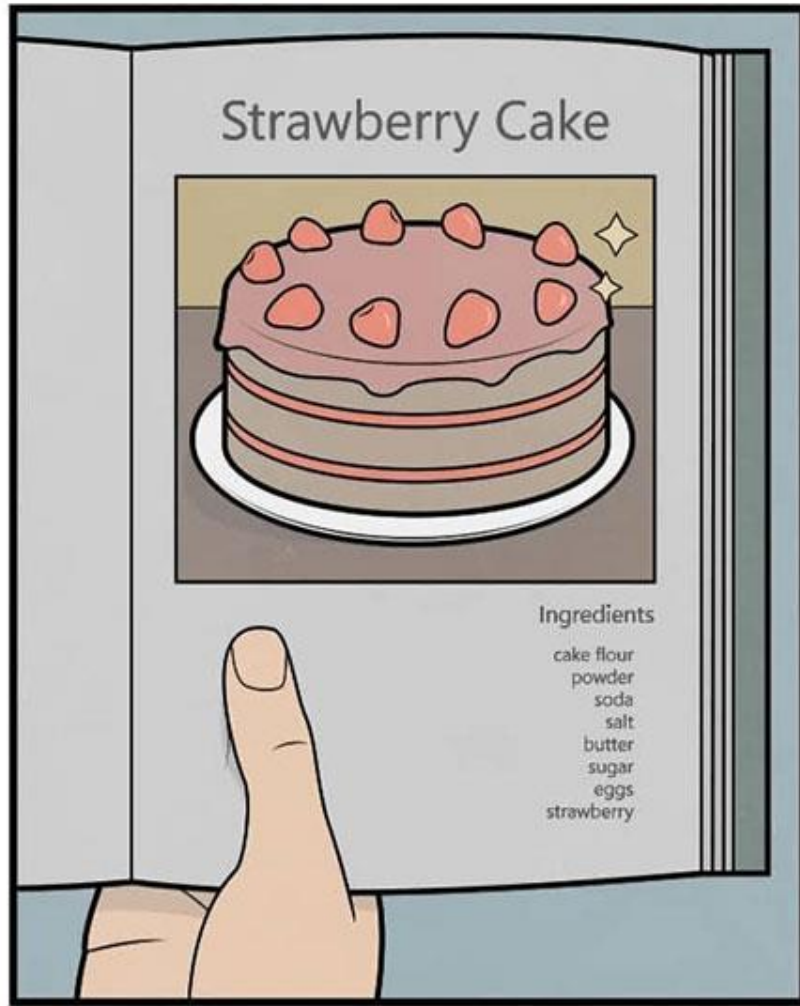


ISPOR EUROPE

Pricing Pharmaceuticals for the Common Good: Is Value-Based Pricing still the right solution?

YES,



BUT



ONE

Outline

Theory: a (very) brief theoretical introduction to value-based approaches to pricing

Practice: research findings on the implementation of value-based approaches in Europe

Challenges: learning from the European experience



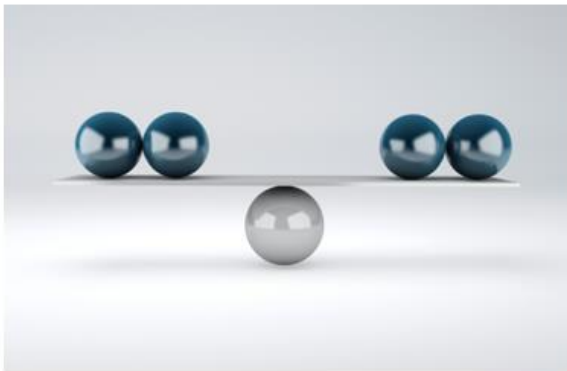


European Federation of Pharmaceutical
Industries and Associations

A value-based approach to pricing

An EFPIA position paper

April 2023



DELIVERING THE TRIPLE WIN:

A Value-Based Approach to Pricing

Eleanor Bell
Mikel Berdud
Graham Cookson
Sian Besley

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CONTRACT RESEARCH REPORT
APRIL 2023






















































































































- A value-based approach to pricing: An EFPIA position paper (EFPIA, 2023),
- Delivering the Triple Win: a Value-Based Approach to Pricing (Bell, Berdud, Cookson, Besley, 2023)



A value-based approach to pricing is based on the principle that prices should reflect the value of a new medicine to 1) patients, 2) health systems and 3) society versus the current standard of care...

price signals are aligned with patients' and citizens' priorities, such that the expected value of innovation for a given level of investment is maximised.























































Is value comprehensively assessed?

Considered in value assessment?	Yes	No
Health outcomes	        	
Cost of technology	        	
Other direct medical costs	        	
Treating severe diseases	        	
Direct non-medical costs	      	 
Innovation	     	  
Indirect non-medical costs	    	   
Equity	    	   
Reducing unmet need	   	    
Health outcomes of carers	   	    
Indirect medical costs	  	     
Improvements in the process of care	  	     
Treating rare diseases	  	     

Key								
Belgium	France	Germany	Italy	Norway	Poland	Spain	Sweden	UK
								

- ✓ All countries seek to assess value.
- ✓ There has been significant progress in recent years in the comprehensiveness of value assessment, and many countries now recognise value beyond the traditional dimensions of health outcomes and cost(offsets) of technology.
- ✓ There is substantial heterogeneity between countries in which elements are considered.

Do prices reflect (assessed) value?

Pricing approach or mechanism used?	Yes	No
A value-based approach to pricing	        	
<i>Alternative pricing approaches</i>		
Measures to control spending on individual products	        	
External referencing	      	 
Measures to control total pharmaceutical budget	      	 
Budget impact considerations	      	 
Therapeutic referencing	     	  

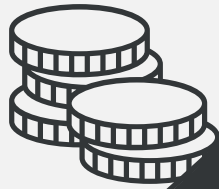
Key								
Belgium	France	Germany	Italy	Norway	Poland	Spain	Sweden	UK
								

- ✓ All countries make provision for VBP.
- ✓ All countries except Sweden combine this with alternative pricing approaches, such as external referencing, therapeutic referencing, or incorporating budget impact considerations.
- ✓ All countries also use price control measures, to control spending on individual products and, in the majority of countries, to control the total pharmaceutical budget.

Alternative pricing approaches fail



TRP can lead to misallocation of resources across therapeutic areas and products



CPP misdirects investment to the most expensive R&D



ERP outsources decisions and misaligns value and prices

The use of these “wedges” reflect real concerns



Value assessment is
resource intensive




Driving research to
address unmet clinical
need



Affordability of
innovations



RESOURCE INTENSITY OF VALUE ASSESSMENT

- ✓ **CHALLENGE:** Administrative and research burden, especially in the context of broader definitions of value and the need for ongoing value assessment when value is uncertain.
 - ✓ **OPPORTUNITY:** Shared assessment of clinical value (e.g. joint clinical assessment)
- 



DIRECTING INVESTMENT IN AREAS OF UNMET CLINICAL NEED

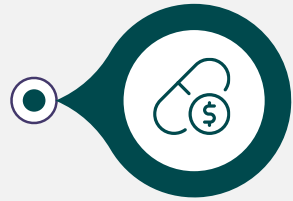
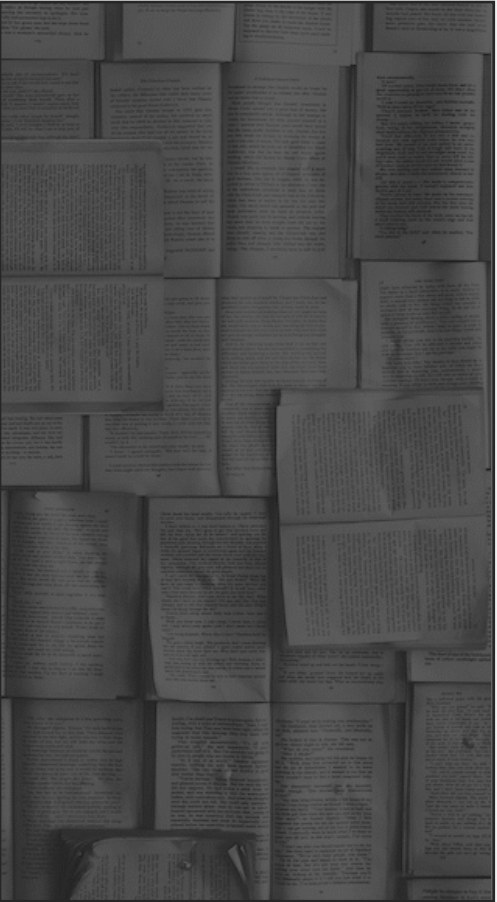
- ✓ **CHALLENGE:** A value-based price does not guarantee a market, e.g. when volumes are small (OMPs, Abx); ability to pay is low (e.g. neglected tropical diseases)
- ✓ **OPPORTUNITY:** Adaptations to incentive framework (e.g. OMP legislation, Abx pull incentives, advance market commitments)

A black and white photograph showing a person's hands holding an open wallet. The wallet is dark-colored and contains several banknotes and a card. The person is wearing a plaid shirt. The background is blurred.

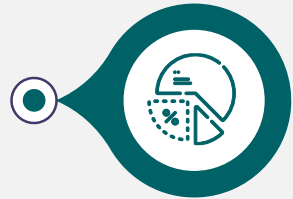
AFFORDABILITY OF INNOVATIVE PHARMACEUTICALS

- ✓ **CHALLENGE:** Healthcare systems in Europe and worldwide are facing growing affordability challenges, which some attribute to VBP where manufacturers 'price to the threshold'.
- ✓ **OPPORTUNITY:** For budget impact challenges associated with specific products, many tools are available (e.g. subscription models, stratified roll-out). At a sectoral level, use of VBP as a rational baseline from which to negotiate how to share surplus and determine the trade-off between static and dynamic efficiency. Promoting competition and the swift adoption of generics and biosimilars.

Takeaway....can VBP deliver for the common good “yes, but”



Value-based pricing has the unique advantage of sending efficient signals for investment in innovation.



Complementary tools are important for achieving the ‘common good’.



There are important discussions around affordability and distribution of the surplus, but VBP can be a facilitator as opposed to a barrier for these.

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