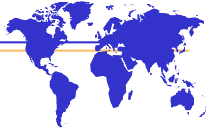


“What could be nicer than NICE?”¹

Martin Buxton
Rainer Hess
Stefan Oschmann
Andrew Dillon
Michael Schlander



Berlin, March 17, 2005

¹Alan Williams, OHE Annual Lecture, London 2004

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¹Alan Williams, OHE Annual Lecture, London 2004

Health Economics

Symposium: NICE – A Model for Germany?



BACKGROUND

Recent population surveys in Germany



Selected Public Perceptions

- **Cost containment**
 - Very limited public support for the political focus on cost-containment (“Beitragssatzstabilität”).
- **Pharmaceutical products**
 - “Drug prices should be controlled.”
 - The public rejects increased *cost-sharing* on drugs.
 - There is a strong public preference (and willingness-to-pay) for *access* to innovations.
- **Pharmaceutical industry**
 - The pharmaceutical industry is believed to contribute to the financial crisis of the health care system. “Drugs are part of health care – the pharmaceutical industry is not.”¹

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¹Heinz Redwood

¹Alan Williams, OHE Annual Lecture, London 2004

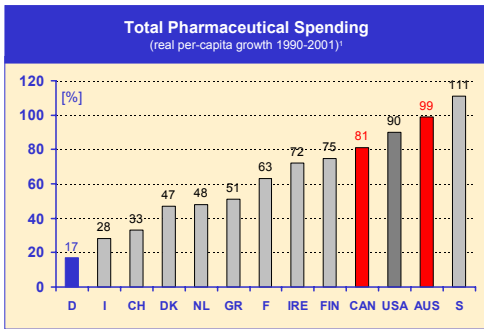
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BACKGROUND

German component management and “fourth hurdle” regulation: impact on pharmaceutical spending dynamics



Source: OECD Health Data 2003; Australia and Switzerland: 1990-2000; Germany: 1992-2001; cf. M. Schlender (2004)

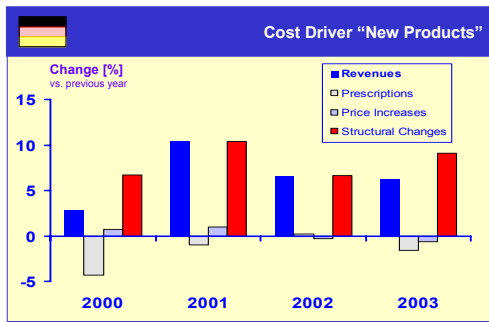
*What could be more than NCI? (Alan Williams)

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BACKGROUND

In line with the dynamics of other European pharmaceutical markets, new products have been the dominant growth driver in Germany.



Public sector (statutory sick funds, GKV) retail prescription drug spending; data source: Schwabe and Pfaffath 2001, 2002, 2003, 2004

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THE POLITICAL DEBATE IN GERMANY

Focus on pharmaceutical spending



An Inappropriate Response by Industry



- „Ein staatliches Zentralinstitut führt zwangsläufig zur Einheitsversorgung.“¹
- „Die Attraktivität ausländischer Pharmastandorte würde durch ein solches Gesetzesvorhaben [gemeint ist die „vierte Hürde“] weiter erhöht.“¹
- „Viele VFA-Mitgliedsunternehmen ... werden sich gezwungen sehen, Investitionen am Standort Deutschland einzufrieren und zukunftsfähige Arbeitsplätze abzubauen.“¹
- „Es ist eine absolute Illusion, daß zu irgendeinem Zeitpunkt ein Arzneimittel ... eindeutig ... bewertet werden kann.“²



- „Leben ist Vielfalt – stoppt die Einfalt.“³
- „Unter dem Deckmäntelchen der Pharmakoökonomie geht es weiterhin ... immer nur darum, an genau den falschen Stellen, Gelder einzusparen.“⁴

¹VFA: „Positionspapier: Staatliches Institut als Arzneimittel-Innovationshürde“, 2. Februar 2003; ²Quelle: Ärzte-Zeitung vom 23.05.2003; ³BPI-Kampagne gegen die Positivliste (2001); ⁴ Rothermund (Vorstandmitglied des BPI) am 17.06.2002 in Leverkusen: ebenda auch bezogen auf Cinetidin (sic). „Was es nicht gute Pharmakoökonomie gewesen, hier einmal den gesamten volkswirtschaftlichen Nutzen eines solchen Arzneimittels zu untersuchen.“

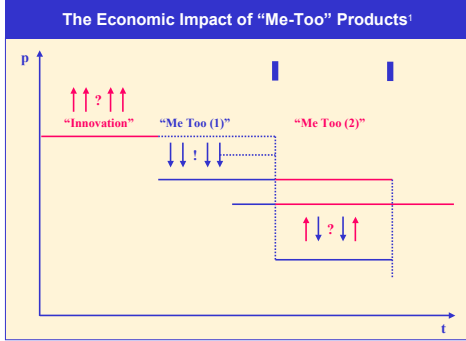
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QUALITY & EFFICIENCY OF PHARMACOTHERAPY

Product life cycle phases heavily influence the economic impact of "me-too" products



M. Schlunder (2005)

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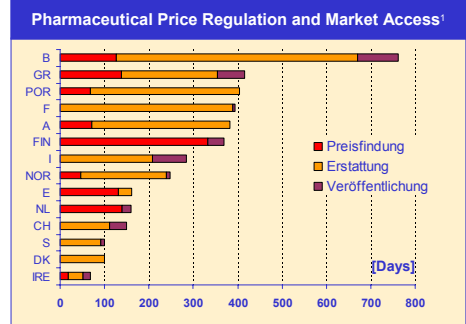
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QUALITY & EFFICIENCY OF PHARMACOTHERAPY

Pharmaceutical price regulation:
impact on market access of a "fourth hurdle"



Data: Cambridge Pharma Consultancy (2002)

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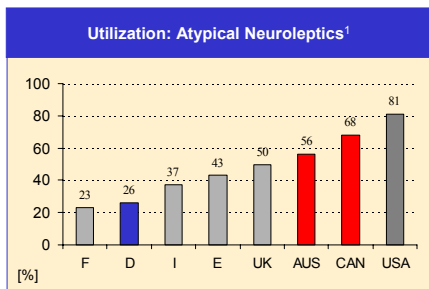
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QUALITY & EFFICIENCY OF PHARMACOTHERAPY

An example of underutilization of innovative drugs in Germany:
atypical neuroleptics as a percentage of total antipsychotic prescriptions



Source: VFA-Gutachten by Fricke & Pöhl, October 12, 2004, based on IMS data, Q1, 2004

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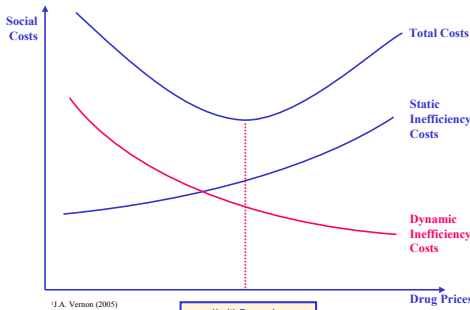
"What could be more than NICE?" (Alan Williams)



QUALITY & EFFICIENCY OF PHARMACOTHERAPY

There is a link between price regulation and R&D investment¹

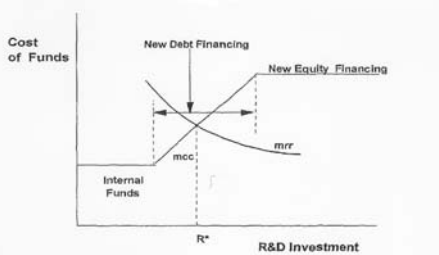
Trade-Off between Static and Dynamic Efficiency



QUALITY & EFFICIENCY OF PHARMACOTHERAPY

The determinants of pharmaceutical research and development expenditures

The R&D Investment Decision¹



mrr: marginal rate of return on investment schedule
mcc: marginal cost of capital schedule

IMPLICATIONS

German pharmaceutical cost-containment – some propositions

Impact of Pharmaceutical Cost-Containment

- Efforts to improve quality of pharmacotherapy need to address, in parallel, "Overuse", "Misuse", and "Underuse"
 - Emphasis on cost-containment may have contributed to underuse of new products.
- Need to better differentiate between "innovation and imitation"
 - Use Incremental Cost-Effectiveness Ratios to inform decision-making?
- Need to increase transparency, consistency, and predictability of decision-making on reimbursed products and prices
 - Haphazard interventions further increase risk of pharmaceutical R&D
 - Need to balance "social system objectives" with incentives for (true) innovation
- Need to better take into account the nature of R&D decisions and the value drivers of research-based pharmaceutical enterprises
