

Introducing Value-Based Differential Pricing

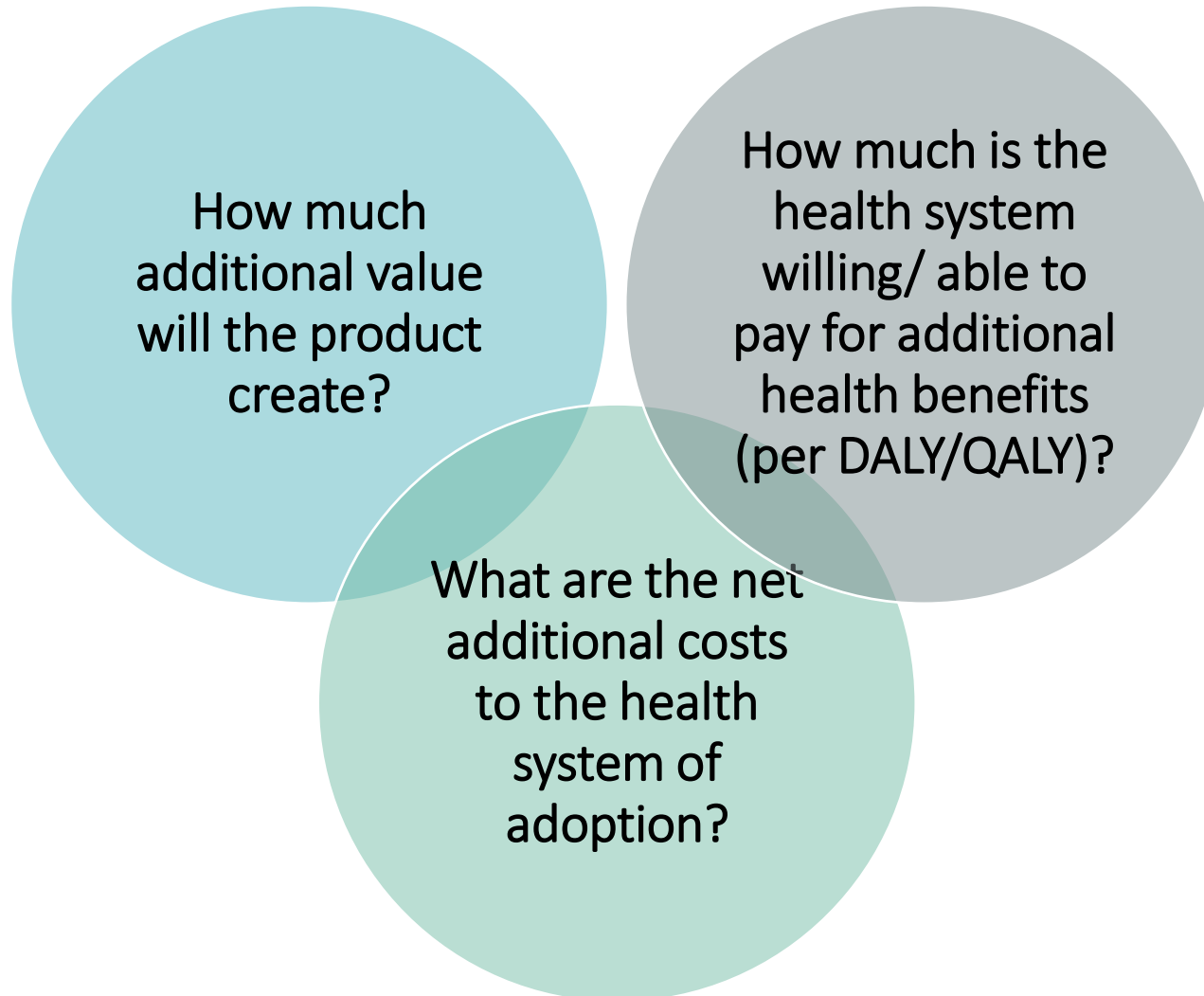
Center for Global Development
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Value-Based Tiered Pricing

- Price in each country based on a health system's willingness to pay (via pooled resources)
- Willingness to pay reflects the **actual, assessed value of the product within that market/health system accounting for affordability and budget constraints**

Defining Value: Three Factors



Value Assessment in Action! (A Small Sample)



The screenshot shows the European Commission website for Health Technology Assessment. The page title is "HEALTH TECHNOLOGY ASSESSMENT" and the main heading is "Strengthening EU cooperation beyond 2020". The page content includes a navigation menu with "All topics", "Overview", "HTA Network", "EUNetHTA Joint Actions", and "EU cooperation". A sub-heading "Legislative proposal" is visible, followed by a paragraph stating: "A legislative proposal was adopted by the European Commission on 31 January 2018. It is the result of an extensive reflection process following the results of the impact assessment outlined below. It has been sent to the European Parliament and the Council with the aim of adoption by 2019. The proposal and related information can be found here:"

“the **India** Medical Technology Assessment Board for evaluation and appropriateness and cost effectiveness of the available and new Health Technologies in India...**standardized cost effective interventions that will reduce the cost and variations in care, expenditure on medical equipment...overall cost of treatment, reduction in out of pocket expenditure of patients...**’. Ref: MTAB, Ministry of Health & Family Welfare, Government of India

Indonesia: Minister of Health’s Decree No. 71 /2013 Article 34

(5)Health Technology Assessment Committee provide policy recommendation to the Minister on the feasibility of the health service as referred to in paragraph (4) to be included as benefit package of National Health Insurance

Service coverage (5.3):

South Africa “Detailed treatment guidelines, based on available evidence about cost-effective interventions, will be used to guide the delivery of comprehensive health entitlements. Treatment guidelines will be based on evidence regarding the most cost-effective interventions.”

HTA unit budgeted @R368m in 2018 budget by country’s Treasury

What's In It for Me? – LMIC Health Systems

- Dramatically increase accessibility and affordability of health innovation
- Remove choice between restricting access or allowing a high price that damages other parts of the health system
- Make UHC more politically and financially sustainable
- Improve cross-country and within-country inequities in access to innovation
- Help signal LMIC health needs and demand to product developers
- However: if $VBTP < \text{marginal cost}$, still no commercial incentive to offer product for sale

What's In It for Me? – Industry

- Increase revenue and profit during patent protection
- More predictable listing decisions, and therefore revenue
- Creates locally affordable access and may reduce risk of arbitrary or more extreme measures (price controls, compulsory licensing, etc.) to address unaffordable pharmaceutical prices

What's In It for Me? – Global Agencies

- **Transition planning:** mechanism for transitioning countries to continue receiving commodities through affordable, pooled mechanism; could be combined with predictable co-financing system
- **Better targeting of aid money:** Allows agencies to reallocate resources to the poorest countries versus subsidizing products at unnecessarily high prices
- **Value-informed market shaping:** Help inform commercial R&D and supplier investments based on comparative clinical value and global/national affordability

Challenges for the Implementation of VBTP

- **Countries with large out-of-pocket markets:** Individual demand curves (ability and willingness to pay) differ from population-wide willingness to pay
- **External reference pricing:** May achieve short-term savings but in long-run leads to convergence toward single (high) global price; may dissuade supplier from offering a VBTP in a lower-value market
- **Other forms of leakage:** E.g., reimportation to higher-value markets

Imagining VBTP in Practice

