

Value-Based Pricing delivers access for patients and sustainability in healthcare



The shared goal: fast and broad access for patients, as well as affordability

Key pillars of the EU Pharmaceutical Strategy are access and affordability of medicines¹. Indeed, differences across countries in healthcare spend and access to innovative medicines are significant and increasing in Europe². It is a shared responsibility of all stakeholders to help bridge the gap between those with access to critical healthcare innovations and those without. As Novartis, we believe that we can contribute to **improving access for patients** through collaboration with stakeholders, irrespective of which country these patients live in. We make our medicines available by considering **effective affordability strategies** and innovative solutions for disease management: we strive to develop innovative access models tailored to each markets' needs, like outcome-based agreements, as well as tiered pricing for the prices to be more closely in line with economic status of the countries. We aim to provide innovative treatments to European patients, while maintaining the sustainability of our business³. Financially successful pharmaceutical companies can continue to invest in R&D and make life-changing medicines available for patients today and in future.

Access principles are also applying in our **Global Health strategy**. We have launched “*Novartis Access*”⁴, a portfolio of affordable medicines to treat chronic diseases in low- and middle-income countries. We make medicines available through patient support programs, as well as managed access and post-trial access programs: in 2021 Novartis has reached **766 million patients worldwide**, of which 56 million through the Access programs.



Value-Based Pricing brings solutions

Medicines should be paid for in line with the value they deliver. We believe that this can best be achieved through a **Value-Based System**, a model that economists have suggested in the last 15 years to be the best solution for patients⁵. Value-Based Pricing is based on three principles: (1) patient value, (2) healthcare system value and (3) societal value⁶. Providing patients and healthcare systems with medicines that offer the highest value will lead to the **most efficient healthcare systems**. By incentivizing the pharmaceutical industry to deliver value, healthcare systems and patients will continue to receive innovative medicines and treatments that improve and extend lives. At Novartis, we stand ready to support healthcare systems in the journey towards value-based healthcare, so that the price of medicines overall can more closely and consistently align with our core access principles and increase patient access to care, in line with **our mission to reimagine medicine to improve and extend people's lives**.



Will transparency on costs and net prices lead to an efficient and fair healthcare system?

Transparency is often referred to as one of the main tools to improve access and affordability. As Novartis, and this also counts for other pharmaceutical companies, we consistently publish our yearly investments in R&D, which is also reflected in the EU R&D scoreboard. However, we believe that pricing based on the costs of R&D would not lead to the most efficient system⁷. Cost-plus pricing fails to stimulate companies to operate efficiently and does not incentivize investment in treatments that could bring high value for patients, healthcare systems and society. We believe that **price should reflect the added value that the medicine delivers** to these stakeholders.

Moreover, it is often believed that net price transparency would lead to lower prices. Yet if disclosed, prices will be referenced by countries with greater ability to pay. Therefore, protecting confidentiality of the net price is important to facilitate the differentiation of prices according to income levels, local affordability barriers and economic realities of each country. The assessed value may vary across countries due to different assessments for the medicines by HTA bodies, as does the access conditions. We stand **ready to support healthcare systems in the journey towards value-based healthcare**, so that the price of our medicines is closely and consistently aligned with our core access principles and **increases patient access to care**.

Novartis in Europe

- **45'000 FTEs** employed in Europe, **10'000 in R&D**
- **€26.1 billion direct GDP contribution**
- **€ 4.4 billion R&D investments** in 2021
- More than **80 sites**, including production, business and R&D
- More than **130 academic and industry alliances**
- **77 Novartis EU Innovative Medicines Initiative (IMI) projects**

¹ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020DC0761>

² EFPIA Patients' W.A.I.T. indicator survey 2022

³ <https://www.novartis.com/esg/access/novartis-access-principles/affordability>

³ <https://www.novartis.com/esg/access/creating-sustainable-business-models/novartis-access>

⁵ Porter, M. E., & Teisberg, E. O. (2006). Redefining health care: creating value-based competition on results. Harvard business press.

⁶ https://www.novartis.com/sites/novartis_com/files/novartis-position-on-value-based-healthcare.pdf

⁷ <https://iri.jrc.ec.europa.eu/scoreboard>