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Global Differential Pricing: Promising Approaches and Implementation Challenges

Monday, May 6, 2024
10:15-11:15 am

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Panelists

DISCUSSION LEADER

- **Richard Willke, PhD**, ISPOR & Scintegral Health Economics

DISCUSSANTS

- **Tess Cameron, BA**, RA Capital Management
- **Lou Garrison, PhD**, CHOICE Institute, School of Pharmacy, University of Washington
- **Mikkel Oestergaard, PhD**, MSD Innovation & Development GmbH

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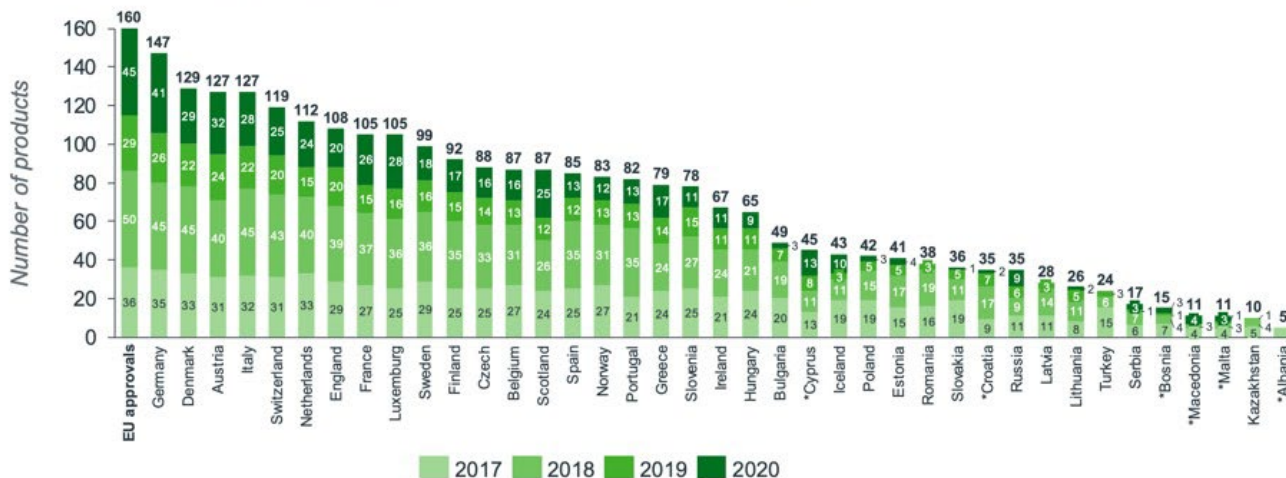
Global Access to Medicines & Differential Pricing:

A Brief Background

Access Delays in the EU

Total availability by approval year (2017-2020)

The **total availability by approval year** is the number of medicines available to patients in European countries as of 1st January 2022 (for most countries this is the point at which the product gains access to the reimbursement list[†]), split by the year the product received marketing authorisation in Europe.



European Union average: 75 products available (47%)[†] In most countries availability equates to granting of access to the reimbursement list, except in DK, FI, LU, NO, SE some hospital products are not covered by the general reimbursement scheme. Country-specific nuances are listed in the appendix. *Countries with asterisks did not complete a full dataset and therefore availability may be unrepresentative.

Reasons for delayed access

- Reference pricing
 - Countries often set pricing based on prices already observed in other countries
 - Provides incentive for countries to launch first in countries that are open to higher “list prices”, ie, before any confidential discounts
- Parallel trade
 - Countries may import drugs from other countries with lower prices, and companies don’t want to lose sales in higher-pricing countries
- Other
 - Delayed access staves off budget impact of new drugs
 - Country-by-country variation in review and negotiation time

Access, Innovation, and Pricing – the Linkage

Goal 1: Provide affordable access to a new medicine, quickly and globally

- Could be achieved simply by mandating a low global price (assuming supply)

Goal 2: Encourage development of new medicines

- The knowledge underlying production of a medicine is a global public good
- Without some market protection (like patents) and pricing to allow a competitive rate of return on research investments, this type of public good is undersupplied

Economic principle:

- Pricing to different consumers based on their elasticity of demand (which is often related to income) distributes the “consumer surplus” from consumption more evenly across consumers (aka, “Ramsey pricing”)
- *Will allow for both broader access and higher revenue than a single global price*

History: 20 Years Ago (Danzon, Towse; 2003)



International Journal of Health Care Finance and Economics, 3, 183–205, 2003
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Differential Pricing for Pharmaceuticals: Reconciling Access, R&D and Patents

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- Use Ramsey pricing to pay for global joint costs of R&D.
- Consistent with equity if elasticity related to income.
- Higher income countries should avoid external reference pricing and parallel trade.
- Developing countries should negotiate confidential discounts.
- Subsidies needed in countries with no high income group.