



Section Editors:

Soraya Azmi, MBBS, MPH, Veras Research, Selangor, Malaysia; Agnes Benedict, MSc, MA, Evidera, Budapest, Hungary

In our “From the Journals” section, we highlight an article from a recently published issue of either *Value in Health* or *Value in Health Regional Issues* that we hope you find informative and relevant.

***Value in Health Regional Issues.*
2019;19: 122-131.**

External Reference Pricing for Pharmaceuticals: A Survey and Literature Review to Describe Best Practices for Countries With Expanding Healthcare Coverage

Anke-Peggy Holtorf, Fotini Gialama, Kalman Emry Wijaya, Zoltan Kalo

External reference pricing (ERP) is defined as a price policy whereby a government compares the price of a medicine to one or several other countries to derive a price in their own country or context. The method has been used as a price regulation tool for cost containment and to ensure that a country (or payer organization) does not pay an unreasonable price compared to other comparator countries. First introduced in Europe, the practice is now widely used, including in recent years, by countries that are newly entering the fold, which are described by the authors as countries with expanding healthcare coverage. This article by Holtorf et al provides interesting insight into the use of this method among countries, particularly in countries with expanding healthcare coverage. Holtorf et al aimed to describe best practices in this area based on past experiences and current policies being implemented.

The study utilized literature review and survey methods. As part of literature review, the authors gathered both scientific and gray literature using specific search terms. The survey included pharmaceutical market access professionals from Abbott and from 17 countries with expanding healthcare coverage in Asia (Pakistan, Kazakhstan), the Middle East (11 countries) as well as Russia, Ukraine, and South Africa. In order to gain insight into Latin America, which was not covered by the survey, the authors utilized summary referencing information from commercial pricing data services. The authors found few publications that related to ERP in the countries with expanding healthcare coverage, and hence, the survey provided information to supplement understanding about processes in those countries. The authors described their key results divided into features of ERP within mature healthcare coverage systems (such as in Europe) and features of ERP systems in countries with expanding healthcare coverage and highlighted their differences.

These differences in mature healthcare countries were in (i) **the scope of the products** (ie, countries with expanding healthcare coverage applied ERP to a broad range of products as opposed to innovative on-patent products); (ii) **the stage in life-cycle of the products** (eg, by the time an innovative product reaches the country with expanding healthcare coverage, the product may have already have been on the market for many years, which changes the value framework used earlier); (iii) **source of price information** (ie, countries with expanding healthcare coverage rely on information from the manufacturer or distributor and therefore lack a wider perspective); and (iv) **definition of price** (eg, when these are not well-defined, the price comparisons would be less robust). The review revealed that the impact of ERP is mixed, with reviewed articles tending to argue that ERP will result in some reduction in price but there is scarce evidence of long-run effects on prices, access, availability, quality, and healthcare.

As part of an analysis of their findings, the authors provide a set of recommendations for the use of ERP as a national pricing policy. These were categorized to directly relate to ERP and general recommendations for pricing policies and listed in 12 main points. As a very brief summary, these were: (i) that the scope of ERP should focus on on-patent drugs; (ii) the basket of comparators should be limited to 5 to 7 countries with similar local environments; (iii) the definition of price should be ex-factory price free of markups, taxes, discounts or rebates; (iv) there should be a contingency plan for temporary distortions like currency rate changes; (v) source of price information should be from a combination of sources nationally and internationally; (vi) price calculation should be the average or median price of the same product; (vii) prevent exchange rate volatility by applying a moving exchange rate or use a purchasing power parity exchange rate; (viii) price revisions should not be more than annual or biannual; (ix) for incomplete data, determine temporary prices based on best available evidence; (x) enforcement should be based on clear rules for appeal to prevent shortages; (xi) a need to monitor and evaluate effects on price policies; and (xii) ERP should be part of a comprehensive pharmaceutical policy, along with reimbursement and consumption of pharmaceuticals.

This paper would be of interest to many of our readers since there is limited evidence on this topic in countries with expanding healthcare coverage. Readers who are a part of the evaluating agencies within governments—especially those who are in countries with expanding healthcare coverage—would benefit from the paper’s insights, and so would pharmaceutical industry readers who are looking to expand into the markets described. Researchers and other readers would also find the article enlightening and helpful by providing an understanding of the context to the decision-making process in different regions.