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# Tackling the restrictions of health care funding: mutual interests of governments and health care industries

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# Content of talk

- Focus on pharmaceuticals
- Mutual interests of governments and industry
- Pressures and risks in current circumstances
- Value based pricing as an approach to pricing
- “Value” in VBP



# Mutual Interests of Governments and Industry

- My assumption is that governments want to make sure that the best medicines possible, compatible with the total budget available and other ways of treating patients, are available to the population and directed to appropriate patients
- A stream of new medicines should be developed which allow us to treat disease more effectively
- These are long term aims and will be present irrespective of short term funding crises
- Industry wants a stable, predictable income stream that will allow it to develop new medicines and remain appropriately profitable in the long term
- Neither party benefits from impoverishment of the industry



# Economic downturn

- Since the financial crisis we have seen the world economy contract and many countries find themselves with unsustainable budget deficits
- Because it is such a large part of government expenditure in developed countries the health budget is a prime target for reduction
- This is additional to pressures to contain growth in health spending consequent on demographic and technological pressures
- In this context, targeting the suppliers to health care, looking for price reductions, is to be expected and within the suppliers, drug manufacturers are a popular target
- An important issue, though, is to ensure that the pressures applied contain the right signals



# Risks

- The risk is that governments demand price reductions across the board and also price new drugs aggressively or not reimburse them at all



# Context

- More countries are incorporating formal HTA in their consideration of which drugs they wish to reimburse and at what price – Brazil, India, China and Russia, the Baltic States, Taiwan, Korea, Hungary, Poland and the Czech Republic are all recent converts, adding to countries like Australia, Austria, Canada, France, Germany, Holland, Ireland, Sweden and UK
- Importantly, we have seen the introduction of consideration of Comparative Effectiveness into US discourse although it may be private sector markets that are as important as federally funded medicine in driving change in the USA



# HTA

- HTA could be used to drive cost reductions but I believe it is in everybody's interest to make sure that does not happen
- HTA can be an excellent instrument for directing resources to where they are most effectively used by offering rewards commensurate with the benefits of new medicines relative to those already available.
- Provided its processes are transparent, it provides companies with a relatively predictable estimate of the financial returns to innovation
- A consistent application of value principles makes it much more likely that buy-in will be achieved with payers, patients and physicians



# Value Based Pricing(VBP)

- VBP aligns the price a country is willing to pay to the value of the drug
- This opens the opportunity to consider notions of innovation that go beyond mere improvements in efficacy
- Considerations of long term effects, effectiveness through better routes of administration, cost offsets, costs and benefits that fall outside the health care sector all come to the fore and may be included
- Some countries claim to pursue Value Based Pricing already, for example, France and Belgium, but a lack of transparency makes it difficult to tell how wide ranging are the concepts of value used
- A dialogue between government and industry is desirable





# Harmonisation of processes

- It is efficient neither for governments nor industry for separate agencies to set the evidence for demonstrating efficacy, safety and value in different countries
- There are currently initiatives to provide clarity to companies on the basic requirements to provide evidence to support the prices they want in a variety of countries, in particular indications and patient groups, whilst at the same time meeting the needs of the FDA and EMA
- We have seen Scientific advice Programmes, such as that run by NICE, starting to be mimicked in the Tapestry initiative, covering FDA, EMA and HTA agencies in France, Germany, Holland, Spain and UK
- There is mutual interest between industry and governments in this activity even though the latter will guard their right to independent decisions very carefully



# Harmonisation and VFM

- A relatively harmonised, transparent process to advise companies on the evidence they need to produce to support chosen prices with a similarly transparent process of reaching decisions in particular countries would be doubly efficient.
- It would allow countries to use research done by others to inform their own deliberations and it would save companies from failing to produce appropriate evidence in the first place and to have to present variants of it endlessly in many jurisdictions
- It would also signal to companies what was valued, encouraging them to direct resources to the most profitable and most socially important areas



# Process

- A possible process would be that a body such as NICE, HAS, IQWiG or United Healthcare would invite companies to submit dossiers relating to their licensed drug, setting out their value proposition, evidence on the effectiveness of the drug, side effects, costs etc
- The HTA body would analyse the evidence and produce estimates of the relationship between drug acquisition price, patient group, patient severity and benefits, measured as thought locally appropriate. In the UK this might be presented as relationships between these variables and cost/QALY
- This analysis would then be on the table for both industry and government to see for the price negotiation
- If the analysis were provided on a website (subject to commercial confidentiality) as NICE ERG reports and Assessment Reports are currently, it could be available for other governments to use



# Conclusions

- There is mutual interest in not allowing HTA processes to become crude instruments of budget reduction. They are much better suited to channelling what resources are available to their best possible use
- Value BASED Pricing has potential to be of help to both industry and governments but its use will require dialogue and careful deliberation