



Effective ways of investing in health and patient access

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- Warning: my own views, based on the report of EXPH – Expert Panel of Effective Ways of Investing in Health
- “The **Expert Panel on effective ways of investing in health** is an interdisciplinary and independent **group** established by the European Commission to provide non-binding independent advice on matters related to **effective**, accessible and resilient **health** systems”



INNOVATIVE PAYMENT MODELS FOR HIGH-COST INNOVATIVE MEDICINES

Report of the
**Expert Panel on effective ways of
investing in Health (EXPH)**

Key issue: payment mechanisms for new products

- Triple aim:
 - a) provide quick patient access – has two main barriers: regulatory time approval and introduction decision by companies – is favoured by high prices
 - b) provide incentives for innovation that matters – is favoured relative price differentials
 - c) being affordable to health care payers – is favoured by low prices
- Each target requires a different movement in prices; trade-offs will have to be made.

What is out there for discussion

- Managed entry agreements – failed to live up to what was expected
 - They conceptually address uncertainty
 - Can be suitable to deal with price differences according to effective results in the population
 - Do not address the issue of high prices due to market power
- Cost-based prices
 - It will not be the “better” innovation, it will get mainly higher costs
 - Over time it will not even contribute to “affordable” prices (whatever the way they are defined)

What is out there for discussion

- Net price transparency (World Health Assembly resolution in 2019)
 - Disclosing prices and not just “process transparency”, but how does it affect each of the objectives?
 - The impact will be defined by how prices internationally linked
 - Not clear how economic elements will be addressed: (i) price discrimination is not necessarily bad for economic efficiency (including benefits to consumers); (ii) whenever competition is feasible between therapeutic alternatives, confidential discounts are a form of competition on price
 - Unless there is coordinated decisions by payers, it will not address the critical issue of market power

What is out there for discussion

- Health Technology Assessment, economic evaluation and value-based pricing approaches:
 - deal mostly with relative prices
 - may fail to deal with market power

Critical issue to look at in pricing rules:

- How does the pricing rule influence the level of prices?
- How does the pricing rule influence the relative position of prices of products of distinctive “innovative content”?

Ways forward (?)

- Cost transparency to payers – information disclosed can be treated as confidential commercial information, and not be publicly available – and still some idea about margins earned to payers
- Use HTA and economic evaluation as a necessary but no sufficient condition – negotiation for lower prices will be a fact of life
- Define and develop new ways to fund and reward R&D, in particular when a certain unmet need is clearly identified as a target for innovation

Ways forward (?)

- Develop mechanisms beyond use of patents (which is a good mechanism for decentralized innovation, not necessarily so for targeted innovation)
- Other tools:
 - Mid-term or end-stage prices
 - Innovation procurement arrangements
 - Set an assessment of exercise of market power in price negotiations
 - Explore non-linear payment systems (including multi-indication and/or multi-geography pricing, ensuring that market power concerns are addressed)
 - Joint negotiations by buyers to curb on market power

Take away messages

- Crossroads for institutional design – need of new approach, not just “fine-tuning” existing arrangements
- Role for cooperation between countries to find a common move (direction and moment)
- Explicitly recognize market power issues, and deal with it (at institutional design level and at operational level)