Prospective Workshop
Essec Santé – Centrale Santé
“Will the Pharma « bubble » collapse within 3 years?”

Why payers’ reimbursement strategies should have a significant impact on the Pharma research paradigm?

Caroline Conti, Senior Consultant
GfK Market Access
Pricing and market access
Why does it suddenly matter?

\[ \$ = \text{Volume} \times \text{Price} \times \text{Access} \]

3 variables: volume, price, access
- Commercial success driven by sales rep = product sold to anyone, anywhere, for anything

2 variables: volume, price
- Access through national healthcare systems
- Commercial success driven by marketing = product approved by health authorities and used as much as possible in each indication

1 variable: price
- Volume is limited by the indication of the drug
- Commercial success driven by market access = product launched in an indication optimising its pricing potential
Pricing and market access

Why the economic downturn in the USA and in Europe impact the entire ‘pricing business’?

Classic international launch sequence:

![Map showing international reference pricing with key markets and RoW]

- Most of the major, single-payer, pharma market worldwide reference at least one of the key markets.
- Challenges for copayment in the US as well as recession in Europe directly impact the long-term business on the pharma company.

Source: Data on file

RoW = Rest of the world
Rewarding innovation: analysis of the case of the United States

*The United States, from pure liberalism to a structured, national approach to pricing*

<table>
<thead>
<tr>
<th>Key dates</th>
<th>1965</th>
<th>2010+</th>
<th>2013</th>
</tr>
</thead>
</table>

**Case study: Zaltrap (aflibercept)**

<table>
<thead>
<tr>
<th>Indication</th>
<th>Metastatic colorectal cancer Adjunctive therapy to FOLFIRI</th>
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</thead>
<tbody>
<tr>
<td>Key efficacy results from pivotal trial</td>
<td>Median OS with FOLFIRI = 12.06 months</td>
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<tr>
<td></td>
<td>Median OS with Zaltrap + FOLFIRI = 13.05 months</td>
</tr>
<tr>
<td></td>
<td>HR = 0.758 (0.714-0.935); p = 0.00007 [5]</td>
</tr>
<tr>
<td>Proposed price</td>
<td>$11,000+ / month (duration of treatment ~1 year) [6]</td>
</tr>
</tbody>
</table>

FOLFIRI = FOL-folinic acid, F-fluorouracil, IRI-irinotecan; OS = Overall survival

- In October 2012, the Memorial Sloan-Kettering Cancer Center published a tribute in the New York Times to explain why they will not list Zaltrap in their hospital [6]
- 3 weeks later, Sanofi offered discounts of 50% on Zaltrap’s official price [7]

**Innovation evaluation in the USA**

- If the USA remains as it is today, the need for copayment and the inability of most of the Americans to do so will mechanically limit the pricing potential of “me-too-innovative” drug
  - One in 10 cancer patients now reports spending more than $18,000 out of pocket on care – who can afford that for more than 1 year? [6]
- If it becomes a single-payer market, it is likely that only essential medicines will be provided through the healthcare system

Rewarding innovation: analysis of the top European markets
The United Kingdom, setting trends in pharmacoeconomics since its creation

<table>
<thead>
<tr>
<th>Key dates</th>
<th>1948-1969</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Creation of the NHS (National healthcare system) England and Northern Ireland, NHS Wales and NHS Scotland respectively managed by the NICE (National institute for health and care excellence), the AWMSG (All Wales medicines strategy group) and the SMC (Scottish medicines consortium) [1]</td>
</tr>
<tr>
<td></td>
<td>1970-2013</td>
</tr>
<tr>
<td></td>
<td>From pure economics…</td>
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<tr>
<td></td>
<td>In England and Northern Ireland, NICE evaluates selected drugs* and recommends them for use at the NHS if they are deemed cost-effective against standard of care</td>
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<tr>
<td></td>
<td>2014+</td>
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<tr>
<td></td>
<td>... to clinical evaluation</td>
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<tr>
<td></td>
<td>Implementation of the VBP (value-based pricing) system framework to evaluate innovative drugs</td>
</tr>
</tbody>
</table>

* NICE focus on oncology, maternity-related diseases, paediatrics, vascular conditions, long term conditions, mental health, public health, general and acute conditions [2]; SMC evaluate every single new drug coming to the market

**Market access, pricing and reimbursement process**

<table>
<thead>
<tr>
<th>Market authorisation</th>
<th>Health technology assessment</th>
<th>Price and access</th>
</tr>
</thead>
<tbody>
<tr>
<td>MHRA = Medicines and Healthcare products Regulatory Agency</td>
<td>NICE = National Institute for Health and Care Excellence</td>
<td></td>
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<tr>
<td>MHRA = Medicines and Healthcare products Regulatory Agency</td>
<td>SMC = Scottish Medicines Consortium</td>
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<tr>
<td><strong>As off 2013, a significant number of drugs haven’t made it through the NICE assessment:</strong></td>
<td></td>
<td></td>
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<tr>
<td>• The number of cancer drugs being rejected by NICE raised by 50% between 2010 and 2012 [3]</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Some new drug coming to the UK market have been evaluated in clinical trials against an approved SOC… that has never been reimbursed by the NHS</td>
<td></td>
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<tr>
<td>• To fix the 'broken' model, the UK is replacing the cost-effectiveness rationale by the VBP… Looking at the evolution of the French and German (HTA) health technology assessments outcomes, what can we anticipate?</td>
<td></td>
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**Innovation evaluation in the UNITED KINGDOM**

• Former system was not evaluating incremental benefit against SOC but was rather performing an economic analysis of the hard outcomes of a treatment
• New VBP system getting closer to the French ASMR and German AMNOG approach cannot be expected to reconcile public payer concerns and need for return on investment on new drugs

Rewarding innovation: analysis of the top European markets

*Germany, from free pricing to a highly payer-regulated market*

### Key dates

**Before 2011**
- Germany is the third largest pharmaceutical market in the world and the largest in Europe
- It is one of the few mature countries where pharma companies are free to set prices [1]

**January 2011**
- Implementation of the AMNOG (Arzneimittelmarktneuordnungsgesetz) reform, ending the free-pricing era and opening the ‘comparative pricing’ age [2]

**October 2011**
- Linagliptin, developed and marketed by Boehringer Ingelheim, a privately owned German company, is granted ‘no additional benefit’, leading to price parity against generics [3]
- Boehringer Ingelheim decides not to launch on its domestic market [4]

### Innovation evaluation in GERMANY

- Comparative evaluation has started only 2 years ago in Germany and has been perceived from the very first assessments as a real threat to the pharma industry business
- Limited incremental benefit over SOC does not allow for premium significant enough to fuel the R&D as it is being performed today

### Market access, pricing and reimbursement process

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<td>BfArM = Bundesinstitut für Arzneimittel und Medizinprodukte</td>
<td>IQWiG = Institut für Qualität und Wirtschaftlichkeit im Gesundheitswesen; G-BA = Gemeinsame Bundesausschuss</td>
<td>GKV = Gesetzlichen Krankenversicherung</td>
</tr>
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**Benefit assessments outcomes [5]**
- No additional benefits
- Minor benefits
- Considerable benefits
- Major benefits
- Unquantifiable benefits

- From the implementation of the AMNOG to April 2013 (n = 28), only 21% of the assessments allowed pharma companies to negotiate a premium over SOC
- Some innovative drugs are now reimbursed in the so-called emerging markets, but not in Germany

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Rewarding innovation: analysis of the top European markets

*France, from clinical effectiveness to clinical & cost-effectiveness*

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**Key dates**

- **December 2004**
  - Creation of the ASMR (Amélioration du service medical rendu), measuring the incremental innovation provided by a health technology [1]

- **Year 2011**
  - Only 1 new health technology out of 251 granted with an ASMR superior to IV by the HAS (Haute autorité de santé) [2]

- **December 2011**
  - Pharmaceutical companies required to provide head-to-head data to have their assets eligible for reimbursement in France [3]

- **October 2012**
  - Economic evaluation required for any innovative health technology expected to have a significant budget impact [4]

**Innovation evaluation in FRANCE**

- With the latest reforms, pharmaceutical companies are *theoretically* required to provide head-to-head data as well as a cost-effectiveness model to be reimbursed at a premium price over SOC (Standard of care)
- Evident inadequacy between investment required in R&D (Research and development) to demonstrate clinical/statistical superiority over SOC and the need for cost-effective treatments with current me-too approach

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**Market access, pricing and reimbursement process**

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<td>Ansm = Agence nationale de sécurité du médicament et des produits de santé</td>
<td>SMR = Service medical rendu</td>
<td>UNCAM = Union nationale des caisses d’assurance maladie</td>
</tr>
<tr>
<td>ASMR</td>
<td>CEM = Cost-effectiveness model</td>
<td></td>
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<tr>
<td>ASMR I, II, III rewarding ‘innovation’ and affording price notification to the CEPS (Comité économique des produits de santé)</td>
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- ASMR is a scoring tool used by the HAS to measure the degree of innovation of a health technology
  - ASMR I, II, III rewarding ‘innovation’ and affording price notification to the CEPS (Comité économique des produits de santé)
- ASMR scores are indication specific and vary over time
- From 2000 to 2006, 80%+ of the monoclonal antibodies (mAbs) have been granted an ASMR from I to III; from 2006 to 2012, 70% of the mAbs were granted with an ASMR IV or V [5]

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In a nutshell...

*What may happen in the coming 3 years*

New drugs coming to the market have faced significant access challenges – are these artefacts or signals? We will see in no time

### 2010
Discussion around Obamacare started in the **United States** leading to its implementation in 2013

### 2011-2012
AMNOG reform implemented in **Germany** leading to major access challenges for pharma companies **France** decides to require head-to-head data by law to grant reimbursement

### 2013
The **United Kingdom** decides to imitate the French and the German system of evaluation – meanwhile some drugs have to be evaluated against a SOC that has never been reimbursed...

### 2014
**Germany** expressed the willingness to disclose confidential discounts leading to greater access challenges

### 2015
Towards an European Health Technology Evaluation?
European payers are the new market gatekeeper
- Innovative assets need marketing authorisation, reimbursement, and price premium to be a **commercial success**
- No reimbursement / price premium in Europe → little hope for the rest of the world

The trend is to disclose any commercial in confidence discount
- Because of the threshold of NICE/SMC, **any patient access schemes agreed for the UK will impact the rest of the markets**
- Germany is looking forward to disclosing publically commercial in confidence discounts

Any other questions? Confidential market access challenges?
- Please contact me:

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