

PHARMACEUTICAL PRICES IN THE UNITED STATES VERSUS EUROPE: HOW DO DIFFERENT TYPES OF US PRICES COMPARE?

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OBJECTIVES

Against the background of recent pharmaceutical pricing controversies in the United States, this analysis seeks to provide a more comprehensive comparison of prices in the United States with those in Europe, including how they evolve over time and how list prices compare to negotiated prices.

METHODS

Two samples were used:

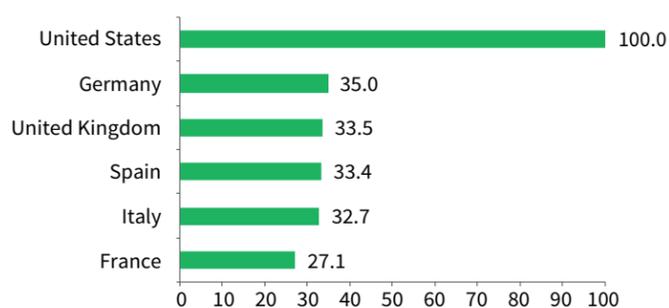
- The first included 30 innovative pharmaceuticals approved by the FDA between 2012 and 2016 and that are available in each of the EU top-five countries. Indices derived from manufacturer prices per pack and unit of strength in January 2017 were compared. Price changes from the time of launch to January 2017 were analysed.
- The second included 20 pharmaceuticals approved from 2006 to compare different price levels in January 2017 (ASP, FSS, and Big 4).

RESULTS

Highest list prices in the United States

List prices were the highest in the United States—by an average of 67% compared to EU pharmaceutical markets—and for each of the 30 case studies.

Average price index for 30 innovative medicines in the EU top five/United States



Source: IHS Markit; PharmOnline International

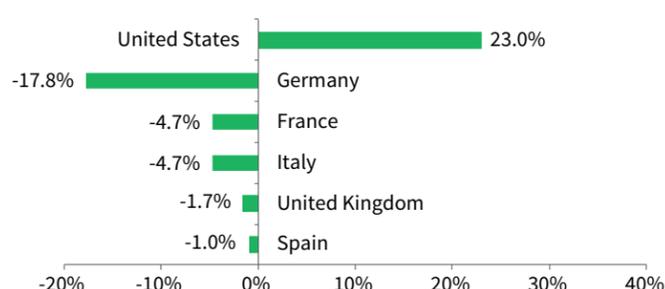
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Medicine prices in Europe are significantly lower than in the United States. Medicine prices in Germany tend to be higher (index=35.0), and those in France tend to be lower (index=27.1). In the United Kingdom, Italy, and Spain, medicine prices are typically aligned.

Innovative medicine prices increase in the United States

Price increases were observed only in the United States. In the major EU countries, prices either remained constant or decreased over time. In France and Germany, a large number of innovative medicines were impacted by price cuts: 12 instances in France and up to 23 in Germany. In Italy, while the majority of medicine prices in the sample remained the same, a few experienced significant change. The price cuts were related to their inclusion in the country's reimbursement list.

Average price changes for 30 innovative medicines in the EU top five/United States from time of launch to January 2017



Source: IHS Markit; PharmOnline International

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Lower negotiated prices in the United States

Our analysis primarily uses the Wholesaler Acquisition Cost (WAC) as an estimated manufacturer price. This price does not include rebates and discounts that are commonly provided, especially under federal programs. Price levels under two different federal programs were analysed:

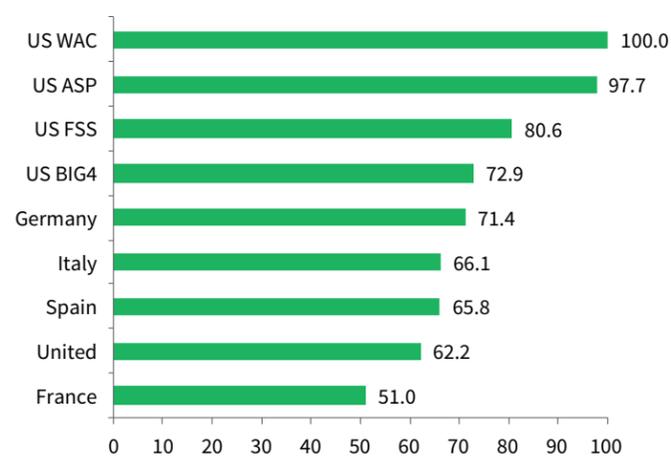
- Federal Supply Schedule (FSS) price
- Big 4—prices that cannot exceed the maximum price manufacturers can charge to the four largest federal purchasers, which include the Department of Veterans Affairs (VA), the Department of Defense (DoD), the Public Health Service, and the Coast Guard.

Additionally, the average selling price (ASP) was analysed. Unlike federal programs, under which federal purchasers buy medicines directly, the ASP is used as a basis for reimbursement when patients are given treatments by physicians under Medicare Part B. ASP uses manufacturer sales information, including discounts and rebates.

The study shows that medicines purchased under federal programs (FSS or Big 4) are almost 20–30% less expensive than list prices in the private sector (WAC). Price differences with drugs given under Medicare Part B are not significant, and ASP prices were higher than WAC prices in a few cases.

Interestingly, the price premium in the United States over Europe was higher in the second sample (older pharmaceuticals) than in the first, although prices tended to increase over time in the United States and decrease in Europe over the same period.

Average price index for 20 innovative medicines in the EU top 5/US at different price levels



Source: IHS Markit; PharmOnline International, Center for Medicare & Medicaid services (CMS)

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CONCLUSIONS

Price comparisons between the United States and Europe often paint a one-sided picture in the absence of non-estimated data on net prices. Available data reinforce the conclusion that prices are typically higher in the United States, and those prices can increase to counterbalance price decreases for the same medicine in Europe. Nevertheless, that difference diminishes—and is almost eradicated—when federal prices are taken into consideration.

Prices under federal programs are significantly lower than prices in the private market and begin to approximate pricing dynamics beneath the list level. The ASP, which is the closest equivalent to a reimbursement price in Europe, is still relatively high and is not significantly lower than prices in the private sector. FSS and Big 4 prices come closer to European price levels, particularly if one discards current, abnormally high exchange rate fluctuations.