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Value-Based Pricing

Key aspects - from a different perspective

Dr. András Incze, MBA

3rd Annual Payer Experiences with Risk-Sharing & Value-Based Pricing & Reimbursement Schemes
Berlin, June 17, 2011

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Learnings for Europe …from a World beyond

- Value-Based Pricing - whose card is it?
- VBP is out there - elsewhere
- Risks & mitigation
- Another possible definition
- Options for action shaping the future?

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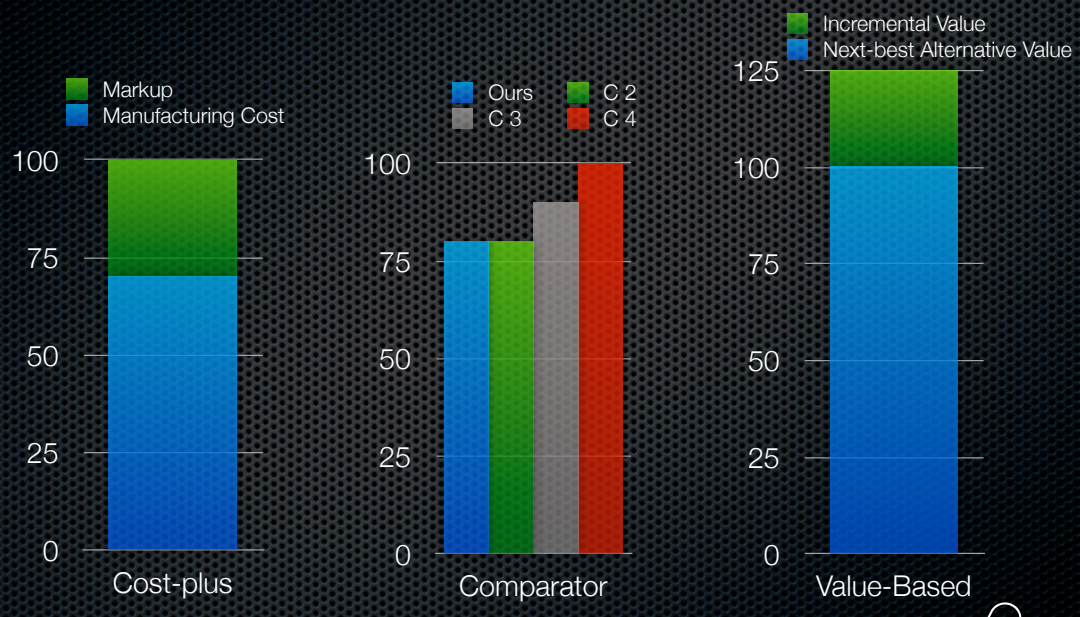
3 types of pricing in theory



Sources as a basis: Michel et al 2009, Nagle et al 1995

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Pharma prices Value-Based

Cost-Plus Pricing	Marginal cost of production + Return on investment	Consumer Goods INN Generics
Comparator Pricing	Premium/discount to competitor or comparator	Commodities Tender offers
Value-Based Pricing	Differential client benefit of the (better) product vs next best	Luxury Goods Patented medicines Branded GX

Sources as basis: Michel et al 2009, Nagle et al 1995, Grüger 2007

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Traditional Value-Based Pricing

Branded Products are priced according to their value to

Patients

Payors

Society

Underlying to Value are Willingness-to-Pay and Affordability

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‘VBP’ emerging in UK

- ‘Value’ is driven by patient-segment-specific benefit
- Prices differential/tiered according to segment
- Cost/QUALY is the metric
- Variable thresholds drive max price per segment
- ‘VBP’ will apply only to a few launch products

Source: www.dh.gov.uk

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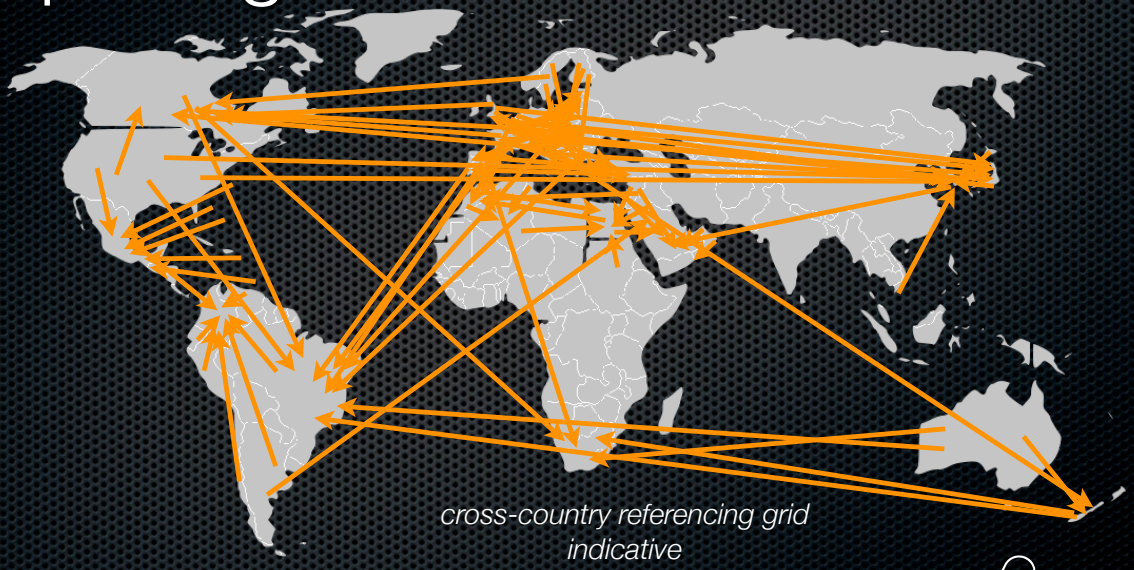
Authorities push comparator pricing



cross-country referencing grid indicative

...emerging also for GX

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Authorities push comparator pricing- you get wrong cards

Cross-country and therapeutic referencing or 'Jumbo' grouping

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Poor countries shoot in their own foot

Source: IMS: 22 NME's launched in EU by top 13 Pharma Co's

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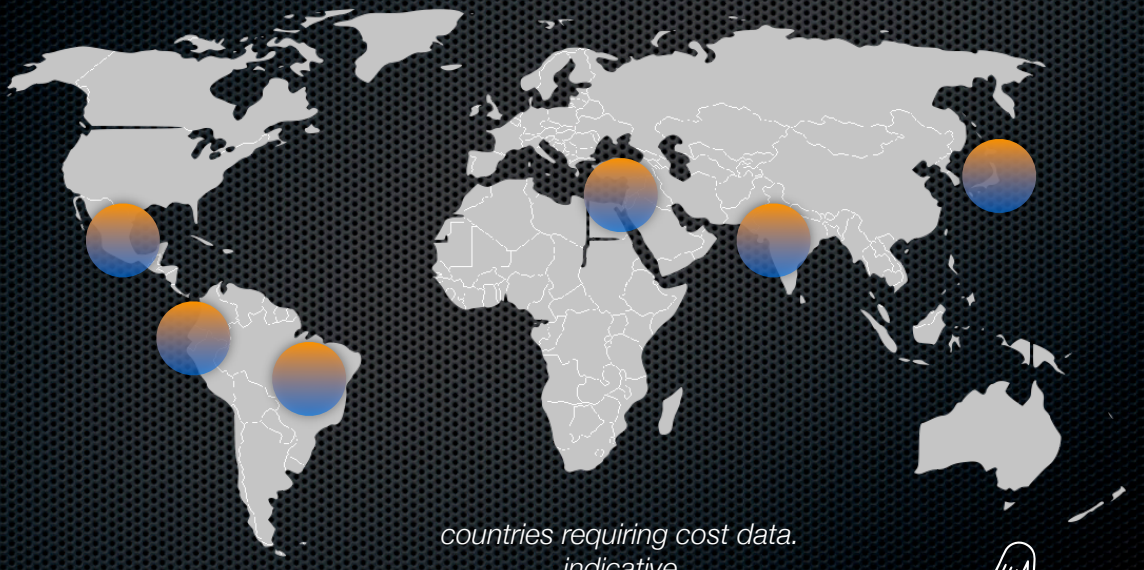
Authorities push Cost-Plus Pricing- you get wrong cards



countries requiring cost data. indicative

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Within emerging countries:

VBP is alive, follows affordability

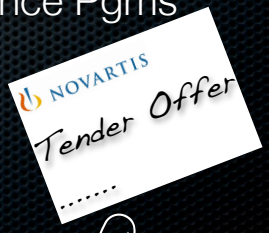
VBP - tiered pricing - broadens access within self-pay markets...

- Patient Card Programs

  Indonesia, Brazil, Mexico,...

- Institutional & Private business, Patient Assistance Pgms

  LatAm, South Africa...



- ...through discounts - but it cannot command premium vs baseline

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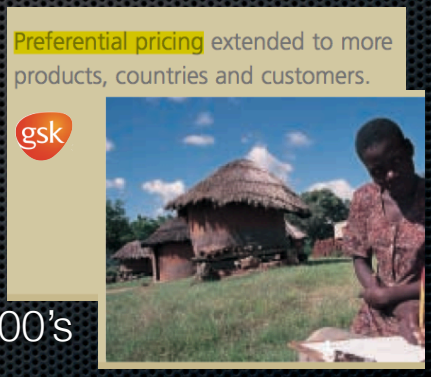
'Preferential Pricing' tiered across countries:

VBP is alive, follows affordability

VBP - tiered pricing enables access to lower GDP/ capita countries

- Preferential Pricing for selected therapies

  Africa, Asia, LatAm



- Explicit support by EU early 2000's
- Implicit support achievable at best today

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VBP challenged internally

- Push to lowest net price
  - Brazil, Venezuela, South Africa
- Fixed margins - no option in spite high copays
  - Hungary, Slovakia, Poland?

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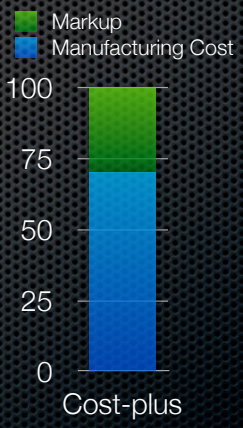
VBP challenged internally

- Cost-plus pricing enforced
  - Latin America
  - Middle East
  - India, Pakistan
  - Japan



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'VBP' causes spillover effect

UK 'VBP' may have wide-ranging consequences

- The case of unstable equilibrium
- Inevitably a price range for each
- Risk of lowest net price as reference to other markets
- Risk of importing the form without the essence

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Risk management of spillover effects

- Discount rather than premium
- Rebates remain confidential
- Know-how transfer responsibly

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'VBP' fast & broad ww rollout not feasible nor desirable

Large differences vs. UK in markets ww incl Europe:

- No universal coverage
- QUALY not accepted
- Data not available
- No NICE-like budget feasible

UK approaches not transferable

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Lose-lose approach to VBP

Payor Prescriber

Pricing agency Patient

Pharma Public

reference pricing

cost-based pricing

…for all 6P's.

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...need to be turned to win

Payor

Prescriber

Pricing agency

Patient

Pharma

Public

diamonds - monetary value

hearts - perceived value

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Pharma have strong levers

Pharma's success metrics support all 6 Players'

- PA^3 in balance:
  - Price achieved
  - Patient accesses
  - Public approves

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How to strike the balance?

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Move the discussion from Price -> Value

reference pricing

cost-based pricing

diamonds - monetary value

hearts - perceived value

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A few options for action - to shape the ww future

- Educate broadly on real VBP vs referencing & cost-based pricing
- Share know-how responsibly - apply it to specific country context
- Involve the right experts - those who understand your peculiarities
- Apply locally viable, sustainable sound solutions
- Promote current successes in Value-Based Pricing
- Push for sustainable 'Preferential Pricing' approach - industrywide
- Engage all 6 P's

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Q & A

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Thank you & all the best in moving from Price to Value!

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- Andras Incze recently established Akceso Advisors in Basel, Switzerland. Akceso, an independent advisor firm, works as catalyst with clients to help their patient access and pricing success. Ultimate goal is to improve public health worldwide.

- Dr Andras Incze, MBA is a former Market Pricing Director Central-Eastern Europe, Latin America, Middle East & Africa & Head Global Pricing Analysis (2004 to Mar 2011). Responsibilities included pricing & reimbursement implementation & innovation for 100+ markets, for the full pharma portfolio; global responsibility for price management of key brands (e.g. in hematology/oncology); global responsibility for price modelling, launch sequencing & optimization & for price, reimbursement & market access workflow & reporting systems. He helped to shape national healthcare reforms ao. in Egypt, Poland & Saudi Arabia. Implemented patient acess programs in emerging economies. Successful pricing & market access rollout of 15+ general medicine & specialist compounds in CE Europe, LatAm & Middle East. Prior roles were Head Sales & Marketing Productivity Global EM Business Unit and Head Capital Management (2000-2004). Andras had 17+ years experience in a variety of country, region & global roles.

- For further info on Akceso Advisors please consult www.akceso.ch Andras can be reached at aincze@akceso.ch

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References & further reading

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