Then and Now: The Evolution of International Reference Pricing Globally

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**Background**

International Reference Pricing (IRP) is gaining popularity globally, and is being adopted by previously free priced countries such as Germany to set prices of innovative products. Emerging and often pro-generics markets are also increasingly tending towards adopting IRP, though often with the proviso that the process should not increase average medicine prices.

**Objectives**

To assesses the evolution of international reference pricing (IRP) across 32 countries, from 2006 to 2011.

To assess current influence on innovative drug pricing in the leading five European Union (EU) markets.

**Methodology**

IHS Global Insight’s proprietary Reference Pricing Matrix was reviewed to assess how the basket of countries evolved between 2006 and 2011. The Reference Pricing Matrix was also reviewed for new countries that had implemented IRP since 2006.

The database consists of 32 countries that employed IRP (as of October 2011); IHS Global Insight’s PharmOnline International (POLI) was also used to compare 2011 prices of five randomly selected innovative blockbuster molecules across EU-5 countries; the molecules in question were bevacizumab, adalimumab etanercept, rosuvastatin and infliximab; the common dosage form found across all the aforementioned markets was used for price comparison.

**Assumptions**

The 2006 -2011 period is until June 2011.

**Results**

30 countries in the matrix employed IRP as of 2006 and of these only 5 countries changed their basket of countries over the 2006-2011 period. Given that Austria and Spain require prices of all EU countries to be provided to arrive at their domestic price, the change in their reference basket has occurred by default owing to the accession of Bulgaria and Romania into the EU in 2007. Ireland, Greece and Slovakia have changed their reference basket intentionally.

Therefore EU-5 countries continue to remain the most popular countries to reference during innovative medicine price setting in 2010 and H1 2011. Emerging markets such as Columbia and Egypt adopted IRP over the 2006-2011 period.

Both Columbia and Egypt have chosen to include neighbouring and economically similar countries to their reference basket unlike their counterparts that adopted IRP prior to 2006 (refer Chart 1). This trend is further exemplified by China and India who have expressed significant interest in adopting IRP in the future by referencing similar sized economies.

Finally, given the growing popularity of IRP particularly amongst emerging market regulators, its use as a cost containment tool should be viewed warily. An analysis of the prices of the five aforementioned blockbusters in the EU-5 countries, where Germany and United Kingdom are free priced shows that prices were not necessarily lower in IRP controlled France, Italy and Spain.

This is owing to the fact that there still exists room for negotiation in the latter markets. In Table 1, the price of Italy, Spain, Germany and UK were compared with that of France. UK consistently had lower prices, not just due to the Euro-Sterling fluctuations but also on account of its indirect price control using the Pharmaceutical Price Regulation Scheme (PPRS) and National Institute of Health and Clinical Excellence’s (NICE) cost effectiveness requirements.

**Conclusion**

Countries globally still rely on EU-5 drug prices when pricing their medicines irrespective of the global economic downturn. However, newer adopters, particularly emerging markets adopting IRP are also including similar sized economies for price comparison to ensure that they do not pay excessively.

This is unlike those emerging markets that adopted IRP prior to 2006, with these countries choosing developed nations as their reference countries in order to promote innovation.

With more emerging markets rolling out IRP, it is notable that in the absence of a set formula that identifies the lowest prices in the reference basket, IRP acts more as a cost harmonisation tool rather than one for cost containment.

**References**

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