



Cost-based vs. Value-based: How do Japan's and Germany's Pricing Frameworks Compare?

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Introduction

Value-based pricing (VBP) and cost-based pricing (CBP) are two examples of price setting mechanisms used by payers.

Japan's CBP method accounts for all costs involved in getting a drug to market, with the addition of a 'reasonable' profit for the manufacturer.¹ This method is used when there is no comparator therapy - when a comparator exists, VBP is used.

Germany's AMNOG procedure² determines prices based on the additional benefit versus a relevant comparator according to the G-BA's early benefit assessment.

This research aims to quantify the differential impact of VBP and CBP, by comparing the first reimbursed prices of a drug determined in Japan and Germany, following year 1 pricing.

Materials & Methods

Products that had both a reimbursed price via CBP (Japan) and via VBP (Germany) between 2019 and 2021 were systematically searched.

Reimbursed unit prices were extracted from the Ministry of Health, Labour and Welfare (MHLW) database¹ and Global Data³ for Japan and Germany, respectively. These were converted into average annual per patient treatment costs and converted from JPY to EUR.

Descriptive statistics were performed in Excel 365.

Results

Fourteen drugs were reimbursed via CBP in Japan and had a negotiated VBP with the Gesetzliche Krankenversicherung Spitzenverband (GKV-SV) in Germany between 2019-2021 (Figure 1).

For 12 out of 14 (86%) products, the price determined via VBP was higher than that of CBP (Figure 2).

The mean annual treatment costs were €185,563 through CBP vs. €217,679 through VBP [p=0.009, paired t-test] (Figure 2).

Figure 1: Number of Medicines Reimbursed via CBP in Japan and via VBP in Germany

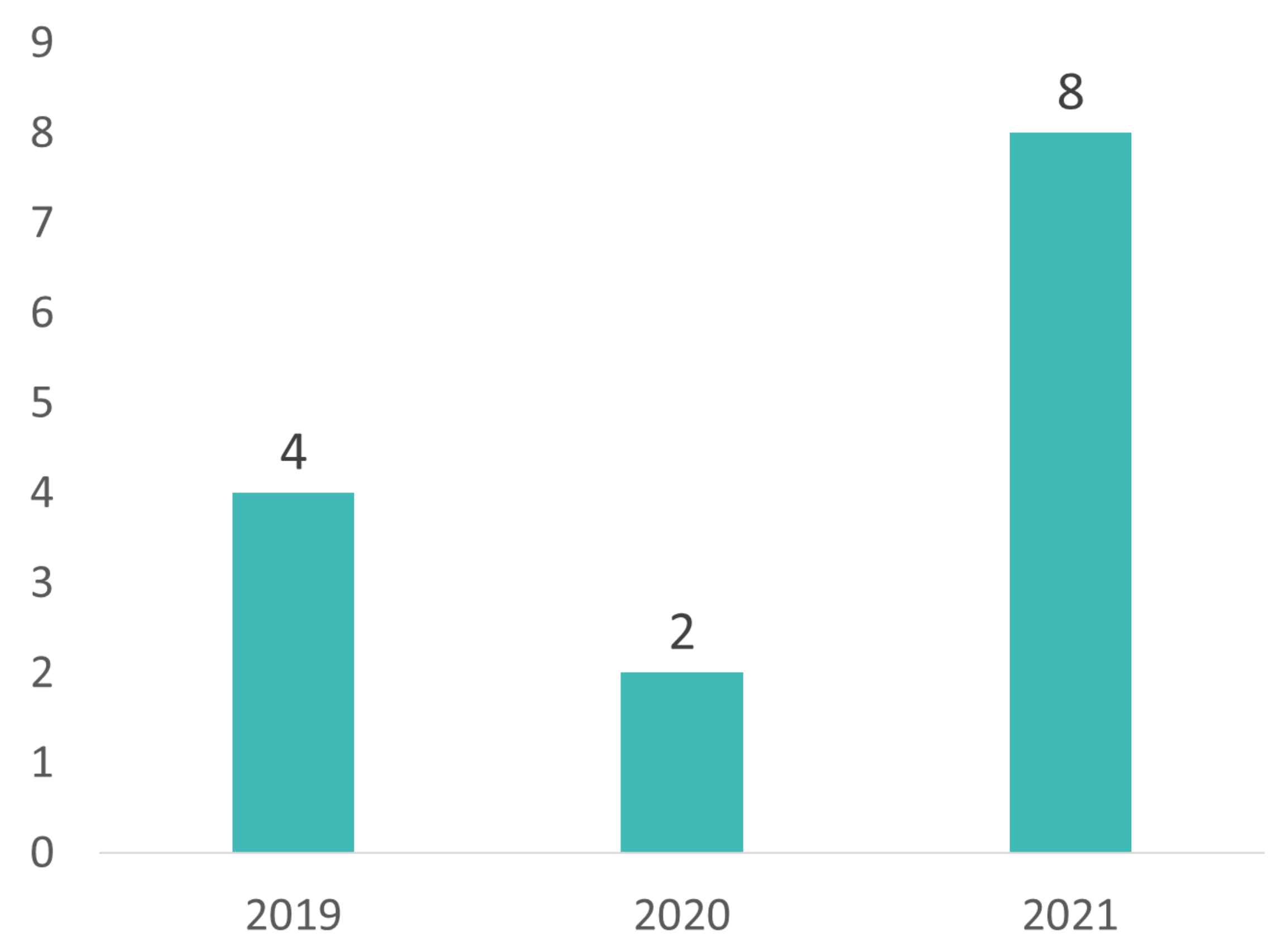
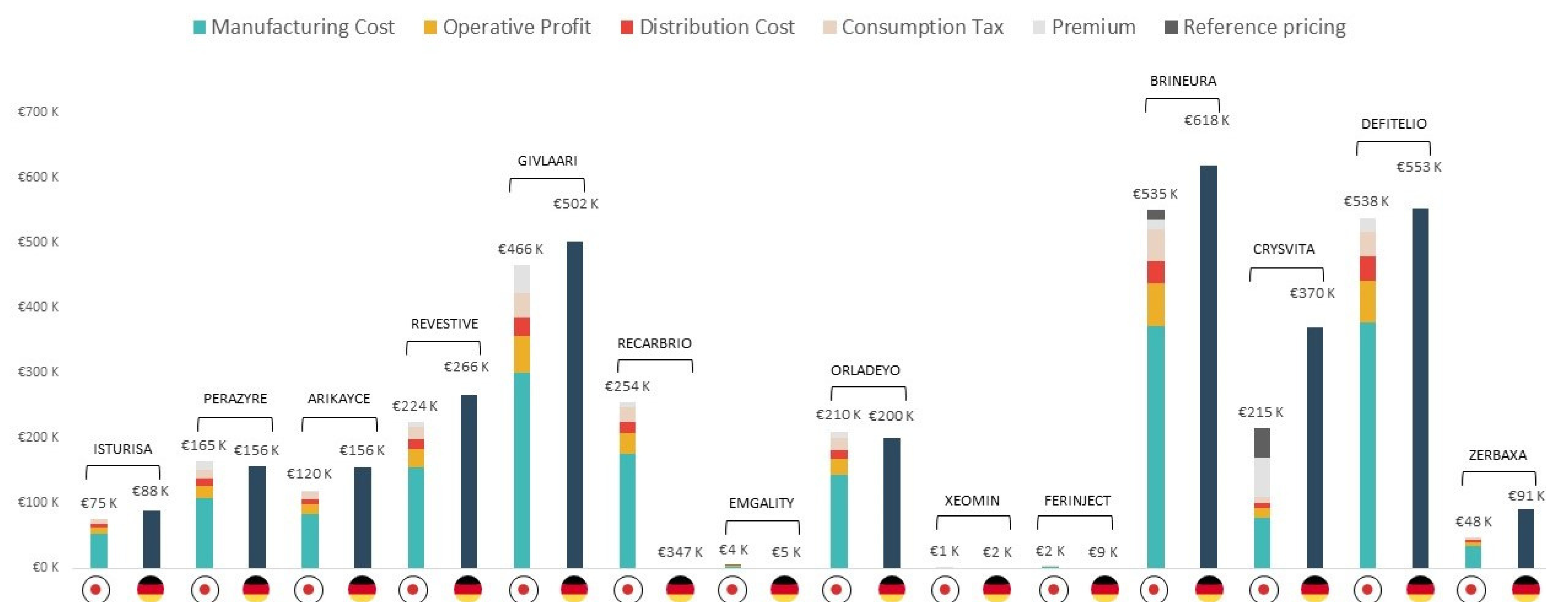


Figure 2: Annual Cost of Medicines Reimbursed in Germany and Japan between 2019-2021



Conclusion

Based on a limited sample, this research suggests that CBP methods might lead to lower prices than VBP methods.

Although Japan's premium system aims to better recognize the value of products covering a genuine unmet need, manufacturers have raised concerns on the sustainability of Chuikyo's pricing framework.

Therefore, manufacturers are calling for a better recognition of the added benefit of innovative products. Without this, Japan risks lower access and increased time to market for new products.

References

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