



TRADE UNION ADVISORY COMMITTEE
TO THE ORGANISATION FOR ECONOMIC
COOPERATION AND DEVELOPMENT
COMMISSION SYNDICALE CONSULTATIVE
AUPRÈS DE L'ORGANISATION DE COOPÉRATION
ET DE DÉVELOPPEMENT ÉCONOMIQUES



At the request of the G7 Health Minister' statement from the start of this year, the OECD is currently drawing up a report on the main challenges that governments and other stakeholders are facing in ensuring sustainable access to new therapies and medicine to all those in need while maintaining the incentive to innovate.

On the occasion of the 22nd session of the Health Committee on the 11th of December 2017, TUAC and PSI urged the OECD to take into account the following five points in its report:

- **“Do not blindly follow the logic of “value based pricing”**. The latter refers to the principle of basing the price of new treatments on the costs which health care systems and patients would otherwise need to pay in case no such new treatment was available. For example, if a new medicine would prevent organ transplantation (as is the case for new drugs against hepatitis C), then the price would be set taking into account what otherwise the cost of surgery and hospitalisation would have been. This principle, however, can easily be used and abused to legitimise a pricing strategy that sets prices at a maximum level without taking into account the actual costs of research and production. This logic of pursuing the highest possible price which the (public) health care system is willing to pay risks undermining the key objective of the report which is to keep innovative treatments affordable and accessible to all.

- **“Make sure to refer to the complete evidence”**. While pharmaceutical industry argues that it faces severe costs and risks when undertaking research, there are several reports that shed a different light on this discussion:

- The European Commission's Competition Directorate, basing itself on internal documents obtained by conducting unannounced inspections in the headquarters of European pharmaceutical companies, published the report “Pharmaceutical Sector Inquiry. Final Report July 2009.”

<http://ec.europa.eu/comm/competition/sectors/pharmaceuticals/inquiry/index.html>

The report finds that the sector actually spends more on marketing (23%) than it does on research (17%) and that only a fraction of revenue from sales (1.5%) goes into innovative basic research.

- Independent analysis estimates that the research investment undertaken by industry is limited to just around 10% of the amount of costs usually claimed by research supported by industry itself¹.

¹ Donald W Light, Joel R Lexchin “Analysis of Pharmaceutical research and development: what do we get for all that money?” BMJ 2012; 345: e4348 , 07 August 2012.

-**“Address the fact that the public sector often pay twice”**. Innovative treatments developed by pharma business often depend heavily on the investment efforts by the public sector into basic research. When, subsequently, industry takes out a patent on a new drug that has been partly developed thanks to the basic research efforts of the public sector, the public actor pays a second time in the form of monopoly prices. While this system guarantees high profit margins, it is also known to compromise access to treatment as only the most severely affected patients may be receiving it.

Gilead and its highly priced hepatitis C medicine Sovaldi is one such example. The ProTide technology upon which this medicine is based was invented at the University of Cardiff but the product that was developed with this new technology then became the object of a several billion dollar private sector deal, in the end resulting in tens of billions of sales revenue for Gilead (40 billion in the first three years only).

- **“To be handled very carefully: Calls to reduce approval times and to proceed to mutual recognition”**. Such calls are based on the view that the costs of innovation could be reduced and business could get earlier returns. This however tends to underplay the health risks associated with approving treatments whose effects are not yet completely known. Moreover, this may also worsen the current problem of too many new pharmaceuticals for which no added healing value can be shown being approved and reimbursed by the relevant authorities. Pharma’s marketing strategy then ensures that the new drugs are being pushed on the market, thus resulting in additional but avoidable expenditure for health care systems.

- **“Upgrade the role of the public initiative”**. Finally, the OECD should note the fact that an increased role for the public initiative in pharmaceutical research and development would be able to address many of the flaws in the current model of profit driven innovation. Public funding in particular would allow patents to be placed in the public domain, making it possible to substantially increase access to innovative treatments by making these available at a lower price and a price that is more in line with the actual cost of production the medicine.

An increased role for public funding and public initiative in pharmaceuticals can inspire itself on existing practices in other research intensive domains such as defence, space exploration, public transport where the public actor sets priorities for research, in this case covering high public health needs, and enters into longer term contracts through procurements. This can take several forms as different combinations of interaction between industry and the public sector are possible. The public actor can outsource specific research to private business (while securing rights to patents), it can set up a fully parallel not-for-profit drug development track based on public research institutes only, it can permanently screen the research market for interesting drugs that are being developed to buy the patents and develop the treatment to be put on the market at a generic price or it can organise the drug development track as a fully public good serving the public interest and the needs for patients².

² KCE Report 271 (2016) “Future Scenario’s about Drug Development and Drug Pricing” Health Services Research. Belgian Health Care Knowledge Centre (KCE), Brussels.