

Episode: *Author Interview: “What Should US Policymakers Learn From International Drug Pricing Transparency Strategies?”*

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[bright theme music]

TIM HOFF: Welcome to another episode of the *Author Interview series* from the *American Medical Association Journal of Ethics*. I'm your host, Tim Hoff. This series provides an alternative format for accessing the interesting and important work being done by Journal contributors each month. Joining me on this episode is Sarosh Nagar, a research assistant in the Program on Regulation, Therapeutics, and the Law in the Division of Pharmacoepidemiology and Pharmacoeconomics of Harvard Medical School and Brigham & Women's Hospital in Boston, Massachusetts. He's here to discuss his article, coauthored with Drs Leah Rand and Aaron Kesselheim, *What Should US Policymakers Learn From International Drug Pricing Transparency Strategies?*, in the November 2022 issue of the Journal, [How Much Will It Cost?](#) Sarosh, thank you so much for being on the podcast. [music fades out]

SAROSH NAGAR: Of course. Thank you for having me. I'm looking forward to a great conversation.

HOFF: So, to begin with, what's the main ethics point that you and your coauthors are making in this article?

NAGAR: The key ethics point, I'd say, in our article is that being transparent, right—disclosing drug prices or using international reference pricing or referencing list prices or debt prices in other countries—might be a useful step, but it alone is insufficient to resolve some of the key issues in drug pricing and drug spending in the US. And the reason for this is that there is a lot of evidence suggesting that pricing transparency or reference pricing can be ineffective at times because, for example, pricing transparency can't directly bring down the cost of a drug. You can disclose the price, but that doesn't necessarily mean the prices in the US will go lower. It just makes them public. And similarly, in some cases, certain tools like this might even be counterproductive. So, for example, reference pricing internationally where you look at the prices in other countries to price domestically might be helpful in some cases, but it can also cause those prices in other countries to go up because manufacturers want to raise the price of the drug in the US, so they raise the prices in the countries the US would reference. And it can cause other market distortions and delays.

So, the key point to take away from that is that pricing transparency is not a substitute for more substantive reform. US reform efforts need to center around other types of strategies. So, for example, other countries in our article, like we talk about the UK and Germany, use value-based pricing. So, they assess how innovative a drug might be, and then afterwards, they proceed to price it based on if it's a really innovative drug, it gets a higher reimbursement and so on. And that can promote innovation because it can directly kind of promote and incentivize manufacturers to develop more innovative products to get a higher reference and make more common drugs more affordable for individual people.

And similarly, there might be negotiations of the drug's price. That happens a lot in Germany, as we've discussed, and is seen in the Inflation Reduction Act that just passed. So, definitely pricing transparency is a supplementary tool but should be paired with other reforms.

HOFF: And so, what's the most important thing for health professions students and trainees specifically to take from this article?

NAGAR: Sure. So, the most important thing that students and trainees can take away from our article is this recognition that in health policy, and health economics really, there is no such thing as a panacea, a perfect solution that'll solve all problems. So, pricing transparency, what the debate about disclosing the drug prices in the US, really comes down to this issue of this Transparency in Coverage rule that was passed during the Trump administration that was designed to disclose drug prices. And many of its advocates framed it as sort of this is the big solution to resolving high drug prices, and its detractors framed it as this disaster for drug innovation. In reality, it's probably neither, right? The key thing to note here is that pricing transparency has a sort of modest and unclear effect according to the literature. Other countries do not use pricing transparency, or they'll use pricing transparency in combination with these other strategies to regulate drug prices like negotiations or value-based pricing, which is this— And that highlights this broad trend that I think reform in almost all health policy spaces requires pairing together multiple policy changes. It's not just a single solution kind of goes forth to solving problems, but it requires these comprehensive, multi-method approaches that use multiple different strategies and regulatory tools and incentives and other sort of programs to achieve a certain outcome.

HOFF: And finally, if you could add a point to this article that you didn't have the time or space to fully explore, what would that be?

NAGAR: Mm! I think if we wanted to add another point, I would highlight how our article illustrates some of the benefits of what we call value-based pricing in promoting innovation and making drugs affordable. Because in the United States, there's a big debate, I think, over this sort of tradeoff between, oh, if you don't spend enough on drugs, they won't be innovative, and similarly, drug prices are very high. And so, what we often try to highlight is that other countries, notably Germany and the UK, tend to tie drug prices to these things called health technology assessments. So, they assess how clinically valuable or innovative a drug might be. So, if this new product is a major game changer in this field, that product gets a higher reimbursement, or a higher price as compared to an existing treatment. And so, what we believe is that, if designed correctly, these systems can play a very helpful role in aligning financial incentives so that drug prices and drug reimbursements are higher for more innovative products. So, financial incentives actually align perfectly with promoting both innovation and also making common drugs more affordable for people and keeping prices within a reasonable range.

It's worth noting that in each country we studied—Germany, Canada, and the UK—there are different ways of implementing value-based pricing, and they vary based on how innovative or how different the drugs are and also how stringent the HTA's evaluation criteria might be. Some HTAs tend to be more loose or more strict about reimbursing in certain ways. So, if the US adopts some kind of value-based pricing, it could design a very flexible system that would boost innovation for American pharmaceuticals and make products more affordable for the average American consumer.

So, I think as well, that would sort of highlight that the Inflation Reduction Act that just passed takes some steps towards these goals of value-based pricing. The price negotiations consider the value of a product, and the maximum fair price of a drug will be published. So, we will be achieving some amount of transparency in value-based pricing. But it's worth noting again that this act is a very modest reform, so it only applies to a select number of drugs with a lot of exclusions. So, definitely it's a good start, but other reforms to implement this sort of effective system of value-based pricing is needed. [theme music returns]

HOFF: Sarosh, thank you so much for your time and expertise on the podcast today, and thanks to you and your coauthors for your contribution to the Journal this month.

NAGAR: No worries. I appreciate it and look forward to seeing the article soon.

HOFF: To read the full article as well as the rest of the November 2022 issue for free, visit our site, [JournalofEthics.org](https://www.journalofethics.org). We'll be back soon with more *Ethics Talk* from the *American Medical Association Journal of Ethics*.