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Evolution of willingness to pay in cost-effectiveness countries
United Kingdom, Australia, Canada and Sweden

Willingness to pay for new medicines has effectively decreased over time in countries that incorporate cost-effectiveness thresholds in their P&R processes.

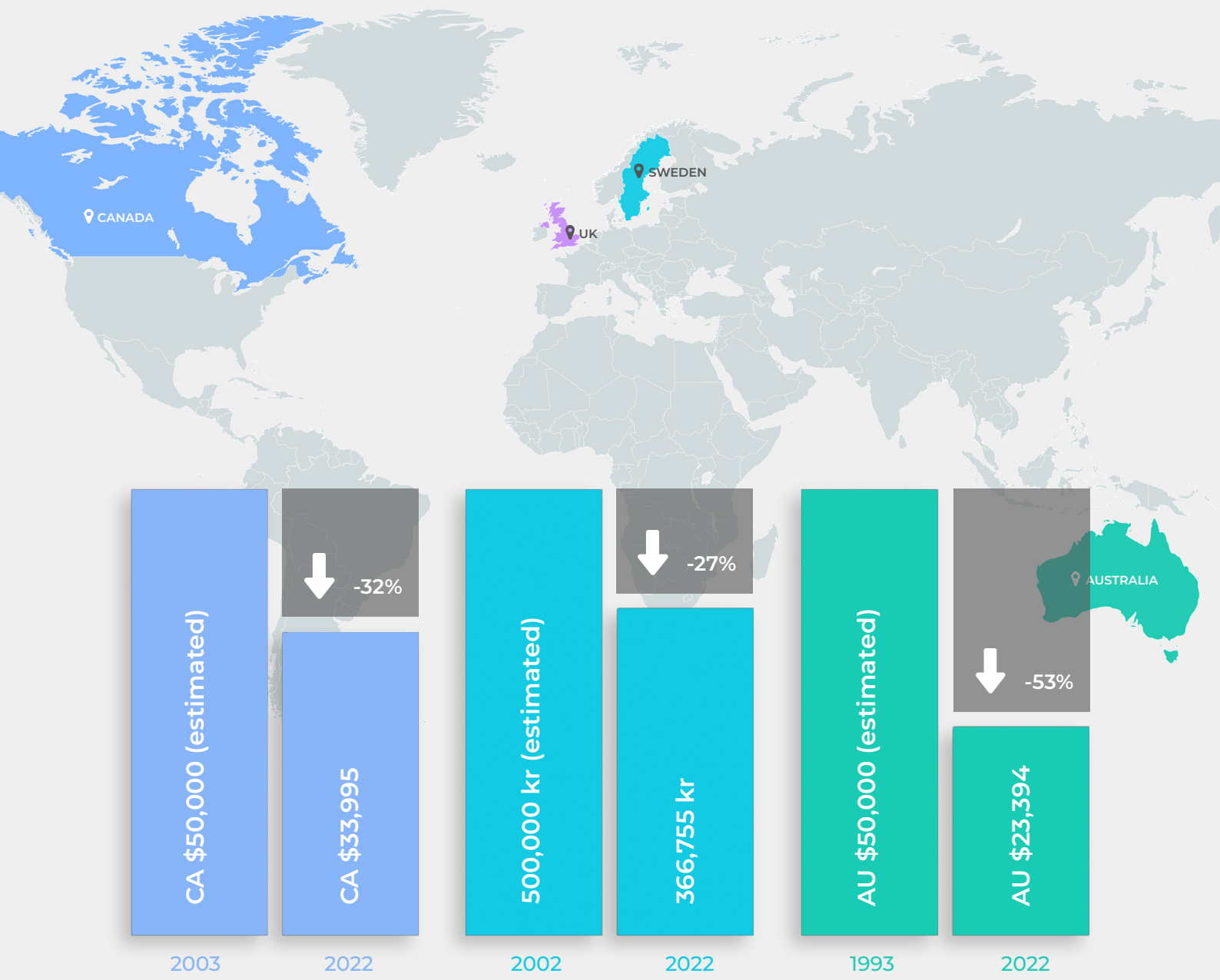
Countries that introduced cost-effectiveness analyses in the 1990s and early 2000s have seen their original thresholds gradually eroded by inflation. For example, in the UK, NICE specified that they were willing to pay £20,000-30,000 per QALY in 1999, requiring that new medicines fall below this threshold to be reimbursed. Other countries that rely on cost-effectiveness, like Australia, Canada and Sweden, set implicit thresholds.

These countries have not adjusted these thresholds since their inception, meaning that willingness-to-pay for innovation has decreased by between a fourth and half in real terms.

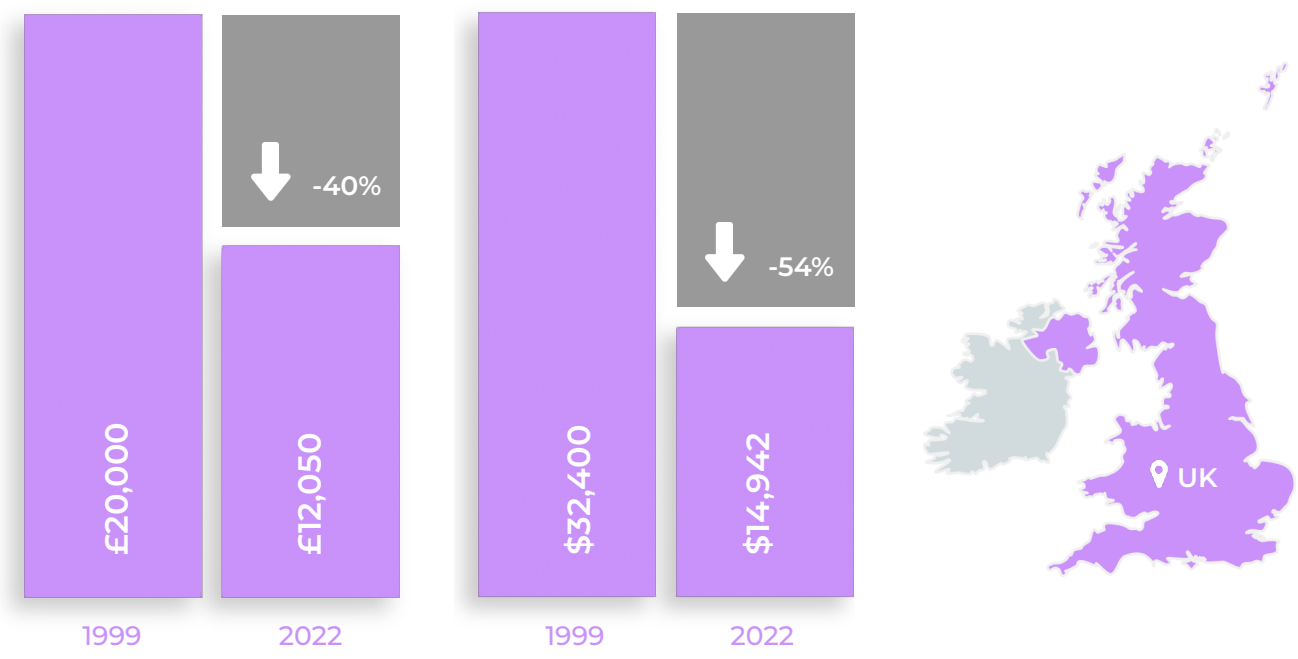
In the UK, this situation is exacerbated by the pound's diminishing value against the dollar and industry-wide clawbacks.

By constraining price and revenue, this trend puts the sustainability of innovation at risk. For innovation to be viable in the future, countries will need to adjust their willingness-to-pay to reflect the evolving economic environment.

In the absence of explicit adjustments of cost-effectiveness thresholds for inflation, willingness-to-pay in Australia, Canada and Sweden has decreased in real terms by 27-53%



Without explicit adjustments for inflation, the UK's willingness-to-pay for medicines has decreased in real terms. In parallel, the pound's value vs the dollar has diminished, further decreasing the UK's effective reward for innovation



Industry-wide clawbacks are not reflected in the ICER threshold but have further decreased the real reward for innovation obtained by companies

E.g., 26.5% clawback rate in 2023 under VPAS, compared to pre-pandemic rates of ~7% from 2014 to 2021[12]

*ICER benchmarks estimated based on available literature.

Abbreviations:

CADTH: Canadian Agency for Drugs and Technologies in Health, ICER: incremental cost-effectiveness ratio, PBAC: Pharmaceutical Benefits Advisory Committee, TLV: Dental and Pharmaceutical Benefits Agency, NICE: National Institute for Health and Care Excellence, VPAS: Voluntary Scheme for Branded Medicines Pricing Access.

Sources:

1. George (2001), 2. Wang (2018), 3. ATO, 4. Griffiths (2016), 5. Statistics Canada, 6. Nilsson (2014), 7. Gumbie (2021), 8. Statistics Sweden, 9. Appleby (2007), 10. ONS, 11. Exchange Rates UK, 12. ABPI (2023)

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