

“What can be done to increase equity in access to valuable medicines?”

A proposal for differential pricing.

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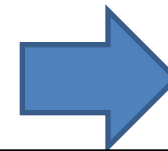
→ what is the goal of health care systems?

The primary goal of health care policy =
to maximize the health of the population within the limits of the available resources, and



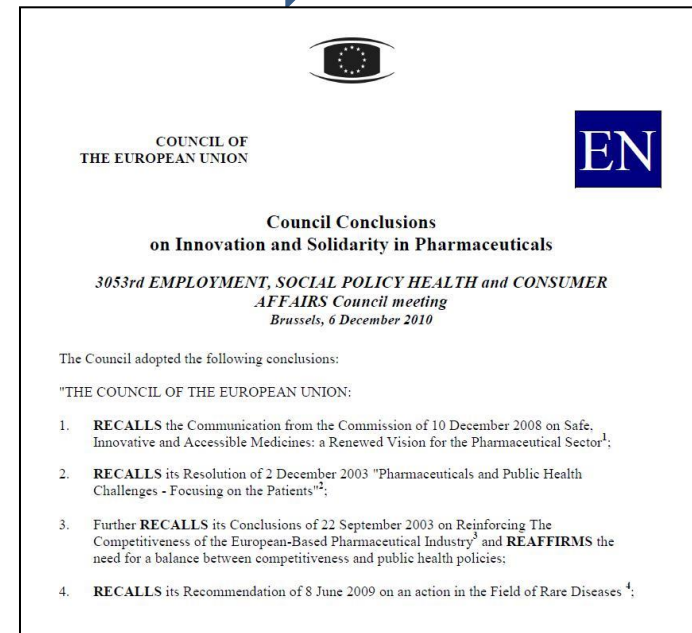
EFFICIENCY


within an ethical framework built on equity and solidarity principles.



EQUITY

*Report of the Belgian EU
Presidency; Endorsed by the EU
Council of Ministers of Health in
Dec 2010*





Analysis of 2011 sales (in units
and €) for 11 valuable*
medicines launched in the EU in
the period 2005- 2007

** Valuable = offering a proven therapeutical benefit and filling a medical need. See Belgian Background report innovation and solidarity 2010.*

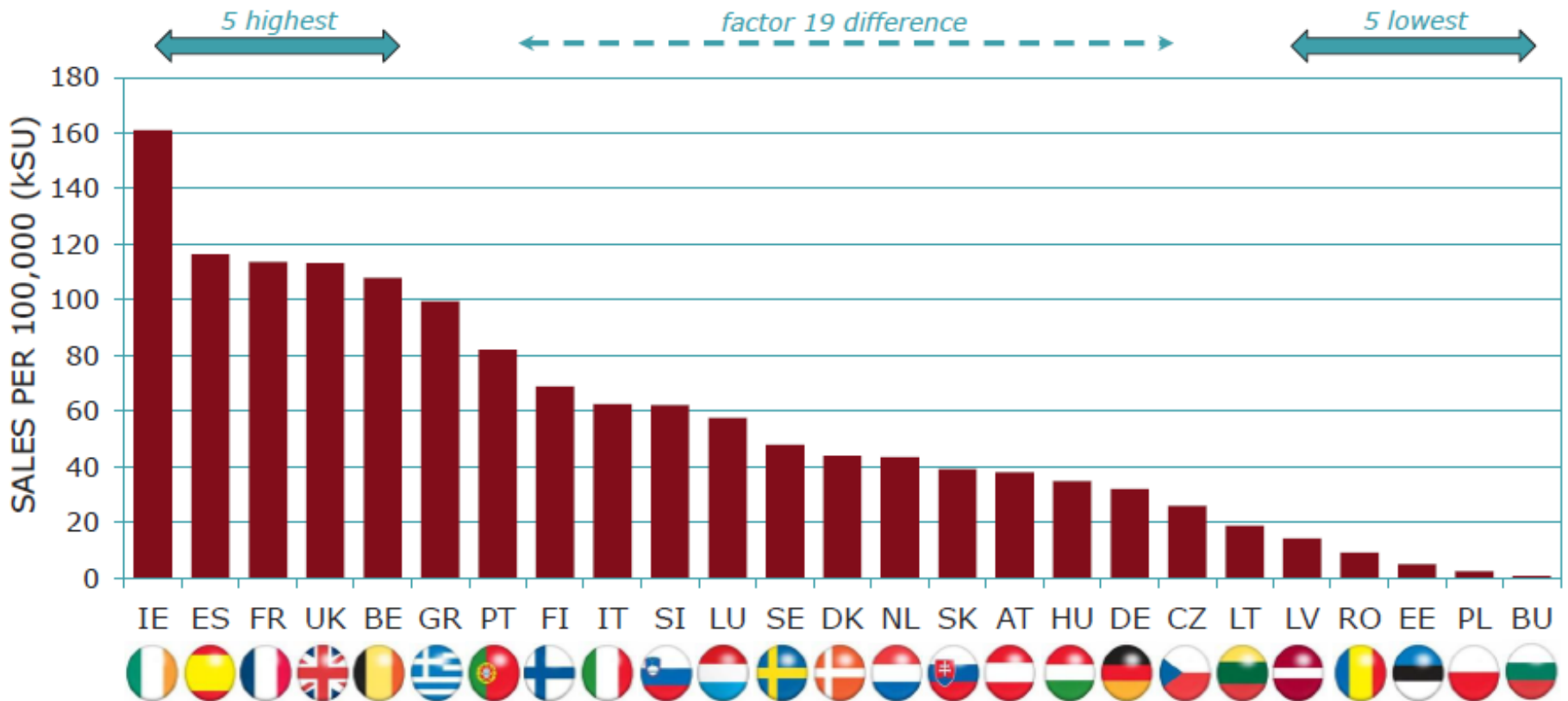
List of 11 valuable innovative medicines

#	PRODUCT SCOPE
1	Tysabri
2	Velcade
3	Efient
4	Lucentis
5	Prezista
6	Champix
7	Kepivance
8	Xolair
9	Isentress
10	Protelos
11	Synagis

Sales (in units) per 100,000 inhabitants



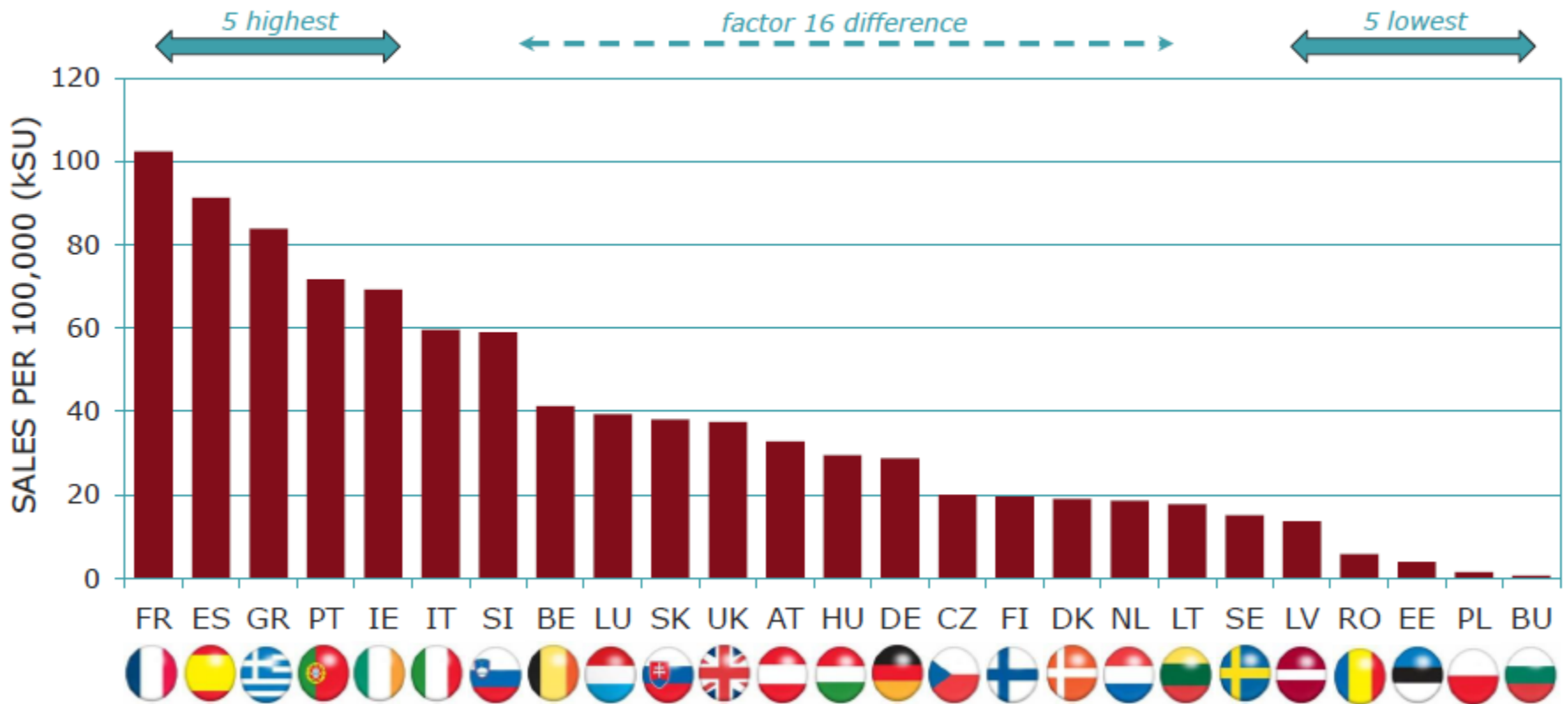
Sales volume of 11 selected products per 100,000 inhabitants in 2011 per country



Sales (in units) per 100,000 inhabitants (excl. Champix)



Sales volume of 10 selected products per 100,000 inhabitants in 2011 per country



→ Need for Differential Pricing

- → higher price in a richer country and a lower drug price in a poorer country (note: Ramsey pricing – see WHO).
- Companies in turn achieve a reasonable ROI and a higher volume as compared to today.

→ Differential Pricing: proposal for a code of conduct in Europe

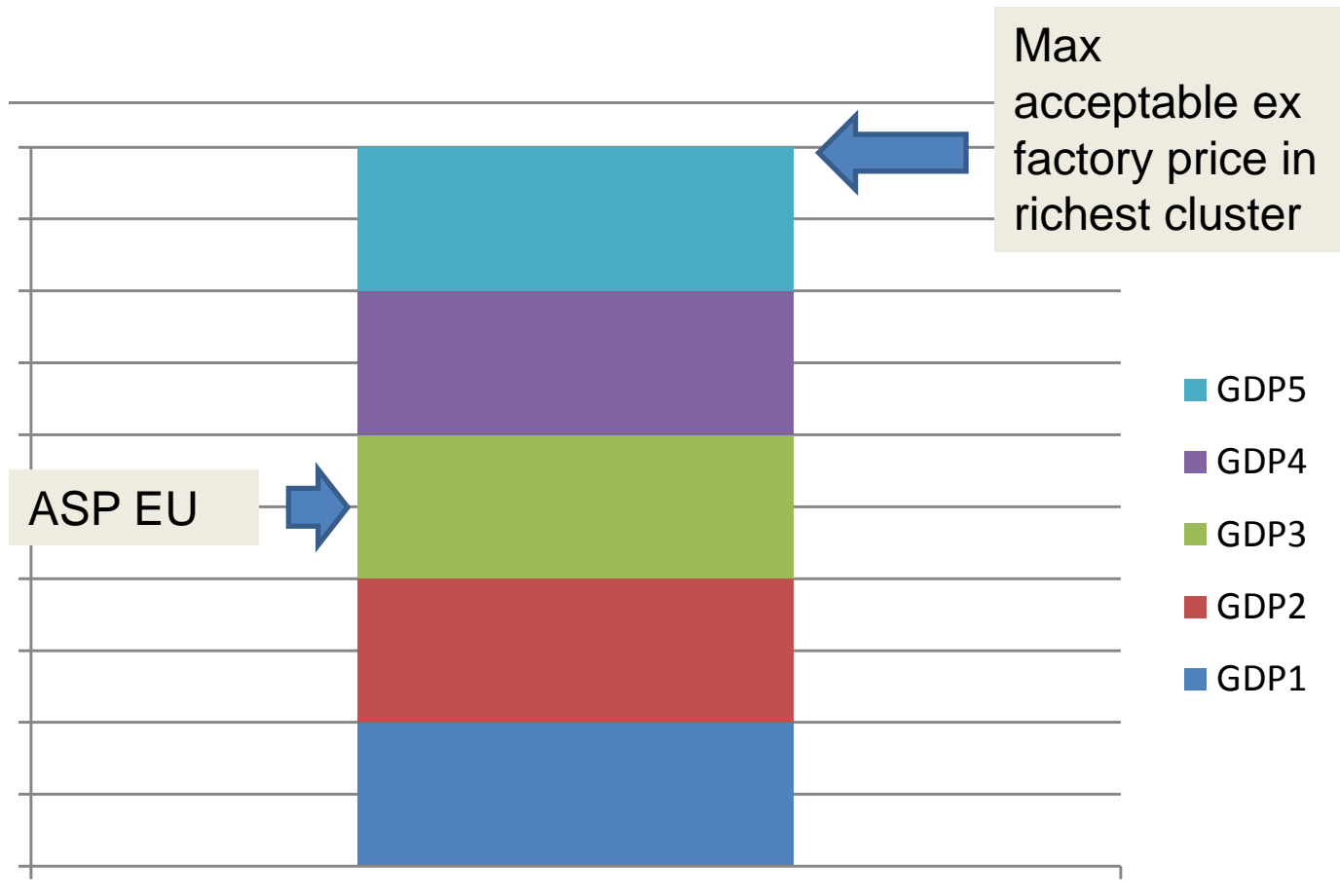
– PRICING

- Transparent ex factory price
- Acceptable and justifiable return on investment
- In function of ability and willingness to pay

– WEIGHING

- Clusters of countries (e.g. 5 clusters) with similar GDP/capita
- If GDP/capita is 20% below average GDP/capita in EU → price 20% lower.

Example of price clusters



Price is accepted by at least one country in each cluster

Two options for price setting

- Virtual average “cost+” price → company proposes a virtual average ex-factory price, justified by its costing structure.
 - ☺ acceptable mark-up as compensation for the costs of investment in R&D
 - difficulty in assessing the true cost of R&D !
 - **value** not sufficiently recognized !
- **Maximum price in richest segment**
 - ☺ Based on value for money in countries with good HTA skills
 - profit margin may not be in reasonable proportion to the marginal production cost.
 - Price in poorer countries driven by WTP in richer countries (but of course adapted in function of GDP)

Issues and conditions

- A. External Reference Pricing not compatible with differential pricing → countries need to agree not to implement ERP *or* limit ERP to other members of cluster
- B. Parallel trade kills this system → Introduction of possibility for “**public health exceptions**” for parallel trade
- C. Need a trusted third party: coordination and monitoring.
- D. Need a transparent market entry plan
 - Commitment of companies to launch medicines within a fixed time after market access approval
 - Commitment to add a price justification dossier and to invest a given proportion of sales in R&D.

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“Tomorrow belongs to the people who prepare for it today.”
African proverb