

# Price transparency for medicines could lead to a 12% price hike and long delays for poorer countries

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If pharmaceutical price negotiations were completely transparent, revealing precisely what each country pays, low-income countries could see their public list prices increase by up to 12% and their patients would wait many years longer for vital medicines, finds research funded by MSD and independently carried out by Vlerick Business School and the Institute for the Management of Technology, Lucca, Italy.

Currently, pharmaceutical companies privately negotiate behind closed doors how much to charge for a medicine. However, there is much debate in pharmaceutical and political fields about the ethics of this, and whether there should be greater net price transparency (NPT) which would allow markets to see what other countries have paid. Vlerick Business School Professor Walter Van Dyck, alongside Professor Massimo Riccaboni and colleagues, investigated the potential impact of greater NPT.

They surveyed national payers, who negotiate on behalf of public health systems, and payer experts from a range of European markets for their views on NPT. The researchers also developed a computational model to provide new, empirical evidence for the impact of NPT on different European markets.

The survey revealed that, although 62.5% of payers were in support of greater NPT, expectations for the impact on medicine prices varied and a majority expected a negative impact on patient access to medicine. This indicates it is difficult to disagree with increased transparency, due to transparency often being considered a good thing, despite predicting negative consequences.

The use of international reference pricing (IRP) mechanisms could also increase, where the price in a foreign market is used as a benchmark for an acceptable price in a domestic market. This would cause price convergence with prices becoming more uniform across countries. Lower-income countries would be disproportionately affected as prices in markets currently paying below average will increase, while prices in markets paying above average, typically higher-income countries, will decrease by about 14%.

To reduce prices, markets make use of access delays as drug value decreases the closer it gets to its patent expiry date. However, price convergence is expected to greatly increase access delays and decrease product launches. Particularly in lower-income countries, it may not be possible to accept a higher price for the medicine. At the same time, it may not be possible for the industry to offer lower prices due to the impact this would have on selling to richer countries later on. Pricing agreements in lower-income markets may not be reached for several years, delaying access to the medicine.

Professor Van Dyck says,

“Although some theorise that prices will decrease with greater NPT, this research shows that the picture is more complex, potentially having the opposite impact in lower-income markets. Only by bringing together a range of stakeholders to discuss the political and technical consequences of transparency will we be able to develop policy proposals that improve trust while maintaining efficiency in healthcare decision-making and patient access. The potential consequences of greater NPT in Europe show how important it is that policy regarding NPT is based on the economics of pharmaceutical pricing and is

evidence-based.”

This research makes it clear that greater NPT will not have the same impact across countries. If implemented without measures to mitigate against risks, it has the potential to cause negative consequences for patients, payers’ budgets, and the functioning of the market for innovative biopharmaceuticals.

For more information, a copy of the research, or to speak with Professor Van Dyck, please contact Peter Remon from BlueSky Education on 07723522830 or at [peter@bluesky-pr.com](mailto:peter@bluesky-pr.com)