



A Framework for the Fair Pricing of Medicines

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As high-cost medicines put increasing pressure on public health care budgets, the need to identify 'fair' prices for medicines has never been greater. This paper proposes a framework, built upon fundamental economic principles, that allows for the consideration of 'fair' prices for medicines. The framework incorporates key considerations from conventional supply-side and demand-side approaches for specifying a cost-effectiveness 'threshold', including the health opportunity cost borne by other patients (k) and society's willingness to pay for marginal improvements in population health (v). The costs incurred by manufacturers in developing and supplying new medicines are also considered, as are the incentives for manufacturers to strategically price up to any common price per unit of benefit (cost-effectiveness 'threshold') specified by the payer. The framework finds that, at any 'fair' price, a medicine's dynamically calculated incremental cost-effectiveness ratio (ICER) lies below k . When pricing medicines collectively, the framework finds that a common price below k is required to maximize population health (consumer surplus) or to maximize total welfare (consumer and producer surplus). This framework has important policy implications for payers who wish to improve population health outcomes from constrained health care budgets. In particular, existing approaches to 'value-based pricing' should be reconsidered to ensure that patients receive a 'fair' share of the resulting economic surplus. (DOI: 10.1007/s40273-023-01325-z)

This event will be held as a hybrid event from St Lukes Campus.

Please register your attendance at <http://ex.ac.uk/dNv>

Monday 29 April 2024
12:00–12:45pm

For further information please contact l.k.watson@exeter.ac.uk