ICR The Institute of Cancer Research

Drug pricing and affordability

Position Statement from

The Institute of Cancer Research, London

Summary

The Institute of Cancer Research (ICR) believes there are fundamental problems with the way that cancer drugs are priced, and that as a consequence many innovative new medicines end up being unaffordable for healthcare systems. We believe that the Government, NICE and the pharmaceutical industry must agree a new approach to pricing that sets a fair price for each drug – taking into account the need for a return on investment, but without pushing healthcare systems to the limits of what they can afford. Exploiting new technologies and smarter trial designs will be essential to bring down the costs of drug development, and these savings must be passed on through lower drug prices.

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Background information

Cancer drugs are often hugely expensive, and we face a major challenge in making innovative new treatments available to patients at a price that healthcare systems can afford. In the UK, NICE has initially turned down a number of cancer drugs at least in part on the grounds of cost, sparking a national debate about how to make new treatments more affordable. The price of cancer drugs continues to rise, particularly for innovative treatments such as immunotherapies and drug combinations. There is growing concern that it will be difficult to make these new therapies available in cost-constrained health systems such as the NHS.

In the UK, the price of an individual drug is finally agreed after discussions between the manufacturer and NHS England. The Government has exerted downward pressure on pricing through the Pharmaceutical Price Regulatory Scheme (PPRS) - replaced by a new Voluntary Scheme for Branded Medicines Pricing and Access in 2019 - localised budgetary accountability for medicines and NICE's technology appraisals, which assess drugs for their clinical and cost-effectiveness.

But the research and development costs faced by manufacturers, as well as marketing expenses, continue to create upward pressure on drug prices. The single largest cost of taking a drug to market is in running clinical trials, and in particular the large phase III trials that have often been needed to gain licensing approval. Finding ways of cutting the cost of these trials, as well as reducing the need for large phase III trials through earlier approvals, will therefore be critical if prices are to come down.

The advent of targeted treatments – which work in subsets of patients with tumours carrying specific molecular defects – opens up an opportunity to bring down the cost of clinical trials. It is increasingly possible to stratify patients into smaller, more focused trials, with the potential to make drug development faster and cheaper. But targeted therapies also present a challenge because they tend to work in smaller groups of patients than the blockbusters of the past. It will be important to find new ways of trialling, licensing and evaluating these drugs to help keep them affordable.

Some companies have been exploring innovative ways to price new treatments to make their high prices more palatable to healthcare systems, with discounts offered should treatment prove ineffective, or healthcare providers only paying for drugs once they have achieved their desired effect. There are also schemes under which the NHS is reimbursed for any treatment costs after a set number of months, providing another means of getting expensive new drugs to patients who need to take them over a longer period.

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Key ICR positions on drug pricing and affordability

- The ICR believes there are fundamental problems with the way that cancer drugs are priced and that many drugs are priced too high. We need a transparent, balanced system for drug pricing, to set prices which are fair and affordable for the NHS while allowing industry a reasonable return on investment. Innovative new treatments are often much too expensive, causing delays and preventing them from reaching patients. We need to ensure drugs are provided at a cost that makes cancer treatments as a whole affordable for healthcare systems such as the NHS, rather than companies pricing individual drugs at the limit of what the market can bear.

- We believe that prices charged for cancer drugs should better reflect the degree of benefit they are shown to deliver. We need to investigate new models of drug pricing that allow a return on investment for businesses while providing a fair deal for healthcare providers. Several possible models exist, including use of outcome-based payments, or the capping of drug prices at the level of the first in class, to drive down the cost of 'me too' drugs. The price of cancer drugs could also be reduced as they are approved for use in further indications. Currently, companies benefit from an increased market for their drug without any reduction in its price, allowing them to make greater profits while healthcare systems struggle to fund the increasing demand.

- The cost of clinical trials must come down if new cancer drugs are to be made available at an affordable price. We need smaller, smarter clinical trials, which test drugs in precisely selected patient groups where there is likely to be the most clinical benefit. Drug developers must employ more precise target validation, so we know exactly how each medicine is working and in whom, with wider use of biomarkers to select the patients who will benefit most. Stratified trials can afford to be much smaller and therefore cheaper than many of those run currently, because drugs are likely to have greater benefits when assessed in these selected populations.

- We believe that when drugs are brought to market more quickly based on smaller, smarter trial data, healthcare systems should benefit through lower prices. Companies will make savings from streamlining drug development and avoiding expensive and lengthy phase III trials. They will also gain a longer period of market access while the drug's patent is still in force. It is essential that these financial benefits are passed on to healthcare systems so that more patients can benefit. We believe it would be unacceptable for

companies to keep any savings in the form of greater profits.

- The systems for approving drugs and making them available on the NHS must support any efforts by pharmaceutical companies to bring down the cost of clinical trials. Regulatory systems must recognise the need to streamline drug development and avoid damaging the chances of innovative treatments being brought to the market by unnecessarily demanding more data. We welcome the increasing number of early access schemes, and the fact that regulators are increasingly willing to license drugs after well-designed, targeted phase II trials. Pharmaceutical companies need to have confidence that reducing their trial costs by running these smaller trials will not damage their chances of ensuring their treatments are made available to patients.