

WINTER 2018

MEDICINE PRICES 'NOT A MAJOR ISSUE FOR HEALTHCARE'

REPORT



Cover image credits: anekoho/Bigstock

The European Commission support for the production of this publication does not constitute an endorsement of the contents which reflects the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein.



Co-funded by the
Europe for Citizens Programme
of the European Union

In association with



INTRODUCTION

While the sustainability of healthcare provision is under ever-increasing pressure throughout Europe, the price of medicines is not a major risk for health systems, according to a vote by participants at a Friends of Europe debate in Brussels.

The initial perception of the audience changed after hearing the Oxford Union-style 'for' and 'against' debate between [Thomas Allvin](#), Executive Director for Strategy and Healthcare Systems at the European Federation of Pharmaceutical Industries Association (EFPIA), and [Jo De Cock](#), CEO of the Belgian National Institute for Health and Disability Insurance (INAMI).

Audience members were polled at the beginning and end of the Sustainability of Healthcare event, on 28 November, which debated the motion: *'This House believes that the price of medicines is not a major risk for health systems'*.

The pre-debate vote showed 39% in favour, but after each speaker made their case and took questions, 62% supported it.

HOW HEALTHY IS THE DATA?

The broadly accepted narrative among healthcare policymakers is that high medicine prices are putting an overwhelming burden on healthcare budgets, threatening the short- and long-term financial sustainability.

But are those assumptions based on consistent data reflecting the actual prices governments and others are paying for pharmaceutical products? Do projections take into account the various discounts, rebates and negotiated agreements that pharma companies make with individual payers? Are medicine costs really the main problem for healthcare budgets?

Researchers addressed these questions in a recent study of projected expenditure in the major 'EU5' economies of France, Germany, Italy, Spain and the United Kingdom.

Presenting the paper *Projecting Pharmaceutical Expenditure in EU5 to 2021: Adjusting for the Impact of Discounts and Rebates*, published in 2018, as a scene-setter for the debate, lead author [Jaime Espin](#) – professor at the Andalusian School of Public Health – said the perceived problem of medicine prices was not as large as expected.

Although OECD figures show healthcare expenditure in the EU5 has been rising faster than GDP, its data also suggests the proportion spent on pharmaceuticals is decreasing. And while separate research has suggested overall healthcare costs will grow at around 2.1% by 2030, Espin et al found that the EU5's net pharma expenditure was projected to grow at a "sustainable" yearly rate of 1.5%.

“What we really know is that during the last few years the price we see of medicines is not the real price that we pay”

Jaime Espin, Professor at the Andalusian School of Public Health

“Is it just an easy win to point the blame to the pharmaceutical industry for increased healthcare costs?”

Tamsin Rose, Senior Fellow at Friends of Europe

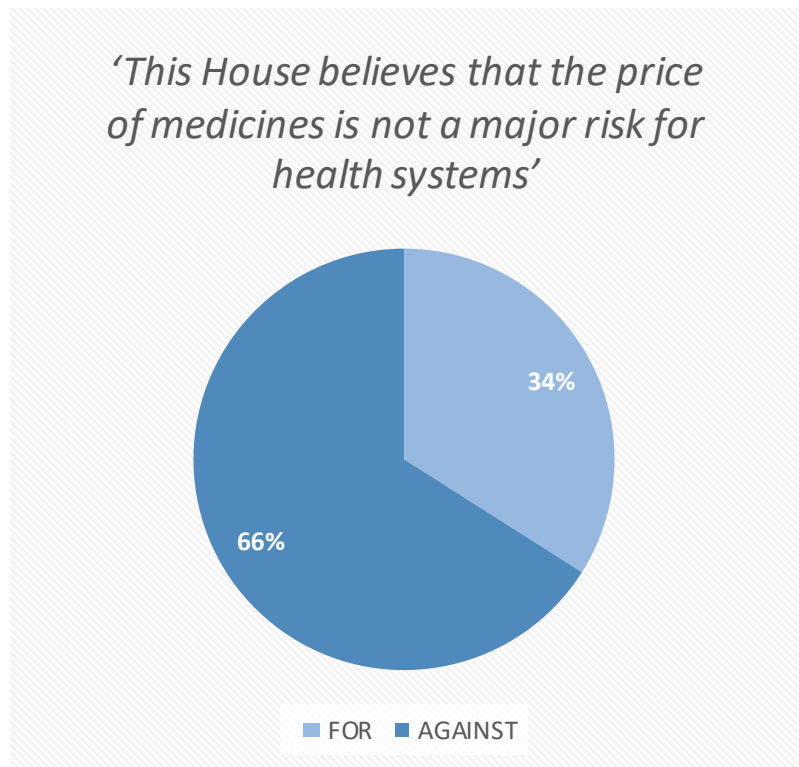
“The projections and analysis are good but we are missing one important factor,” said Espin. Traditional spending forecasts are typically based on ‘list’ prices, but don’t factor in the rising use of rebates and confidential discounts, he said. He added that countries such as Germany, Italy and UK had introduced “outcome-based agreements” with pharma companies, which also altered the picture.

And the increased use of cheaper generic and biosimilar medicines had helped offset spending on branded products, he said.

“What we really know is that during the last few years the price we see of medicines is not the real price that we pay,” he concluded.

“Is it just an easy win to point the blame to the pharmaceutical industry for increased healthcare costs?” asked moderator and Friends of Europe senior fellow [Tamsin Rose](#).

“It’s no secret that our healthcare systems are under stress. The big question is how do we keep [them] fit for purpose and affordable in the near future, let alone the long term future, in which many of us will hopefully be living much longer lives?”



THE CASE FOR: THOMAS ALLVIN, EFPIA

“There’s a gap between the perception of medicine spend and the reality. There’s also an important distinction between the price of a product and the cost.

The exact price of one product is not the issue. It’s the budget impact on the healthcare system - does it create sustainability or un-sustainability?

When you take into account all these rebates and discounts, the increase in pharmaceuticals spending is lower than the growth in healthcare spending overall. Therefore, this is not what is driving booming healthcare costs.

The real drivers of healthcare spend in Europe are long-term care and demographics. In last year’s European Semester reports, the European Commission pointed out that there are sustainability issues but the main factor is the ageing population.

We always focus on new medicines and the high price, but not so much on the balance with growth in generics and biosimilars. Big drugs like Humira for autoimmune diseases or cancer drugs like Herceptin are coming off patent and biosimilars are coming into the market. This competition keeps the prices down.

So what should we be talking about?

Firstly, a graph of expenditure on medicines: it looks like a smooth line but in reality it fluctuates. New medicines are launched and then generics arrive... so there’s a surge before the saving. For smaller payers it’s totally understandable that they have difficulty in managing these fluctuations and we need to be more creative in how we budget within healthcare systems.

There’s also a shift towards more specialist drugs that will require very different type of approach. New gene therapies will replace a lifetime of injections with one treatment. We need to figure out how to manage costs if all the expenditure is concentrated at one point in time. It is clear we need a more transparent and better informed debate. Pharmaceutical pricing is still poorly understood .

Even when the OECD started to drill down into the numbers they discovered that they had to revise some of their early assumptions.

Industry has a clear responsibility to be clearer about the business model.

EFPIA is in favour of having a more official differential pricing system in Europe. But for various reasons, including political, this is very difficult to do. The end result is lots of deals where the price is confidential and that creates doesn't help clarify the overall picture

For obvious reasons, many companies don't want to disclose their business strategies to competitors. More perspective is needed, the debate should encompass what we spend on medicines, what we get for it, and

“The exact price of one product is not the issue. It’s the budget impact on the healthcare system - does it create sustainability or un-sustainability?”

Thomas Allvin, Executive Director for Strategy and Healthcare Systems at the European Federation of Pharmaceutical Industries Association (EFPIA)

what the health outcomes are.

Patients have a key role in helping to define and report health outcomes. In EFPIA, we have started a new Innovative Medicines Initiative programme called Paradigm which is about how to engage patients from the research and development stage.

It is worth remembering that pharmaceutical expenditure is the most rigorously assessed part of spending in health. As the science evolves, we will be able to keep monitoring outcomes in real life.

Medicine prices are not driving healthcare costs, so what are the actual issues in getting access to new innovative medicines that deliver real value to patients?

Often this debate is captured by a few notorious cases that create media headlines. What you don't hear about are the savings introduced by generics or biosimilars. And you certainly don't see all the R&D failures the industry pays for.

Take a look back at statins. When they were introduced there were concerns that it would be like a long-term mortgage that would bankrupt health systems. In Denmark, the use of statins increased by 62 times between 1996 and today, but the cost only increased 0.6 times. Generic competition made them more affordable, and statins are now a standard part of medical care, reducing serious coronary events and saving money for health budgets.

The really important point is this– what's the cost of not using medicines?"

THE CASE AGAINST: JO DE COCK, INAMI

“Jaime’s study suggests we don’t have to worry in the near future. So, we can continue with business as usual? No, we can’t.

Rising drug prices are such a serious problem that the G7 ministers tasked OECD to prepare a report that highlights the main challenges that governments face in ensuring appropriate access to novel medicines for those in need, at a reasonable cost, while maintaining incentives to innovate.

In fact, most countries are confronted with sharply increased spending in certain therapeutic areas, such as oncology or certain rare diseases, where new medicines command very high prices.

The report of the EU Expert panel on effective ways in investing in health stressed that the growth in pharmaceutical expenditure has created huge financial challenges and recognised that the current trend of growth cannot be continued.

Analysis also shows a disproportion between prices and measurable health benefits. Some sky-high medicine prices are comparable with fees paid to Champions League football players, or the prices for famous art at Sotheby’s auctions.

According to a recent study the cost of oncology drugs has increased over the last decade while clinical benefits haven’t experienced a proportionate positive change. The debate should not be simply limited to what should be done to control costs, but also determine at which point the costs outweigh the benefits.

Another major gap is the lack of transparency in price setting. We need more information on costs, and the way that research and development is often funded by public authorities.

Confidential agreements with pharmaceutical companies exclude common democratic control.

Would it not be better to find appropriate answers to External Reference Pricing and to questions linked to issues such as parallel trade?

My point of view has always been that parallel trade can be limited for reasons of public health.

Another big question is equal access to medicines between different countries in Europe.

Although access at an affordable price is a key objective of European health policy, this goal has not been achieved. New, effective medicines are of no use if they cannot be used because they are unaffordable.

“The debate should not be simply limited to what should be done to control costs, but also determine at which point the costs outweigh the benefits.”

Jo De Cock, CEO of the Belgian National Institute for Health and Disability Insurance (INAMI)

“My point of view has always been that parallel trade can be limited for reasons of public health.”

Jo De Cock, CEO of the Belgian National Institute for Health and Disability Insurance (INAMI)

When (Hepatitis C drug) Solvadi had to be paid for in Poland at the price at which it was launched in Europe, it swallowed up 50% of the pharmaceutical budget.

We can't solve this through tweaking upfront payments. In the case of Solvadi, we could say 'okay we'll pay for it through annual payments', but what happens then? A few years later there will be cheaper drugs coming onto the market and we will be locked into paying continued high prices for a number of years.

That's the huge problem we are confronted with – how to deal with these high-priced medicines, knowing that it's important for societal and moral reasons to have more insight into the rationale behind these high prices. It is not possible to continually keep increasing the budget for medicines, otherwise it will cost the earth.

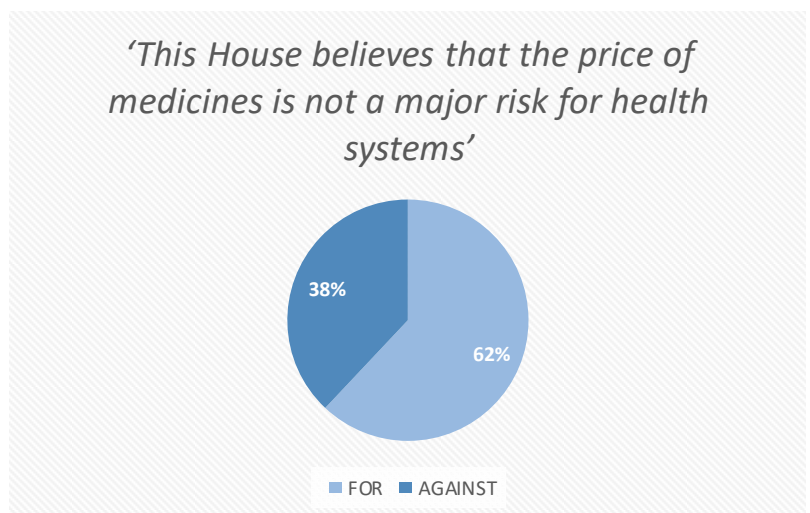
What we need in the coming years is more accountability and transparency. The way we're going now is forcing us to change the system and to change our approach to pricing and reimbursement.

Of course, we can also do better in cost control on other elements of the health systems. But we cannot use this as an argument to do nothing about getting better value for spending on drugs.

Are medicine prices a major risk for healthcare systems or the major risk for health systems? There is a difference.

Of course, it would be an error to not see it as a risk. And a risk is something that is solvable.”

After statements in favour and against the proposed motion, it was put to a vote and there was a shift in views among the participants.




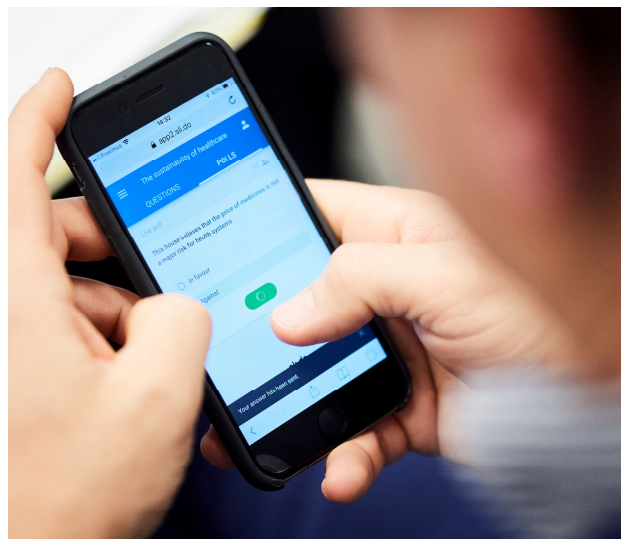


“Pharmaceutical pricing is still poorly understood”

Thomas Allvin, Executive Director for Strategy and Healthcare Systems at the European Federation of Pharmaceutical Industries Association (EFPIA)



 SHARE THE PHOTOS





Friends of Europe

Connect, Debate, Change.

Square de Meeûs 5-6

+32 2 893 98 23

info@friendsofeurope.org

www.friendsofeurope.org

Friends of Europe is a leading think tank that connects people, stimulates debate and triggers change to create a more inclusive, sustainable and forward-looking Europe.