ESSEC Institute of Health Economics and Management Asia-Pacific

«Building New Perspectives» Workshop

*International Reference Pricing and Differential Pricing of Pharmaceuticals: Implications for Asia-Pacific Countries*

27-28 November 2015, Singapore

*SUMMARY OF CONCLUSIONS*

The participants acknowledge that International Reference Pricing (IRP) can be a tool to assist decision-makers in regulating pharmaceutical prices, particularly in a number of Asia-Pacific countries where the infrastructure for value assessment is limited and where national political concerns of policymakers must be considered.

However, IRP – when practiced with no consideration of key parameters – can lead policymakers, payers, and companies to move away from an efficient and equitable inter-country price system. There are several reasons for this:

- IRP can work against equity of access of treatment depending on affordability of countries;
- IRP can produce sub-optimal pricing policies both from a societal perspective and in terms of the appropriate incentives for manufacturers;
- IRP assumes that price determination is transferable from one country to another, regardless of health care coverage system and eventual value assessment;
- IRP often relies on partial and poorly controlled data with many limitations and needing many caveats in interpretation.

The participants consider that, in principle, each payer should determine the value it grants to a new product, and should pay in relation of the value they place on it.

The participants accept that different payers need to pay different amounts, and consider that differential pricing is the approach for equitable, affordable and sustainable access to innovative medicines. Still, payers are expected to pay for a fair share of the global R&D investments that result into effective and safe pharmaceuticals.
It is the role of governments to ensure that the regulatory environment protects national markets from uncontrolled and unsafe parallel trade.

Whenever IRP is considered, it should not be in isolation but as a tool for validation/negotiation of local prices, secondary to perceived or assessed value in a given country.

The following guiding principles should be integrated in a transparent regulatory framework:

1. Basket of reference countries should be determined based on:
   a. Relatively similar levels of national wealth expressed in PPP (Purchasing Power Parity);
   b. Reconsidered every 5 to 10 years depending upon duration of economic growth cycles;
   c. With additional consideration of:
      i. disease prevalence whenever appropriate (e.g. infectious diseases);
      ii. health care systems specificities (e.g. universal coverage);
      iii. local specificities (e.g. political communities between countries) commonalities between countries.

2. IRP should be considered primarily considered for patented medicines, implementation to non-patented products remaining an option;

3. It has to be assumed that quality of products in reference countries is equal to the one in the concerned country;

4. The reference prices used for IRP should be the ex-manufacturer prices, given the differences in the distribution/coverage channels;

5. Transparency of ex-manufacturer prices at regional level through structured government initiatives should be a goal shared by all parties;

6. Prices retained in the reference price calculation should be always defined and sourced;

7. The price calculation method should be made transparent;

8. Price differences in different countries should more or less adjusted to differences in Purchasing Power Parity (PPP) adjusted national wealth;

9. Re-referencing should not be more frequent than every two years, to ensure a minimum predictability and sustainability of prices.