



# From the cost of healthcare products to the value of the result

*Laurence Comte-Arassus, Pierre-Yves Geoffard, Guillaume Leroy, Valérie Paris*  
*Moderator: Jean-David Zeitoun*

Novartis has recently announced that the American Food and Drug Administration has validated a cell therapy to neutralise leukaemia. This therapy is introduced as a major innovation. However, the cost has been declared at 400.000 dollars for a few months of treatment. This raises questions as to concepts of cost and value as far as healthcare is concerned.

## **1. The cost of production: a marginal parameter in determining the price**

The price of a drug can no longer be based on the cost of production to which a reasonable margin would have been applied for the research and development effort. A drug with low production costs can bring about great improvements. This product is intended to be sold at a rather high price. On the other hand, if a product which is expensive to produce brings about insignificant improvements, it could be necessary to drop it.

## **2. Fixing drug prices, a message conveyed to innovative actors**

As in all markets, the price as it is fixed conveys a strong message. It must be high enough to encourage innovative private actors to pursue research and innovation sites. Regarding this issue, French actors feel that they are treated unfairly by public authorities. However, laboratories claim to be open to a remuneration partly based on treatment effectiveness as assessed by patients. Discussions between public authorities and laboratories must include these parameters and first and foremost come to a successful conclusion more rapidly, and thus for the primary interest of patients.

### **3. The value of the health care system for society and the national economy**

The major objective of the healthcare system is to add medical value, hence, to treat the patient. Furthermore, the healthcare system aims to reinforce its efficiency in order to generate a community value by optimising its cost. Its community value also translates by the jobs it generates. The French drug industry contributes to French growth through its research and development activities in addition to the products it exports.

### **4. Hence, the price should take into account the value as well as the inclination to pay for this value**

The price should take value into account. This value refers to healthcare and the clients' quality of life. It is also social, thanks to the cost optimisation of the healthcare system for taxpayers. Whether it pertains to healthcare or society, the value of a drug should be evaluated, highlighting another concern. Evaluation work should also be conducted upstream, so as to appraise the inclination of patients to pay for a treatment in light of its effectiveness. To sum up, value estimation should occupy a larger place within the price fixing process.