THE EVOLUTION OF INTERNATIONAL REFERENCE PRICING: AN ANALYSIS OF 38 COUNTRIES

Lockwood C, Marinoni G, Ando G

OBJECTIVES
International reference pricing (IRP) refers to the benchmarking of pharmaceutical prices in one or several other markets when setting or negotiating country-level prices. This policy instrument has been used extensively by payers around the world to regulate pharmaceuticals prices within their jurisdictions. The objective of this research was to characterise the frequency and nature of IRP policy changes across a wide selection of markets.

METHODS
Qualitative interviews were conducted with 50 stakeholders across 38 countries, representing 37 payers or payer influencers and 13 industry stakeholders. These interviews focused on obtaining insights into national IRP methodology, both past and present. Extensive secondary research of government websites and existing literature was also conducted. A qualitative and semi-quantitative analysis of these findings was undertaken to identify key trends in how IRP frameworks have been modified as a policy tool since implementation.

RESULTS
The IRP framework has remained stable—markets comprising the reference basket and underlying formula both remain unchanged—in 16 of the 38 countries considered (42%) (Table 1). In contrast, 22 countries (58%) have changed their IRP framework in one or more ways since formal inception. Of those countries having done so, the number of changes ranges from two to five for countries having implemented IRP between 2000 and 2008, and from one to five for those having done so pre-2000. In both groups, the average number of changes has been two. Croatia, the only country in the sample to have implemented IRP post-2009 and made a change, has made one such modification since.

Of these 14, 8 (Brazil, Czech Republic, Greece, Iceland, Slovakia, Slovenia, Spain, and Switzerland) transitioned at one time from referencing a higher benchmark to a lower one (e.g., average to either lowest price or average of the three lowest), and 5 transitioned at one time in the opposite direction (Cyprus, Greece, Portugal, Slovakia, and Switzerland), albeit with accompanying changes made to basket composition (see Portugal in Table 2).

Meanwhile, Ireland, Japan, and Latvia have introduced or removed conditions associated with their existing IRP formulas (e.g., exclusion of the highest price from the average if abnormally high, or introduction or removal of a condition to default to prices in neighbouring countries as a benchmark if IRP calculation exceeds this price cap). The remaining four countries (Belgium, Denmark, Hungary, and South Korea) have made other modifications, such as abolition of IRP or its application to specific medicine segments. A few countries (Greece, Slovakia, and Switzerland) have made multiple changes to their formula (see Table 2).

CONCLUSIONS
While a sizeable number of markets have maintained a stable IRP regime since inception, a larger number have made one or more changes to the framework. IRP appears to serve as a dynamic policy tool, changing to reflect individual country circumstances and broader policy reform over time. The results suggest that countries having implemented IRP more recently (2000–08) are as likely to have made subsequent modifications as those having implemented it earlier (pre-2000). Nevertheless, it cannot be ruled out that exceptional circumstances as a result of the recent economic crisis have influenced the rate of change in either group. Indeed, there may also be a correlation between date of IRP implementation and economic standing capable of influencing these results. The findings indicate that IRP formula modifications are frequently coupled with changes to basket composition, suggesting policymakers commonly aim for a two-pronged approach to achieving cost containment. Further work would be needed to explore the extent to which these modifications to IRP have been successful at achieving cost containment.

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