
Event

The cost of new drug treatments and therapies has risen in recent decades, putting significant strain on healthcare budgets. Decision makers in healthcare reimbursement often justify this expense by referring to ethical or social value considerations, as a basis for arguing that certain patients and conditions should be treated preferentially within the healthcare system.

Significance

The cost of new drugs has increased exponentially over the past two decades, especially in cancer therapies. Yet the proven benefit of these treatments is modest. Patients and manufacturers use 'equity arguments' to justify premium prices, and to pressure healthcare systems into paying. As a result, many systems pay hundreds of thousands of dollars from already strained health care budgets for these technologies. Currently, the annual cost of cancer treatments is commonly in excess of \$100,000. Manufacturers of treatments for more common disorders, taking advantage of these trends, similarly raise the prices of their drugs, leading to a more general price rise.

Analysis

Equity can be considered horizontally and vertically. Vertical equity proposes that different circumstances – whether based on patient characteristics or condition suffered, for example – call for unequal treatment, thereby endorsing preferential treatment for specific diseases; horizontal equity, meanwhile, emphasizes uniformity in care where the characteristics of patients or conditions are equal.

Arguments that rationalize premium prices for new therapies are vertical equity arguments. A recent PACEOMICS review¹ identified 19 factors that might be used to support these arguments. Of these, 11 are value-bearing factors (i.e., characteristics that may affect the value we attach to the health gain produced) – for example: the prevalence or rarity of the disease; the extent to which it is life-threatening or chronically-debilitating; whether or not the beneficiaries of the treatment are easily identifiable or visible; the societal impact of the treatment; and the treatment's impact on the distribution of health across competing patient populations.¹ The remainder are non-value bearing factors including cost-effectiveness, socio-economic policy issues, the cost and budget impact of the treatment, and legal concerns over commercial expectations, among others. Of the 11 value-bearing factors, ten also apply to technologies that do not necessarily fall within established meaning of Orphan Drugs. Horizontal equity requires that equal consideration be given to the health of both the beneficiaries of the new treatment and the patients whose healthcare is displaced by the reallocation of funds from their drugs to the costly new treatments. The failure of healthcare payers to adhere to horizontal equity regarding costly treatments, including but not limited to Orphan Drugs leads to unfairness and inequity in the provision of healthcare.

Conclusion

Current approaches to equity considerations in healthcare reimbursement are neither equitable nor internally coherent.

1. Paulden M, Stafinski T, McCabe C (2015). Value-based reimbursement decisions for orphan drugs: a scoping review and decision framework. *Pharmacoeconomics*. 33(3):255-69.

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