

Pricing as a strategic element of PDP access strategy

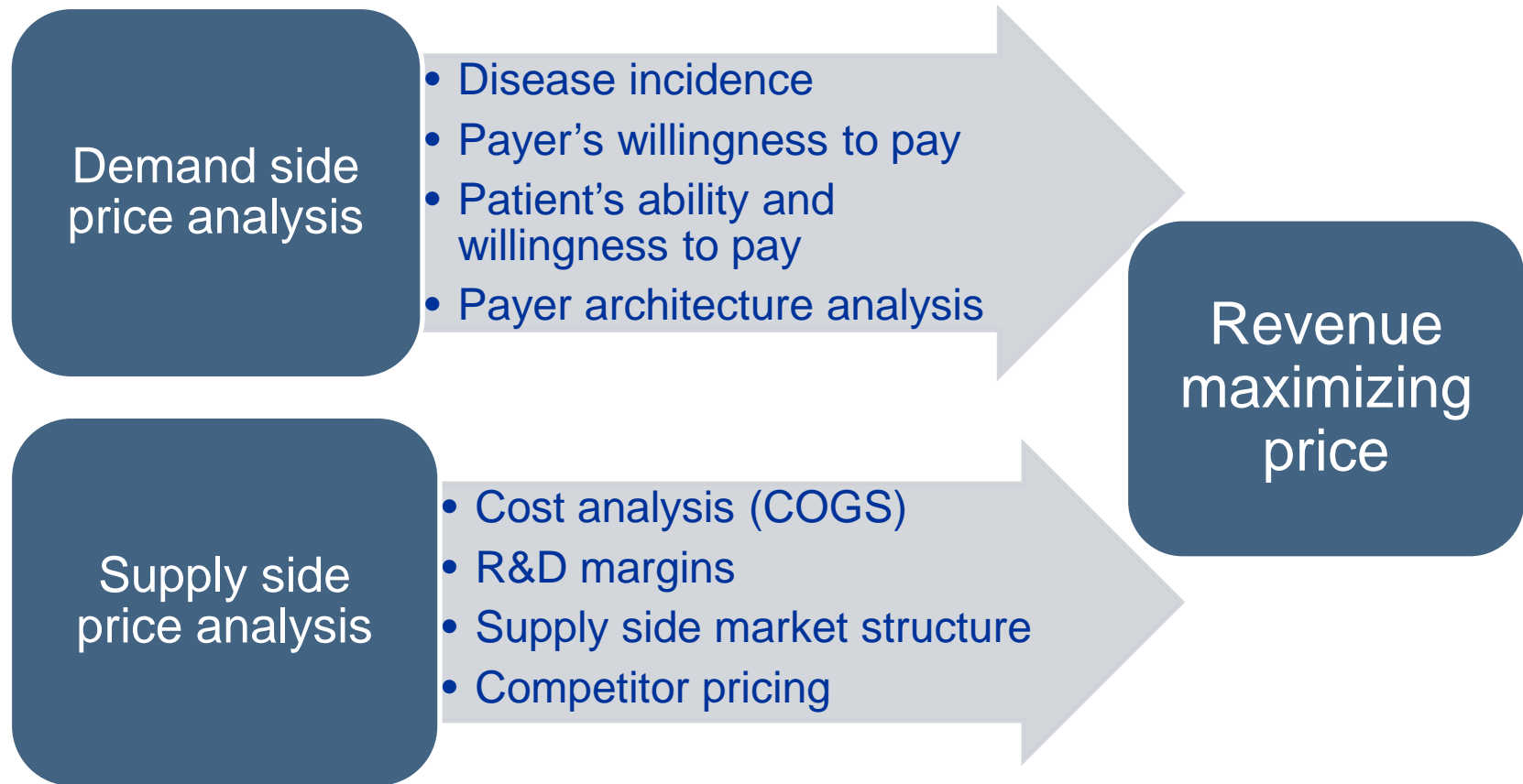
Prashant Yadav



**Challenges for PDPs in facilitating equitable access to
new health products in low income countries**

Villa du Lac, Divonne les Bains July 27-28, 2010

Conventional pricing models for commercial partner



Pricing to maximize access, “sustainably”

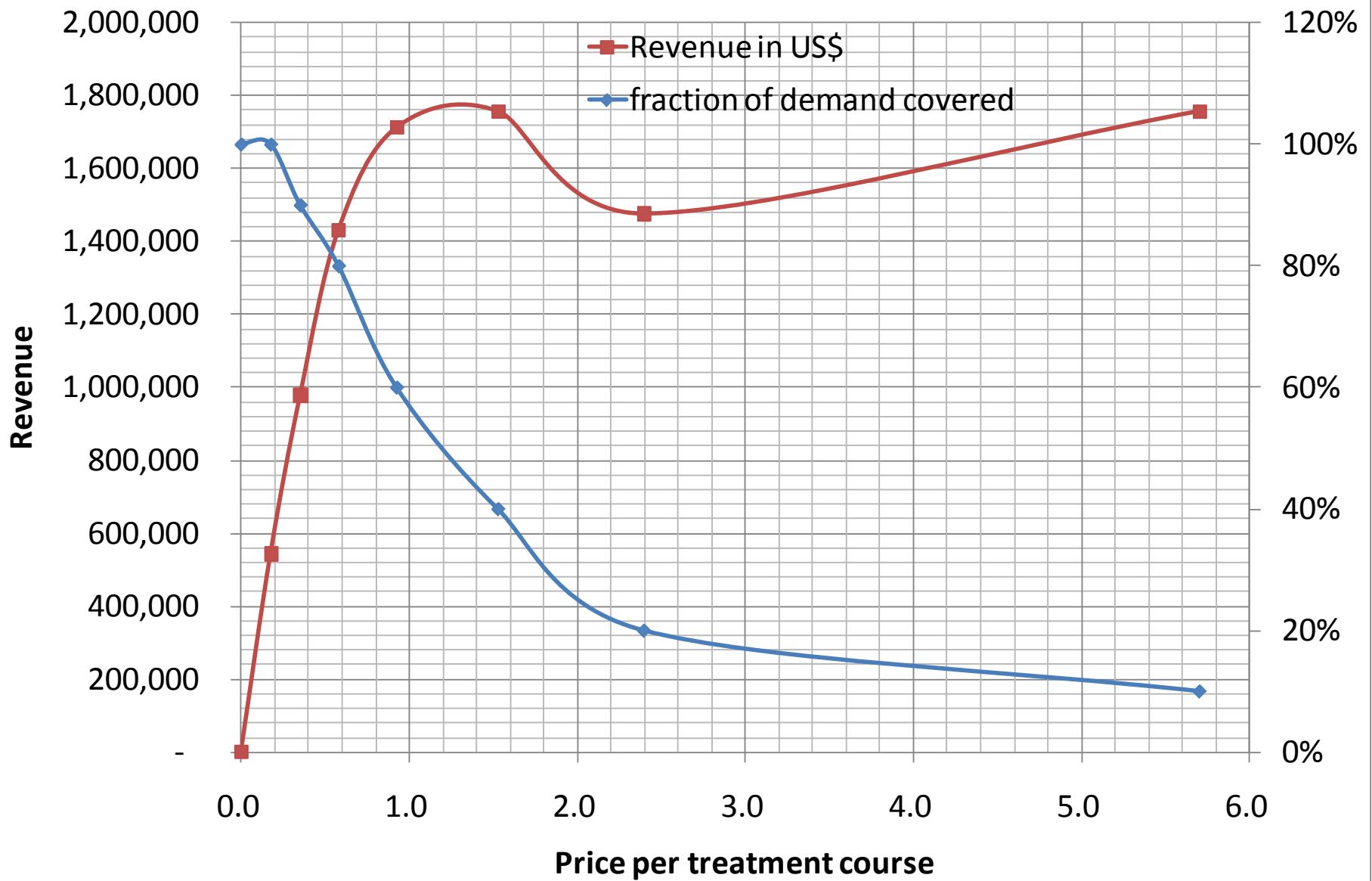
Demand side price analysis

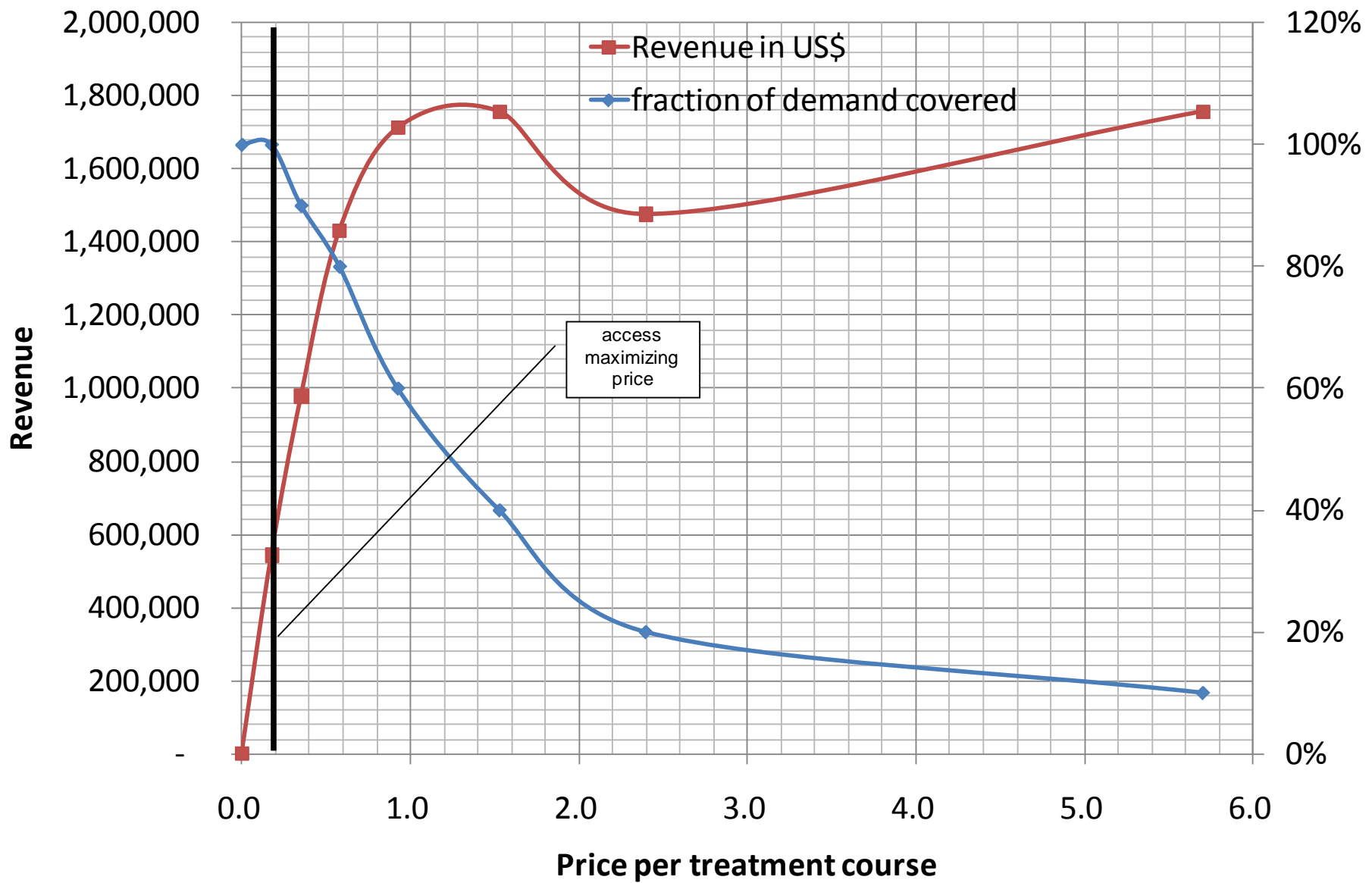
- Burden of disease
- Payer’s ability and willingness to pay
- Patient’s ability and willingness to pay
- Payer architecture analysis

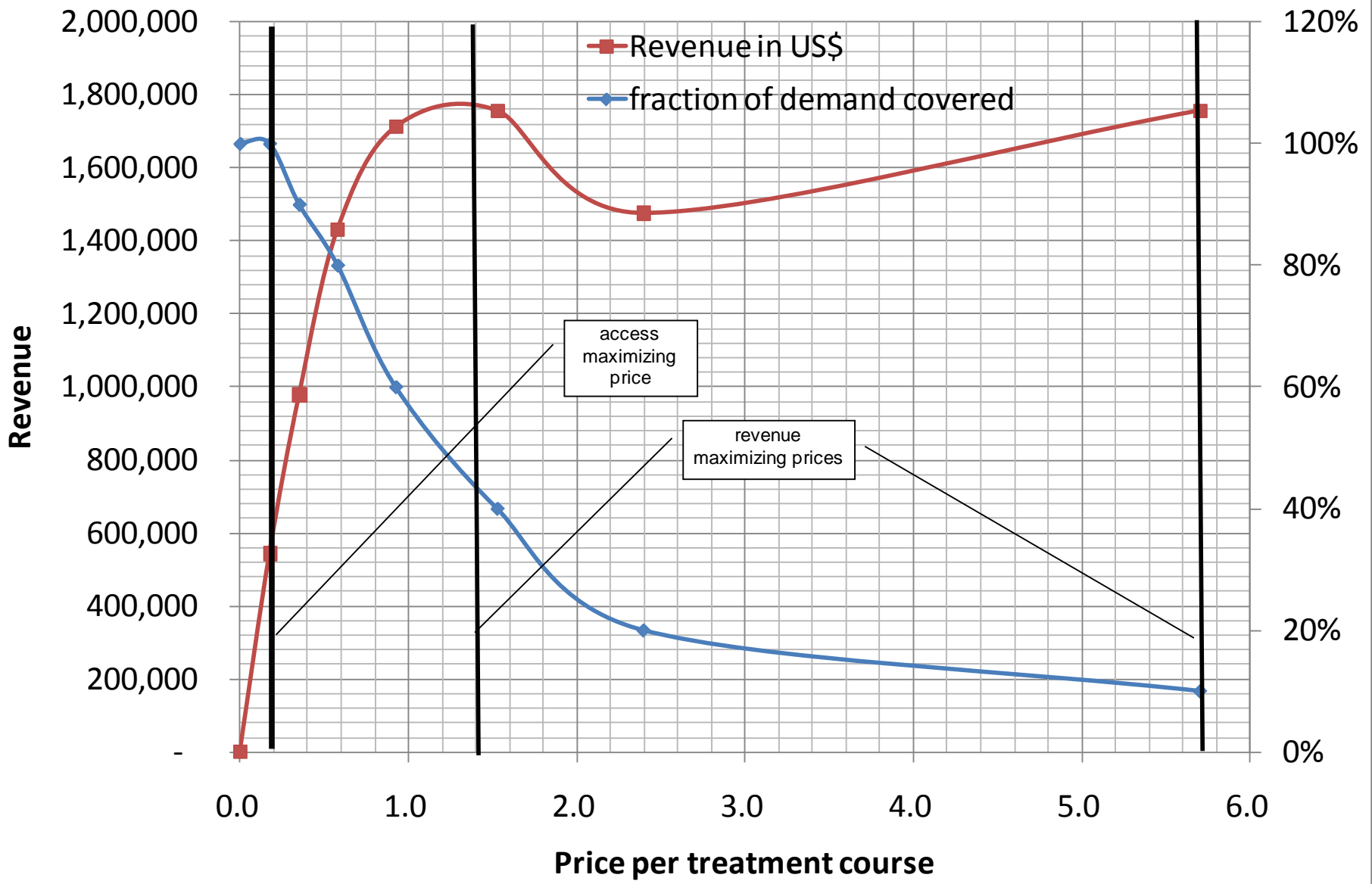
Supply side price analysis

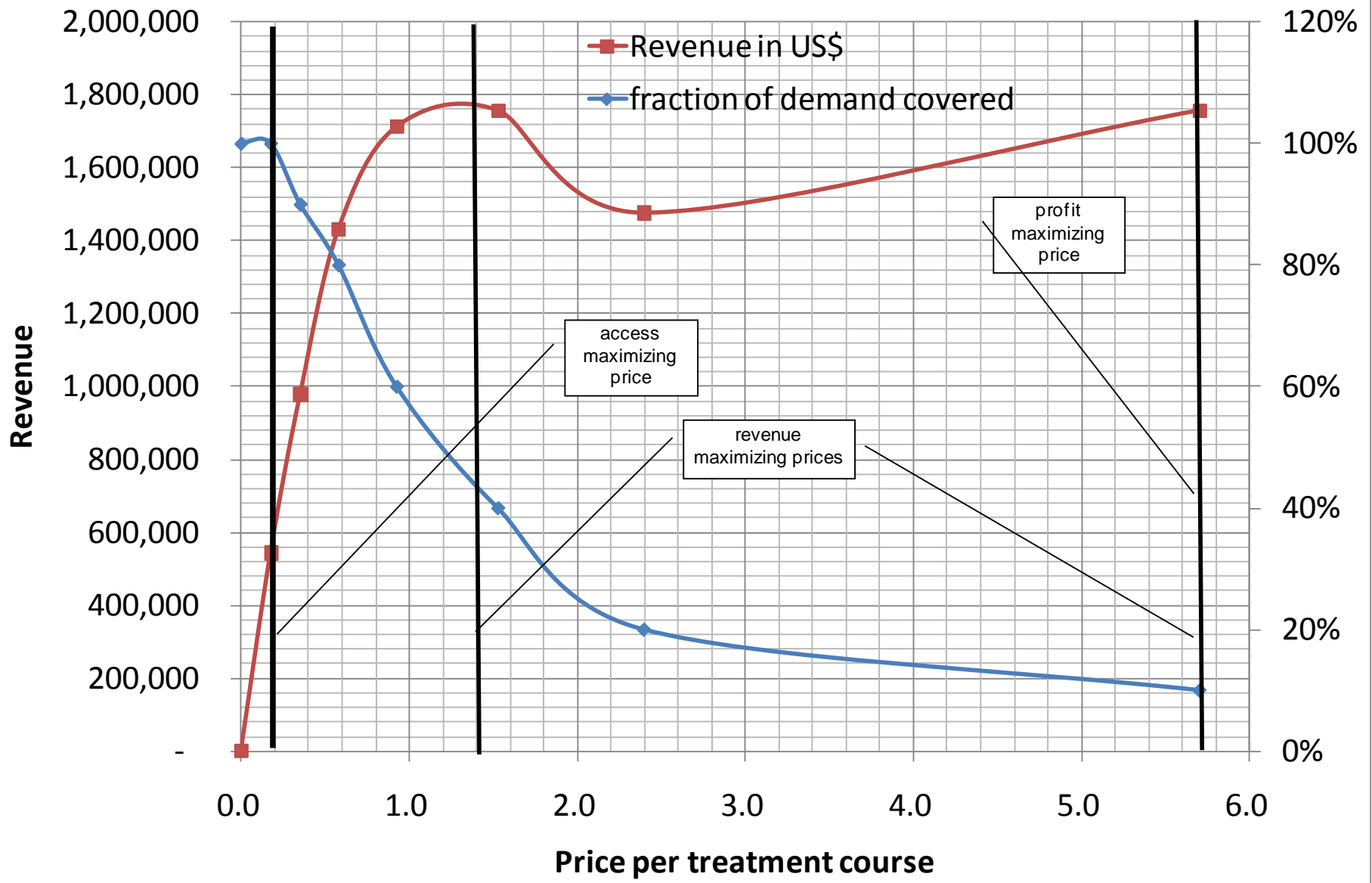
- Cost analysis (COGS)
- Adequate margins for “healthy” market
- Supply side market structure
- Competitor pricing

Access
maximizing
price









Points of leverage in pricing

APIs, Raw Materials and Cost of Production

- Healthier and competitive supply markets through better information
- Leverage platform approaches

Ex-manufacturer price

- Price-contracting vs. market driven price
- “Optimal” procurement structures
- Tiered pricing

Payer’s Willingness to Pay

- Health outcomes and cost effectiveness models
- Toe-hold investments and proof-of-concept studies to reduce payer’s uncertainty
- Advocacy for financing

Distribution Margins

- Help create healthier distribution markets
- Understand distribution margin legislation

Patient’s Willingness to Pay

- Remove ‘information blind-spots’
- Product awareness

Options for PDP Ex-Manufacturer Pricing

Cost Plus

Information asymmetry and uncertainty about COGS

COGS depends on sales volume

How to create incentives for dynamic cost reduction?

Target Price

AMC and other mechanisms have target profiles which include a target price

Target price setting methodology requires extensive demand side studies

How to guarantee supply?

Health Outcomes Based

More important for second entrants

Anticipatory planning to structure the clinical trials to demonstrate usable outcome points

Country/context specific data

Pure-Market

May not lead to best access outcomes

Requires careful monitoring of buying power and procurement structures

Incentivize competition in production
IP issues may prevent in the short run

Segmented Pricing

Not all patients and payers have the same sensitivity to price

Segmentation depends on characteristics of market, product and procurement platform

Remember the middle income unhappiness with ARV three-tiered pricing

Aside: UK's health outcome based pricing: An example

- ▶ Velcade ®, a proteasome inhibitor which had shown statistically significant improved survival in patients with myeloma
- ▶ The NHS/UK criterion is not to pay in excess of £30,000 per QALY for any drug
- ▶ Velcade® was initially rejected by NHS for reimbursement due to its high cost
- ▶ Under a novel pricing scheme, the price paid by NHS changes based on the aggregate health outcomes achieved
- ▶ Many EU and non-EU health payers are now working on such pricing arrangements.
- ▶ **What can PDP pricing learn from this?**
- ▶ Source : Borowitz, Kraiselburd, Pelayo and Yadav 2010 (in preparation)