

## Summary of our publication

# Miracle cure or sticking plaster? The results of negotiations on the prices of medicines

*Our report is currently being translated into English. When finished it will be made available on this website.*

Health care spending in the Netherlands is projected to total almost € 80 billion in 2020. This figure is expected to continue to grow sharply in the years ahead, both in absolute terms and as a proportion of total public expenditure. There remains a need, therefore, to contain the rise in health care spending and hence to continue to make choices. Choices in medical care are particularly poignant as they often have a face – that of patients, people for whom the availability of medicines or the presence of insurance cover for the cost of treatment may well be a matter of life and death. This dilemma is reflected time and again in the recurring debate on the provision of insurance cover for expensive, new medicines – and the prices that we pay for these medicines.

In 2012, the Minister for Health, Welfare and Sport started negotiating with manufacturers on the prices of medicines. Negotiations became increasingly commonplace in the years that followed and were incorporated as an integral part of policy in 2016, when the Ministry published its strategy on medicines. This was prompted by the growing number of expensive medicines – some of them extremely expensive – on which the Minister was required to take a decision. The high prices that manufacturers demand for medicines may lead to non-cost-effective medical care and/or to sharp rises in expenditure. Given the agreements made to allow health care spending to rise only to a very limited degree, other types of care may be crowded out by expensive medicines. The then Minister of Health, Welfare and Sport said that she was unable to sufficiently mitigate this trend with the instruments she had at her disposal at the time. By negotiating at a national level with manufacturers on the price of medicines, the Minister for Health, Welfare and Sport (now known as the Minister for Medical Care and Sport) aimed to keep new medicines accessible for patients at affordable prices

We audited the results of these price negotiations for the period between 2012 and 2018. We examined whether the 32 price agreements helped to achieve cost-effective medical care and control spending on medicines.

Where available (i.e. in 13 out of the 32 cases), our audit was based on the prices recommended by the Dutch National Health Care Institute. Where negotiations result in the recommended price being agreed, medical care may be said to be cost-effective. For the other 19 cases, where no recommended prices were available, we compared the results of the negotiations with their intended aim.

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We concluded that the central price negotiations between the Ministry of Health, Welfare and Sport and the pharmaceutical companies are likely to make a positive contribution to controlling expenditure on expensive medicines, and, by extension, to controlling health care spending as a whole. We also found, however, that the Ministry of Health, Welfare and Sports did not succeed in attaining the price recommended by the Dutch National Health Care Institute in five out of 13 cases. This means that, in these five cases, the negotiations did not lead to cost-effective medical care. In a number of other cases, the Minister already decided not to set the price recommended by the National Health Care Institute as her target price for the negotiations. We therefore find that, to date, price negotiations have had only a limited effect in achieving cost-effective care.

The negotiations also help to control spending on medicines. We were unable to assess the extent to which this was indeed the case, not only because there is no standard for measuring their effectiveness, but also because other instruments also help to control expenditure. We do, however, believe that the Minister for Medical Care and Sport should seek to achieve bigger reductions in spending, particularly in negotiations on medicines used during the course of hospital treatment (known as 'hospital medicines'). The fact is that spending on hospital medicines has grown sharply in the past few years, even though the latest outline agreement on specialist medical care (dating from 2018) states that there should be little or no increase in spending on specialist medical care. In fact, we believe that, if this trend continues, there is a risk of spending on hospital medicines crowding out other types of specialist medical care.

It goes without saying that the Minister should continue to negotiate with manufacturers as long as prices for new medicines continue to be high or extremely high. Without wanting to detract from the results achieved to date, the Minister needs to achieve better negotiation results in the future. We already referred to the situation affecting specialist medical care. In addition, it is clear from the *Medicines Horizon Scan* published by the National Health Care Institute that it expects a large number of new medicines to come onto the market in the years ahead, and that some of these will absorb a large amount of expenditure. If anything, therefore, the need to control spending on medicines would appear only to have become more urgent.

We were also interested in ascertaining whether the Minister for Medical Care and Sport would be able to adopt a tougher negotiating stance, not only in the long term, but also in the near future. We believe that this would be possible, first and foremost by seeking to create sufficient public support for the principle of turning down a final offer from a pharmaceutical company that the Minister believes to be unacceptable.

We also wish to bring up the issue of consistency with the Minister's strategy on medicines, and more specifically with policies that may influence relations between market parties, such as the promotion of biosimilars, the use of pharmaceutical compounding, and compulsory licensing.

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This brings us to the following recommendations for the Minister of Medical Care and Sport:

- Toughen your negotiating stance by:
  - stating explicitly that, in accordance with the recommendations made by the Dutch National Health Care Institute, the negotiations should be aimed at reaching a price at which care is cost-effective at the very least;
  - gearing negotiations towards ensuring that the level of spending rises at a slower pace than in recent years.
- Give parliament clearer information about whether the negotiations were successful in terms of achieving the prices recommended by Dutch National Health Care Institute.
- When implementing the strategy on medicines and taking decisions in this connection, assess whether these decisions help to improve the Ministry of Health, Welfare and Sport's negotiating position.
- Be prepared to turn down a final offer from a pharmaceutical company that you feel is unacceptable. If such an eventuality does indeed materialise, inform parliament in good time and explain clearly to society at large why this decision was taken.