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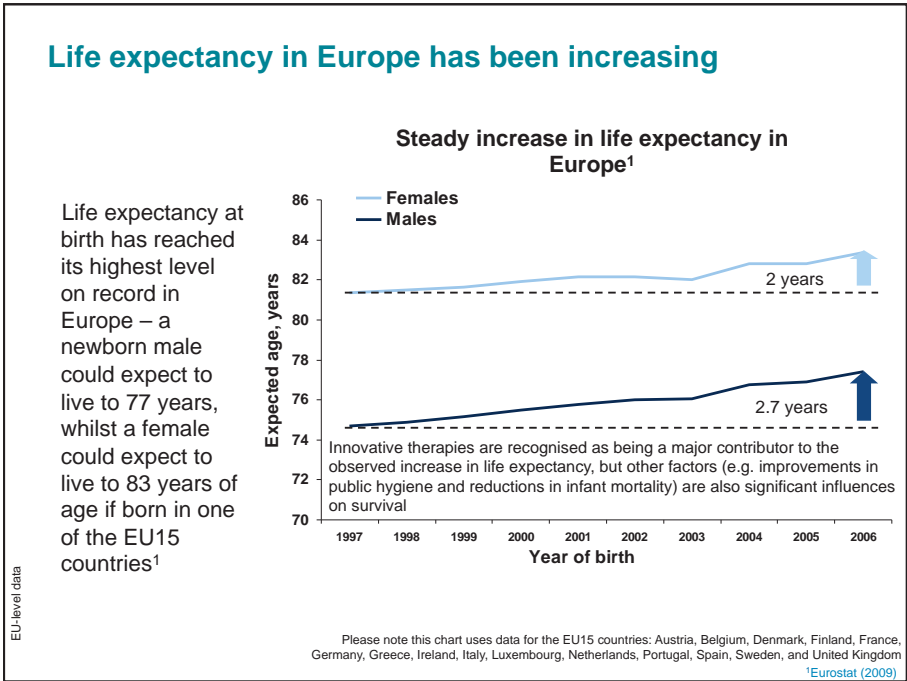
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Policy issues for pharmaceutical innovation in Europe

Richard Torbett, Chief Economist, EFPIA

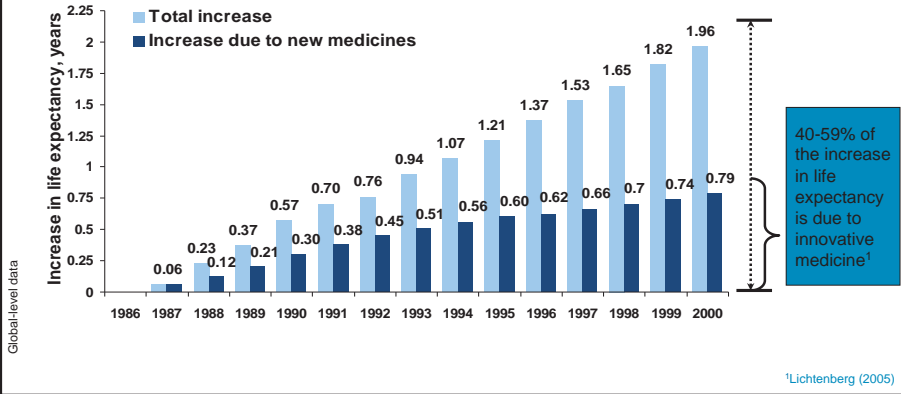
Bruges European Business Conference 2013
College of Europe

European Federation of Pharmaceutical Industries and Associations
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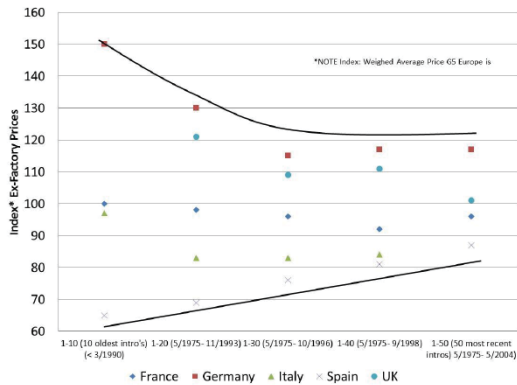
Innovative medicines have contributed to this increase in life expectancy

40-59% of the total increase in life expectancy across 52 countries is attributable to innovative medicine launches. Life expectancy is continuing to increase as a result of progress in the treatment and prevention of cardiovascular disease and cancer¹



Is price convergence desirable?

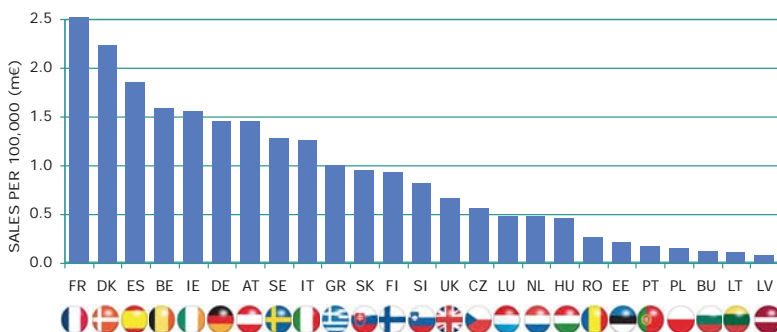
Figure 3: Convergence for new launched medicines - Top 50 Products ranked by launch date - first launch G5 - Index* Ex-Factory Prices



Source: As reported in Kanavos and Vandoros (2011) "Determinants of branded prescription medicine prices in OECD countries"

Seminal report from BE Presidency described the access challenges in Europe

Sales of innovative products (launched 2005-2009) per 100,000 inhabitants in 2009 per country



SOURCE: IMS MIDAS; analysis for INAMI



5

We have recently developed a new study to examine the latest trends on access to medicines

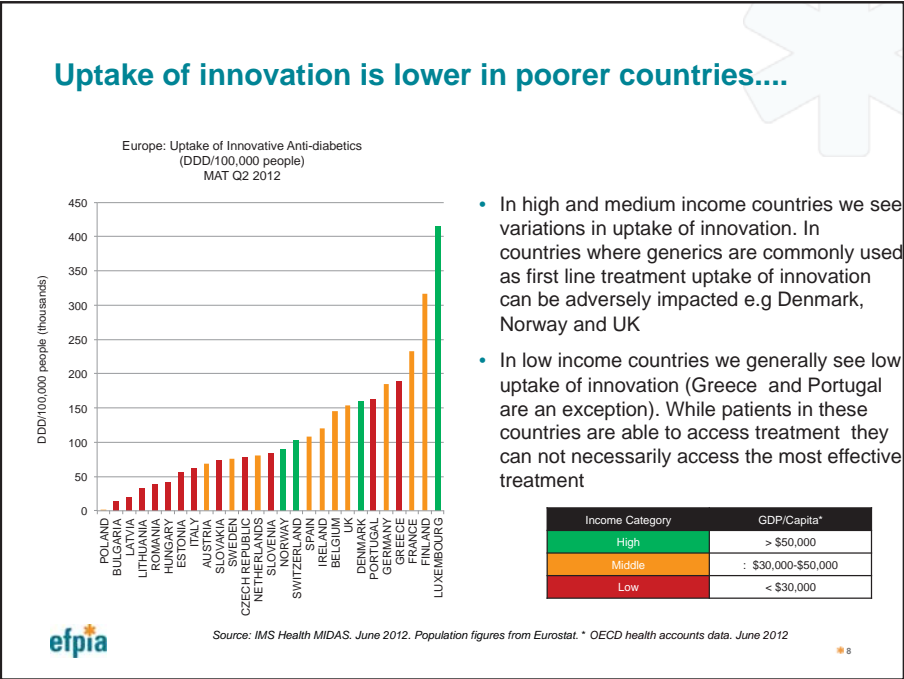
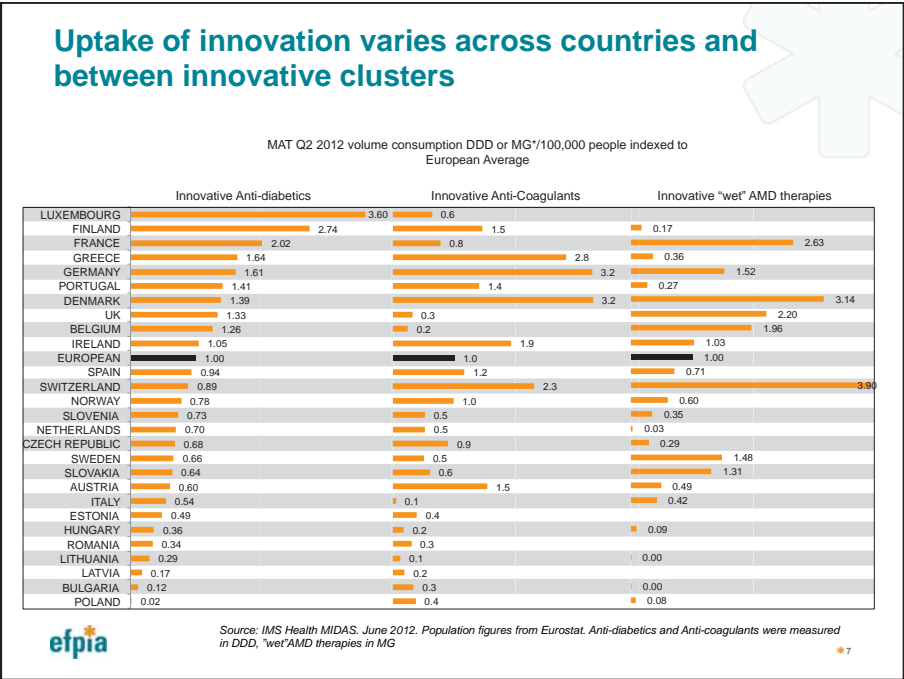
- * An OECD study investigated reimbursement and pricing policies of 12 selected new drugs in 14 OECD countries
- * This report expands on the OECD study by looking at differences in uptake of innovation across Europe
- * The list of OECD molecules was refined based on amount of uptake history. The selection was expanded by identifying new molecules that are a part of the same innovative clusters

INDICATION	INNOVATIVE CHARACTERISTIC	PRODUCT	MOLECULE	EMA APPROVAL
Type 2 diabetes	Delivery form mode of action: novel oral medication Mode of action: DPP 4 Inhibitor	JANUVIA	Sitagliptin	03/2007
		GALVUS	Vildagliptin	09/2007
	Mode of action: GLP 1 Agonist	ONLGYZA	Saxagliptin	10/2009
		BYETTA	Exenatide	11/2006
Thromboembolic disorders	Delivery form: novel oral medication	VICTOZA	Liraglutide	06/2009
		PRADAXA	Dabigatran Etxelate	03/2008
		XARELTO	Rivaroxban	09/2008
Wet form of age-related macular degeneration (AMD)	Therapeutic advancement: first treatment shown to improve vision rather than slow vision loss	LUCENTIS	Ranibizumab	01/2007
		MACUGEN	Pegaptanib	01/2006

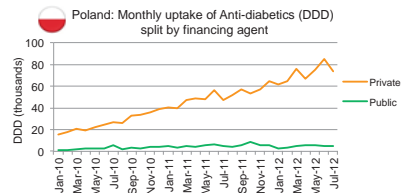
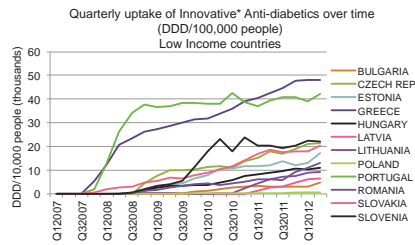
- * All products received EMA approval between 2006-2011
- * Uptake was measured as DDD or MG per capita



6



In low income markets it is not uncommon for innovation to be funded by the patient



Poland has the lowest uptake of innovative anti-diabetics in Europe, furthermore, uptake of these products is almost fully based on private pay. These molecules are not included on the reimbursement list despite the issue being raised by the Polish Diabetes Association.

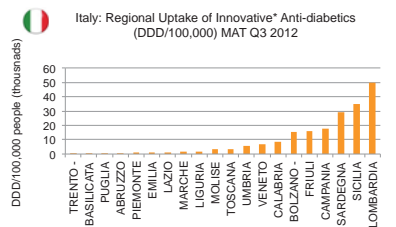
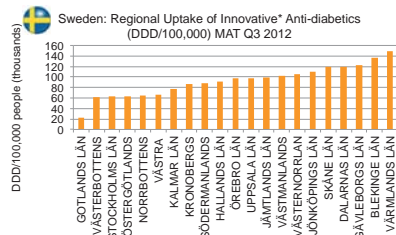
In Romania the innovative anti-diabetics is publically funded where as the innovative anti-coagulant market is > 97% privately funded

Product	% Reimbursement*
Pradaxa	3.76%
Xarelto	1.13%
Januvia	85.9%
Byetta	91.4%



Source: IMS Health MIDAS, June 2012. Polish data sources- public expenditure: NHF (National Health Found) report, 07/2012 (Retail market), IMS MIDAS sell in (hospital) – private expenditure: IMS Pharmascope sell out (retail), Population figures from Eurostat.. Note: GR and PT could be impacted by parallel trade
*Romanian reimbursement figures average of last 24 months available covering 3,500 retail pharmacies

National reimbursement does not always ensure equal access within a country



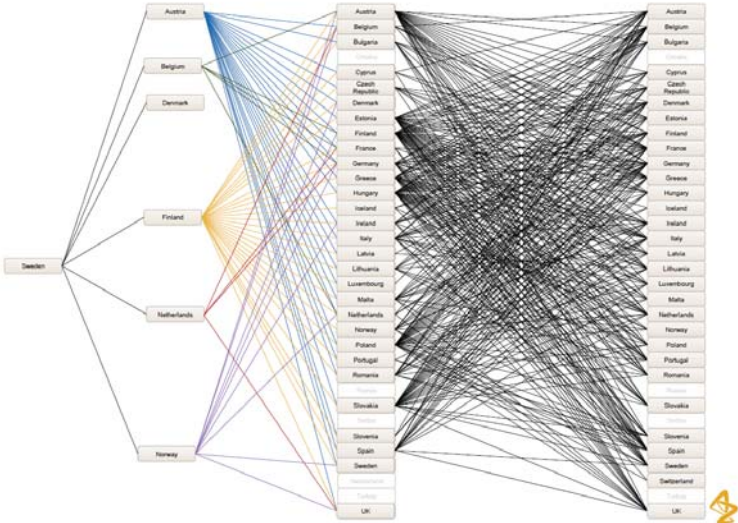
- Regions normally share common launch dates, technology assessments, prices, reimbursement, etc.
- Analysing uptake between healthcare regions within a country exposes differences in how innovation has been used
- Differences in uptake can be based on; the criteria applied by local drug committees, budget restrictions, information availability, medical judgements



Source: IMS Health Swedish PrSellOut and Italian. Population statistics from SCB for Sweden and Istat for Italy.

Why differences?

- * Affordability
- * Willingness to pay
- * Delivery systems
- * Education, health literacy
- * Commercial behaviour

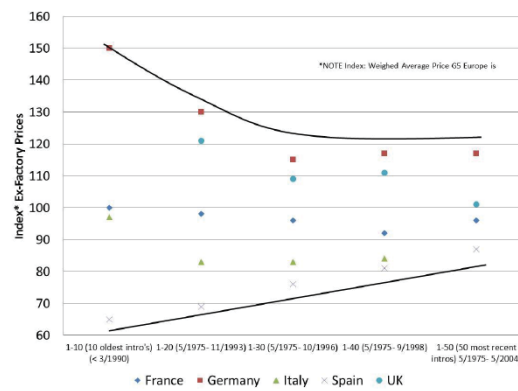


Source: Adapted From Kanevce P, Vandrovc S Et Al. Differences In Costs Of And Access To Pharmaceutical Products In The Eu. Policy Department A: Economic And Scientific Policy. 2010-12. Available at: <http://www.europa.europa.eu/activities/committees/studies/doc/TLlanguage=En> AI2120071431-22131-09WE-03



Is price convergence desirable?

Figure 3: Convergence for new launched medicines - Top 50 Products ranked by launch date – first launch G5 – Index* Ex-Factory Prices



Source: As reported in Kanavos and Vandoros (2011) "Determinants of branded prescription medicine prices in OECD countries"



TITLE OF THE POWERPOINT 13

Some policy makers are beginning to acknowledge the issues

Recognition of the issues...

- High-level pharmaceutical forum:
 - "...a similar price level leads to a different level of affordability depending on the economic situation of each member state"
- OECD pricing reports (2008 and 2012) point to the dangers of price convergence for access and the incompatibility of IRP and VBP

...but short term behaviour still prevails

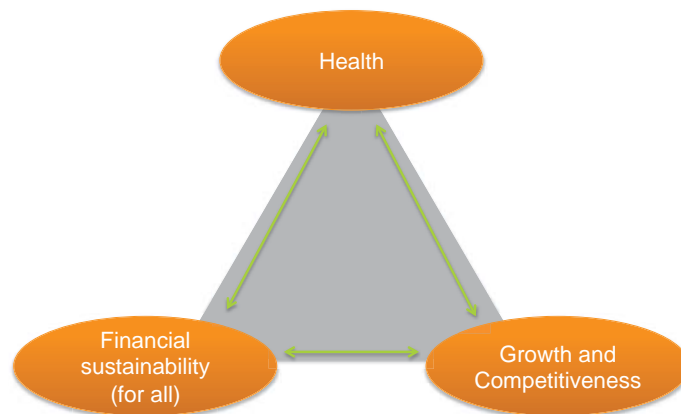
- AMNOG in Germany introduces country basket that includes Greece, Ireland Portugal Slovakia and Czech republic...
- Swiss Government decided in March 2012 to review prices only through IRP despite the overvalued Swiss Franc



Source: Recommendation on P&R policies from High Level Pharmaceutical Forum

TITLE OF THE POWERPOINT 14

Towards a modern industrial policy for pharmaceuticals



Conclusions

- * Europe is still a significant market for the pharmaceuticals and it should have a bright future
- * Health inequalities associated with inequalities in access to medicines
- * Pricing and access environment prevents real differential pricing and therefore equal access
- * Modern industrial policy for pharmaceuticals needs to:
 - * Achieve convergence of access not necessarily convergence of prices
 - * Exploit synergies that enhance health outcomes whilst reducing cost and reinforcing competitiveness of the European industry

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