
Pricing Models for Remdesivir for COVID-19

Presentation at the Oregon Drug Price Transparency Public Hearing

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Institute for Clinical and Economic Review (ICER)

- **Independent** health technology assessment group whose reviews are funded by non-profit foundations
- Develop **publicly available value assessment reports** on medical tests, treatments, and delivery system innovations for over 12 years
- Use cost-effectiveness analysis to determine **value-based price benchmarks**
- Convene regional independent **appraisal committees** for public hearings on each report

Two approaches to judging the fairness of price chosen for remdesivir

- Pricing pharmaceuticals in a pandemic offers opportunity for alternative pricing models; ICER used two approaches for remdesivir:
 - **Cost-recovery pricing:** Private companies develop vaccines and treatments, are rewarded with patent rights, but government and/or private insurers use an analysis of the *cost of development and production to set a ceiling price.*
 - **Value-based pricing:** Private companies develop vaccines and treatments and are rewarded with patent rights, but government and/or private insurers use some form of cost-benefit analysis to set a ceiling price *based on the degree of added benefit for patients.*
- Other approaches include: status quo, monetary prizes, compulsory licensing, and advanced market commitments

Cost-recovery: \$1,005 - \$1,600

- Minimum cost of producing the final finished product (\$5 - \$600)
- Research and development costs provided by the innovator (\$0 - \$1,000)

Price range for a full course \$5-\$600 using marginal costs of production, and \$1,005-\$1,600 if include manufacturer's forecasted 2020 clinical development expenses

Value-based pricing: \$70 - \$3,080

- Pricing based on clinical benefit depends on: severity of disease and value-based thresholds
- Moderate-to severe disease in the hospital: \$2,470 - \$3,080 for a course of treatment
 - Average commercial payer price for a remdesivir treatment course is \$3,990
- Mild disease in the hospital: \$70 - \$220 for a course of treatment
 - Average commercial payer price for a remdesivir treatment course is \$2,750

Policy implications

- Policymakers have opportunity to use evidence to inform novel pharmaceutical pricing in a pandemic
- Rapid emergence of new data requires revisiting clinical benefit calculations often
- Independent and transparent analysis of magnitude of clinical benefit scaled to price offers counter-point to manufacturer pricing

Resources to Support Pricing in a Pandemic

- <https://icer.org/explore-our-research/policy-papers/covid-19/>
 - Updated remdesivir report - November 10, 2020
 - Alternative Policies for Pricing Novel Vaccines and Drug Therapies for COVID-19 – July 1, 2020
 - Adaptations to the ICER methods for evaluation of therapies for COVID-19 – July 18, 2020
- <https://icer.org/news-insights/commentaries/icer-colloquium-series-pricing-in-a-pandemic/>
 - ICER Colloquium Series, Pricing in a Pandemic (series of three webinars)