Three questions to Pr. James Robinson on his newly released Health Affairs paper on drug price competition and the role of biosimilars[1]

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As Professor of health economics in the School of Public Health at the University of California, Berkeley, and chair of both the Leonard D. Schaeffer Endowed Chair in Health Economics and Policy and the Berkeley Center for Health Technology, you have a keen interest in research related to coverage, management, and payment methods for innovative technologies including biopharmaceuticals, medical devices, and diagnostics. During your visit in France in December 2019, and your presentation at the joint Hospinnomics and LIRAES seminar, you had the opportunity to meet with stakeholders and get acquainted with the complexities of the French drug price negotiation scheme. You have recently published your results in Health Affairs, jointly with Quentin Jarrion and I would like to ask you three questions.

Why do you think the French experience should be of relevance to the United-States?

The United States has experienced a policy debate as to whether competition from biosimilars is the best strategy for achieving price reductions for biologics or, rather, whether direct price regulation after loss of patent exclusivity would be more effective. The French system exhibits an elaborate iterative process of biosimilar market launch, price reductions, reductions for the reference biologics, reductions in the national tariffs, then new launches and further share increases for biosimilars and further price reductions. The French experience therefore provides lessons for the United States and other nations in their efforts to use competition from biosimilars to drive price reductions and savings from biologics.

Compared to the US, France manages to combine a single-payer health insurance system, with authority from an inter-ministerial Pricing committee (*Comité Economique des Produits de Santé* - CEPS) to negotiate prices and impose pharmaceutical price reductions and a reliance on decentralized market negotiations between hospitals and manufacturers to establish biologics prices. The CEPS negotiates a national tariff for each product, but these

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[1] Competition from Biosimilars Drives Price Reductions for Biologics in the French Single-Payer Health System, Health Affairs, August 2021, Volume 20(8):1190-1197, James C. Robinson, PhD, University of California, Berkeley (James.Robinson@Berkeley.edu) & Quentin Jarrion, University Hospitals of Reims (quentinjarrion@yahoo.fr).

are the prices paid by the government to hospitals where the drugs are administered, not to the drug manufacturers themselves. Hospitals and hospital purchasing groups negotiate prices with manufacturers who typically offer significant discounts to be included in the hospital's inventories and formularies. In these negotiations the hospitals rely on biosimilars to stimulate competition and they have an incentive to negotiate prices as low as possible, since they are allowed to retain half the difference between the national price and the price they negotiate. The national insurer relies on this decentralized process of negotiations and the 'shared savings' incentives for hospitals to obtain discounts from manufacturers, rather than unilaterally imposing reductions on manufacturers. Each year, the price reductions negotiated by hospitals are adopted by the health insurance system for its national tariffs. This eliminates the shared savings potential for hospitals at the prices they had negotiated with manufacturers, driving hospitals to negotiate a new round of discounts.

Which are the most striking results from your study on the French drug market?

In our paper, we combine quantitative and case study methods to examine in detail the interaction between market and administrative mechanisms to reduce biologics prices in France, presenting comprehensive data on prices, price reductions, utilization and market shares for three major biologics (Remicade, Enbrel and Humira) and their 11 competing biosimilars between 2004 and 2020. We show that biosimilar launches are associated with a sequence of price reductions for the originator biologic, for other biologics that treat similar conditions, and for all related biosimilars. This provides strong evidence that reliance on biosimilars can be effective in reducing the prices of biologics.

Which first step should be taken to yield similar benefits in the United-States?

The French experience shows that health programs can usefully combine centralized administrative and decentralized market mechanisms in the pursuit of social goals. The first step could be the definition of an indicative price for biosimilars which insurers could use in their drug price negotiations, either directly or through hospitals' purchases.