

## **Statement for OECD on Pharmaceutical Innovation and Value**

Health systems throughout the world face many common challenges such as demographic change, the need to respond to innovation and the development of new technologies, and increasing demand for healthcare coupled with citizens' growing expectations. These pressures are exacerbated by constraints on public spending arising from the worldwide financial crisis, which will have far-reaching impacts for many countries' healthcare budgets for years to come.

In this context, it is necessary to find new ways to deliver increasingly efficient healthcare, and to achieve better outcomes from the resources available. Appropriate access to innovative pharmaceuticals will form part of the solution, but, given that expenditure on pharmaceuticals forms a substantial part of healthcare budgets, it is also important to examine opportunities to deliver greater value.

The UK has longstanding arrangements for regulating the prices of branded medicines under the Pharmaceutical Price Regulation Scheme (PPRS). This system has provided stability over time, but it does not promote innovation or access in the way we are looking for. A much closer link is needed between the price the National Health Service pays and the value that a new medicine delivers. To achieve this, we will be moving to a system of value-based pricing from the time the current scheme ends in 2013.

In developing the new system we face a number of difficult questions, for example how to weight and balance different factors in reaching an assessment of value. Our intention is to reflect, in our assessment of value, the therapeutic benefit to patients, the extent of innovation moderated relative to the unmet healthcare need it addresses and the extent to which there are wider societal impacts. These measures of value were among those reflected in the OECD's 2008 paper on Pharmaceutical Pricing Policies in a Global Market. However, the challenges of defining value and appropriately rewarding innovation are not unique to the UK and we are keen to draw on international experiences.

Different systems in OECD countries have developed approaches to address these issues. Within the contexts of differing societies and systems, medicines may have different value, and what works in one system will not always be transferable to another. Nevertheless, the goals of delivering better outcomes through more efficient healthcare are

common, and, with this in mind, a dialogue about our experiences of realising the value of new, innovative medicines could be productive.

There are also wider questions about how different countries' approaches to new pharmaceuticals may impact on the wider, global market. For example, what are the effects of the practice of international benchmarking?

There is great variation in the structure and organisation of our healthcare systems and variations in our approaches to new medicines, quite appropriately, reflect this. However, this should not preclude a dialogue on how we pay for medicines, and, in particular, about how to incentivise the innovations that bring the greatest benefits to patients.

The market for pharmaceuticals is global, and decisions about pharmaceutical research and development are taken in this context. Our potential to influence these strategies, is, therefore, much greater if we are able to achieve some common understandings about where our priorities lie.