What price to pay for new drugs?*

The Geneesmiddelenbulletin article discussed here is a translated and adapted version of an article from our French sister publication La Revue Prescrire and presents an elaborate survey and explanation of the marketing strategies that are used, whether intentionally or otherwise, by the pharmaceutical industry. It describes the ‘blockbuster’ model with its high financial turnover and profits obtained from high volumes of drugs sold, and the subsequent ‘nichebuster’ model, with lower sales volumes but higher prices and hence also high turnover and profits. It then takes a tentative look at the future, in which genetic testing and personalised medications will mean that common conditions are subdivided into rarer conditions, and the need to treat individuals will again result in high prices. The high prices of new drugs in fact appear to be causing a new upward trend in drug expenditures, after years of economising. Although individual patients will consider reimbursement of expensive drugs at all costs to be justified, in a situation of unchanged or even reduced health care budgets this will eventually necessarily go at the expense of other reimbursements and thus of other patients.

If society and governments accept higher drug prices, this sends the wrong signal to the industry, and price negotiations tend to perpetuate this situation; as the official prices show little or no tendency to fall, the reference prices will not fall either, and the maximum prices established in legislation cannot be reduced. Even with the discounts negotiated, the price of a new drug might still be too high, though it is impossible to assess this objectively due to the lack of transparency. Establishing an official standardised maximum price per QALY, as is done in the United Kingdom, will not necessarily result in falling prices. Not only can it cause outrage as in the public’s perception this boils down to putting a monetary value on a human life, but manufacturers may also price their new drugs at just below this maximum to ensure reimbursement without debates or the need to negotiate.

A major disadvantage of the current health care system is that the development of new drugs is driven by economic motives. The main priority for the pharmaceutical industry is to secure the continuity of the company by means of profit maximisation. Based on this principle, the industry will continue to make clever use of government measures, such as the policy regarding orphan drugs and price negotiations. To the companies, social responsibility appears not to play a role in the debate or not to be regarded as a valid argument.

It is good that public debates on the affordability of health care and about the reimbursement of expensive drugs in particular, like that in the UK, are emerging. These concern not only the rights of individual patients, but what is affordable collectively in terms of reimbursements of drugs for everyone. A major (though not the only) factor in this respect is cost-effectiveness.

Although the article presents a number of recommendations and solutions, proposed by various authors and organisations, controlling the spiralling costs of drugs requires a more fundamental approach. In recent years, there have been several initiatives to stimulate drug research by universities and research centres. The absence of competition and the exchange of knowledge might mean that these institutions can carry out the research into new drugs far more efficiently and cheaply. In addition, this would allow the focus to be shifted from disorders that can be expected to yield maximum financial gains to those for which no effective treatment is as yet available and for which major health gains can be achieved. Furthermore, prices tend to fall in markets involving more competition, which would mean that the period of market exclusivity should actually be shortened. New government measures, such as shorter patent terms when production of a new drug is started by the industry, greater transparency regarding the way prices are established and a reduction of expected profit margins could help ensure that the prices paid for new drugs are not excessively high.

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*The literature refers to the Dutch text*