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Resolution on delinking the incentives to invest in biomedical R&D from the prices of products and services

Introduction

The TransAtlantic Consumer Dialogue (TACD) members are committed to advancing science and practical innovation in biomedicine, as well as the affordability of, and universal access to, effective diagnostics, prophylactic and treatment technologies.

There is a profound area of policy incoherence regarding the conflict between incentives to stimulate innovation and the need for affordable access to new technologies. This incoherence was noted by the United Nations in the terms for reference for the UN Secretary-General appointed High-Level Panel on Access to Medicine, as well as in a series of articles by experts and stakeholders, proposals for governments and legislators, and in initiatives by UN bodies such as the World Health Organization.

There is also an asymmetry in global norms supporting biomedical innovation that favors incentives based on the grant of private monopolies on inventions and products, and ignores public funding of biomedical research as a public good, even though the latter is critical for the advancement of science and its practical applications.

Concerns over high prices for new drugs, vaccines, patented procedures and diagnostic tools are widespread. In many countries policy interventions designed to control costs are based upon withholding coverage for products that are too expensive (relative to benefits or budget resources) and/or imposing costly co-payments on patients. In such cases, the patient rather than the monopoly is put at risk when there are price disputes. When governments consider ending monopolies or taking other measures to make products more affordable, the companies that play a role in the development of and/or control the rights to the patents and other intellectual property rights, object on the grounds that the cost savings will come at the expense of innovation.

There are also several other shortcomings in the current system of incentives to invest in research and development (R&D). There are insufficient incentives to invest i) in diseases that primarily impact persons with low incomes and insufficient or no insurance coverage; ii) in finding uses and better uses for existing generic products; iii) in finding rational uses of existing products (including objectively managed trials to compare alternative treatments); and iv) in new antibiotic drugs where limited use is a protection against resistance. At the same time, there are excessive incentives to invest in products that only match existing outcomes and inadequate incentives to share access to knowledge, materials, data and technologies.

Recommendations

TACD calls upon policymakers to break out of the current dysfunctional and harmful trade-off between innovation and access, and to progressively delink the incentives to invest in R&D from the grant of monopolies and the need for high prices.

In order to progressively delink R&D incentives from high prices, governments need to first acknowledge that incentives can be provided without granting monopolies and begin to propose and consider the feasibility of

mechanisms that provide such non-monopoly incentives. The most important of which are market entry rewards and innovation inducement prizes, where the incentive directly involves money rather than indirectly through a temporary monopoly. These reforms should also evaluate the benefits of the open source dividend proposals to provide incentives to openly share upstream knowledge, data, materials and technologies.

To be most useful, such proposals and feasibility studies should identify the means of financing the non-monopoly incentives. One promising approach is for the incentives (market entry rewards and other innovation inducement prizes) to be financed by public and private sector health care insurance/reimbursement entities, as an alternative to paying the high prices associated with temporary monopolies.

There is also a need for global norms to address the appropriate sharing of the costs of funding R&D as a public good. To this end, we urge governments to support discussions at the World Health Organization (WHO) on new agreements on the funding of biomedical R&D as a public good, and to consider chapters in trade agreements to expand and otherwise enhance the supply of public goods.

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