



## **Cost Containment May Harm Healthcare**

**"Value for money" does not equal efficiency or access to effective care**

**Bad Hofgastein, Austria, 5 Oct. 2007** - Pharmaceutical cost-containment policies in Europe may not achieve long-term healthcare cost savings or improve health, and may instead discourage innovation and inhibit access to innovative treatments for patients who need it. This was the main message of a pre-conference workshop at the European Health Forum Gastein on 3 October.

Most governments employ some method of pricing and reimbursement controls on innovative pharmaceuticals in order to limit the growth of healthcare costs.

Reference pricing rewards generics with higher prices than they would have under competitive market conditions. A new study by LSE Health shows that promoting generics result in budget savings for governments only if there is real competition on the market; the study showed that low levels of competition in that sector in Europe produce higher than average prices for government and health insurers. This deprives governments of the resources to invest in innovative medicines and other parts of the healthcare system.

Furthermore, parallel trade of pharmaceuticals from low-price countries rewards stakeholders that do not contribute to the innovation process. Another LSE study showed that parallel trade within the EU benefits mostly parallel traders, who do not contribute to the innovation process, and deprives governments and patients of resources that could improve health.

Health technology assessment is also increasingly being used by governments as a means of ensuring value for money. However, under standard methods of assessment, which rely purely on cost-benefit analysis, many socially desirable drugs, such as orphan drugs, may not be deemed cost effective and therefore access may be limited.

"Standard HTA evaluations are not adequate for assisting decisions on whether patients have access to orphan drugs," said Michael Drummond of the University of York, UK.

Furthermore, pricing and reimbursement policies should not rely exclusively on economic principles such as cost-effectiveness evaluation, but should also encourage the development of and access to new drugs for people with unmet medical needs. Societal values must play a role in the decision-making process.

Presenters stressed the need to introduce competitive generics markets and discourage the use of reference pricing. In order to maximize efficient use of healthcare resources and ensure continued access to new medicines, there must be a greater commitment to rewarding the products of research and development.

### **Further information:**

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