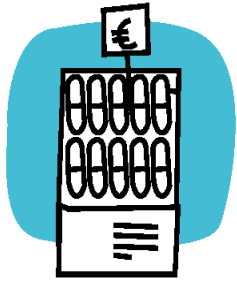




Unit 3: Are medicines an economic good like any other ?



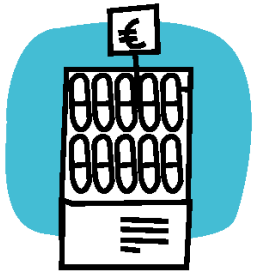
1. Pricing, reimbursement and non-reimbursement

- Hello. I'm Izabela Jelovac, I'm a researcher with the CNRS, a member of GATE Lyon-Saint Etienne and affiliate at Hospinnomics. I'm going to talk to you about policies in health care that are aimed at controlling health care costs. I would particularly like to talk about policies for drug pricing and drug reimbursement with a little on the threat of not reimbursing them. Why do we want to control health care costs and especially costs relating to drugs? Because these costs are renowned for being too high. What are the components contributing to these high costs? What are the three components contributing to these high costs? Firstly, pharmaceutical companies want to cover their costs on research and development. Secondly, pharmaceutical developments are protected by patents, meaning the company is protected from outside competition. Thirdly, it is not the consumer who pays. These three points explain, in different ways, why we have high prices – or at least high costs. Let's go back to that final point — it is not the consumer who pays to look at reimbursement policies as well as to take a look at the integral role consumers play when it comes to the high cost of drugs. In the 1990s and 2000s a number of European countries that used to reimburse generously opted to limit their reimbursements in order to make patients more aware of the cost of drugs. These countries were expecting to see reduced consumption. Pharmaceutical companies, understanding this logic wanted then to lower their prices in order to maintain sales. This seems ideal— by reducing the reimbursement we can expect to see both consumption and prices go down which would naturally reduce costs. Free pricing vs. regulated pricing. This logic only works if we consider a free-pricing system such as in Germany. The link between reimbursement, price and quantity was shown by Nina Pavcnik in an article published in 1992. However, free-pricing systems are rare. Germany and Denmark have one, but few other countries do. In most countries, prices are regulated and negotiated which prevents them from being too high. Let's try to understand what goes on during price negotiations to understand the role of reimbursement policies in these negotiations. To do so, let's think of a negotiation between a regulator and a pharmaceutical company. In the UK, for example, this would be the Pharmaceutical Price Regulation Scheme which negotiates drug prices. What is at stake in the negotiations? First, the Marketing Authorization for the new drug but this was already the case for the MA at the previous stage. The drug is marketed at a given, negotiated price. The main goal of this negotiation is to get the drug on the list of reimbursable drugs. If the reimbursement is generous, the stakes are high. If the reimbursement is smaller, the stakes are much lower especially for the pharmaceutical company which might then wish to sell its drug with no reimbursement, at the price it wants. This will not happen if the reimbursement is high as we can expect much higher demand for the drug. This compromise is very important and the company will likely be willing to reduce its drug prices in order to receive a more generous reimbursement. Logically, then, the reimbursement and the price are connected. With high reimbursement, the negotiated price will be lower which is the opposite of what we saw early with reimbursements and free pricing. Underlying all of this is the threat to not select the new drug for the list of reimbursable drugs. This threat of non-reimbursement is often spoken about in countries with generous reimbursement policies. A drug not being reimbursed actually interests us less than the threat itself to not reimburse a drug. In reality there is no reason to not reimburse a drug that has a proven therapeutic effect and that genuinely improves the health care provided.





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- Everybody would lose in this situation – consumers, regulators and pharmaceutical companies. However, the threat itself to not reimburse a drug can be used as leverage to influence prices. I would like to add that this strategy was developed with a full non-reimbursement for drugs in mind but less radical answers could also be possible such as gradually lowering the reimbursement rate to arrive at lower prices during the negotiations. This would still work, even if the effect is more tempered. Thank you.
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