Pricing in a Pandemic: Options, Debate, a Path Forward

Session Three:
Monetary Prizes, Advanced Market Commitments, Compulsory Licensing

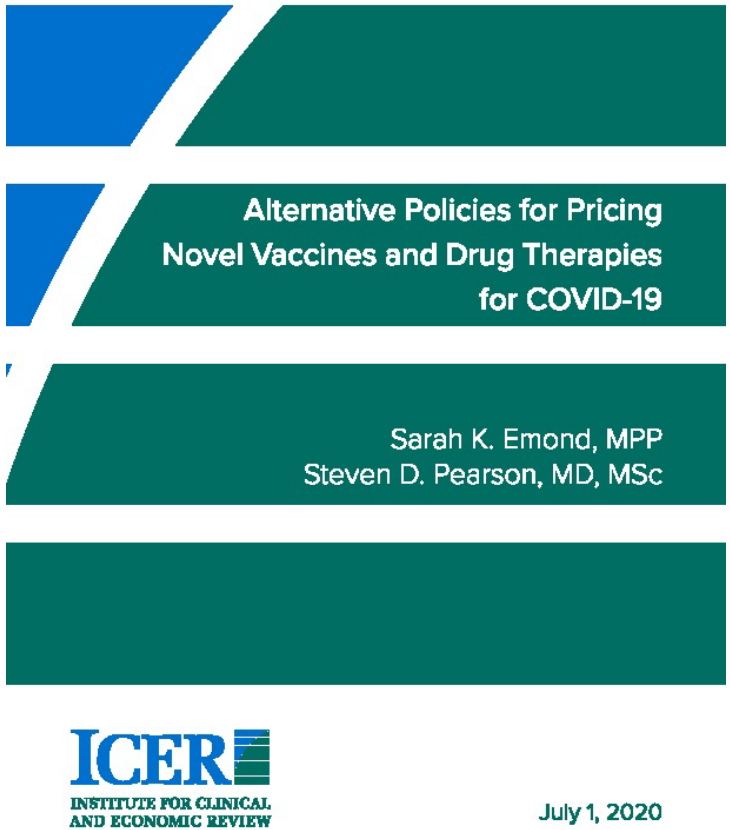
ICER
INSTITUTE FOR CLINICAL AND ECONOMIC REVIEW

Panel Members

Sarah K. Emond, MPP	James Love, MPA	Peter Bach, MD	Carl Schmid, MBA	Adrian Towse, MA, MPhil	Nicole Lurie, MD, MSPH
EVP and COO, ICER **Moderator**	Director, Knowledge Ecology International	Director, Center for Health Policy and Outcomes, Memorial Sloan Kettering Cancer Center	Executive Director, HIV + Hepatitis Policy Institute	Emeritus Director & Senior Research Fellow, OHE, and Visiting Professor, London School of Economics	Strategic Advisor to the CEO, Coalition for Epidemic Preparedness Innovations, and Former Asst. Sec. for Preparedness and Response, HHS (Obama Administration)
					

Approaches to Pricing Novel COVID-19 Vaccines and Treatments

- Status quo: unrestricted pricing
- Cost-recovery pricing
- Value-based pricing
- Monetary prizes
- Compulsory licensing
- Advanced market commitments



Alternative Approaches for Pricing

Monetary prizes. Government establishes a specific prize amount to incentivize discovery, with the first private company to discover a successful vaccine being awarded the prize. The government keeps the intellectual property and contracts separately with entities to manufacture and distribute the vaccine at cost.

Pricing Approach	Advantages	Disadvantages
Monetary prizes	• Gives government certainty about costs, as the prize amount is set ahead of time • Using a pooled approach with funds from multiple governments allows for multiple production streams of the successful product(s) and broad international access	• Difficult to know how big to make the price to incentivize companies to invest in developing an effective treatment

Alternative Approaches for Pricing

Compulsory licensing. In exchange for royalties paid to the innovator, government permits others to make, use, sell, or import patented pharmaceuticals without the patent-holder's permission. This approach includes the possibility of exercising "march-in" rights to mandate licensing of the product directly to the federal government.

Pricing Approach	Advantages	Disadvantages
Compulsory licensing	• Ensures the government has a pathway to respond to a public health crisis by creating affordable access to treatments	• Legal challenges from patent holders are almost certain, making the viability of this approach questionable • May also provide inadequate incentives for discovery and development

Alternative Approaches for Pricing

Advanced market commitments and subscription models. Advanced market commitments (AMCs) are designed to incentivize the development of novel treatments and vaccines by subsidizing the research and development costs through a commitment by the funder or a pool of funders to a future purchase price. If the development is successful. Subscription models can work somewhat similarly, with funders and innovators agreeing on a price for a treatment in a way to provide a guaranteed minimum return on investment and a cap on total costs no matter how many patients need treatment.

Pricing Approach	Advantages	Disadvantages
Advanced market commitments and subscription models	• Gives government and other payers budget certainty when a new treatment or vaccine is available • Can set quality and efficacy standards ahead of time to incentivize development and ensure government does not pay for ineffective treatments • Company is assured revenue even if the immediate need for the product subsides	• Uncertainty about how to set the payment level ahead of time, and how to predict the patient population needing treatment, could lead to overpaying for the invention • Companies retain the IP and can exercise pricing power outside an advanced market commitment, or when one ends, that could lead to affordability issues

510+ Drugs in Development*

- Over 230 Investigational New Drug candidates, more than 180 in Phase II or III
- 2 drugs with Emergency Use Authorization
- Type of investigational treatment varies: antivirals, cell & gene therapies, immunomodulators, neutralizing antibodies, combinations

*Source: https://www.fda.gov/drugs/coronavirus-covid-19-drugs/coronavirus-treatment-acceleration-program-ctap accessed 8/4/20, last updated 6/30/20

42 Vaccine Candidates*

- 6 in Phase III, 8 in Phase II, 8 in Phase I, 20 pre-clinical
- Mix of private industry and academic institutions as sponsors
- Funding varies: private, public-private partnerships, public only, philanthropic

* As of 8/4/20; source: https://www.raps.org/news-and-articles/news-articles/2020/3/covid-19-vaccine-tracker

What do we know about prices so far?

Drug or Vaccine	Manufacturer	Actual or *Proposed* Price
Remdesivir	Gilead	$3,120 for a 5-day course
Vaccine candidate	Moderna	*$32 to $37 per dose**
Vaccine candidate	Pfizer	*$19.50 a dose**
Vaccine candidate	Johnson & Johnson	*$10 per dose**
Vaccine candidate	AstraZeneca	*$4 a dose**

*two doses are expected per regimen

Sources: https://www.fiercepharma.com/pharma/coronavirus-tracker-hydroxychloroquine-fails-va-study-fda-approves-at-home-sample-collection

Panel Members

Sarah K. Emond, MPP	James Love, MPA	Peter Bach, MD	Carl Schmid, MBA	Adrian Towse, MA, MPhil	Nicole Lurie, MD, MSPH
EVP and COO, ICER **Moderator**	Director, Knowledge Ecology International	Director, Center for Health Policy and Outcomes, Memorial Sloan Kettering Cancer Center	Executive Director, HIV + Hepatitis Policy Institute	Emeritus Director & Senior Research Fellow, OHE, and Visiting Professor, London School of Economics	Strategic Advisor to the CEO, Coalition for Epidemic Preparedness Innovations, and Former Asst. Sec. for Preparedness and Response, HHS (Obama Administration)
					

Thank You

Recordings for the Colloquium series:

“Pricing in a Pandemic: Options, Debate, a Path Forward”

can be found on ICER’s YouTube Channel

https://tinyurl.com/ICER-YouTube