Value-based pricing
WHO Guideline on Country Pharmaceutical Pricing Policies
A plain language summary

Main points
- Value-based pricing sets prices according to the benefits of a product to health systems and patients when compared to other available treatments for the same condition. Value assessments consider factors such as the product's potential to extend life, improve quality of life, and reduce the need for hospitalization or extended treatment.
- Value-based pricing must include an analysis of budget impact and affordability.
- Value-based pricing using health technology assessment (HTA) is complex and requires significant financial and human resources.

Pros
- Information from value assessments can inform and supplement price negotiation and other approaches.
- Value assessments to inform pricing, based on HTA, can also be used to create clinical guidelines and improve distribution of resources.

Cons
- Failure to consider budget impacts and affordability when using value-based pricing could waste health system resources.
- HTA requires high-level technical and administrative capability and substantial financial resources.

WHO GUIDELINE
Conditional* recommendations for the policy

* Consult stakeholders to understand the conditions within country context before full adoption

HIGHLIGHTS
For policymakers responsible for promoting affordable access to health products

WHO suggests the use of value-based pricing for medicines to support price setting, and reimbursement decision-making where appropriate, under the following conditions:

- Value-based pricing is used in conjunction with other pricing policies, such as price negotiation, internal and external reference pricing, and policies to promote the use of quality-assured generic and biosimilar medicines;
- Adequate resources and skilled personnel are available to implement value-based pricing;
- Value-based pricing using HTA must include an analysis of budget impact and affordability from the perspective of the payer and the patient;
- A well-established governance structure for value-based pricing using HTA is in place to ensure processes are transparent, and assessment reports and decisions are disseminated publicly;
- The method and perspective for determining value are explicit;
- Decisions and evidence should be periodically reviewed and reassessed.
What is the policy?
Value-based pricing sets prices for pharmaceutical products according to the measurable benefits that patients and health systems find in them. It is most commonly applied to on-patent or single-sourced medicines, and is often used together with other pricing policies, including negotiation and reference pricing.

Why is the policy implemented?
In theory, value-based pricing may encourage more research and development into medicines that society and governments value most. In reality, pharmaceutical research and development needed by society can be encouraged in many ways, not just through pricing according to value.

How is the policy implemented?
Health technology assessment is used to determine the value of a product. HTA involves systematic evaluation of a product or health intervention including therapeutic, social, economic, organizational and ethical factors.

How commonly is the policy used?
Value-based pricing informed by HTA is most commonly used in high-income countries (e.g. Australia, Canada, United Kingdom) that have the resources and capacity to conduct health technology assessment of products on a systematic basis.

For more information
See the WHO Guideline on Country Pharmaceutical Pricing Policies for more information, including an overview of the evidence about value-based pricing and nine other pharmaceutical pricing policies. https://www.who.int/publications/i/item/9789240011878

Implementation
- In our country context, how does value-based pricing using HTA compare with other measures of success? Other measures include being innovative, meeting public expectations or supporting industry development.
- Do we have the necessary technical capacity and decision-making structures suitable for using value-based pricing and HTA in the local context?
- Are we, or could we, work with other countries or organizations to share information and develop common requirements for value-based pricing internationally?
- How can we develop our technical capacity and legislative structures to maximize the benefits and minimize the risks of using value-based pricing?
- Are decision-making processes and the roles and responsibilities of all stakeholders involved clearly defined in administrative guidelines and law?
- How well-informed are we about medicines and technologies under development that are likely to have significant public health impacts in the near future?

Methodology
- When using information from HTA reports done in other countries with similar health systems, how applicable are the methodology and findings to our setting?
- Are manufacturers’ proposed value-based prices applicable in our local context?
- How complete and readily available is the scientific evidence on a new medicine and any other technology required for its correct use?
- What local data, such as demographics, costs and clinical service funding and delivery model are available when conducting HTA to support value-based pricing?