



# Market Transparency in Medicine Pricing: Pathways to Fair Pricing

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## 1 Introduction

Amid rising healthcare expenses, the importance of market transparency in medicine pricing takes center stage. This transparency influences the affordability and accessibility of medicines, posing a complex array of challenges and opportunities worldwide [1, 2]. Market transparency of medicine prices refers to the open and public disclosure of the actual net prices paid for medicines within health systems, allowing for a clearer understanding of the real costs after accounting for all rebates, discounts, and other incentives [2–4]. Disparities in medicine pricing and access highlight the critical need for efforts to mitigate these issues, with some countries advancing toward transparency and affordability, while others face ongoing struggles, accentuating the global scale of this challenge [5]. Such disparities and the importance of market transparency transcend economic dimensions, which include strategic and policy considerations crucial for ensuring patient access to medicines. As countries work toward enhancing medicine pricing transparency and affordability, tackling the nuances necessitates a collaborative approach.

The drive toward greater transparency in medicine pricing represents a complex challenge with significant implications. On the one hand, it requires a reevaluation of existing frameworks and the adoption of innovative measures to make medicine pricing reflective of its value to patients, such as value-based tiered pricing (VBTP). VBTP involves differential pricing, where countries are disaggregated by income levels and pay different prices for the same innovation. This implies that a greater number of countries could afford healthcare innovation, reducing cross-country inequities in access and health outcomes [6]. On the other hand, it opens opportunities for fostering equitable healthcare

systems, where access to medicines is a universal right, unimpeded by geographical or economic barriers [6, 7]. The discussions around market transparency in the pharmaceutical sector are essential for understanding its impact on patient access, healthcare affordability, and the wider socioeconomic context [8]. By examining the importance of market transparency in medicine pricing, the strategies and policies for enhancing transparency, and the challenges faced, this editorial aims to illuminate the pathway toward fair medicine pricing, demonstrating that it is not only beneficial but essential for equitable medicine access [2, 5, 9].

## 2 The Importance of Market Transparency in Medicine Pricing

Transparent medicine pricing mechanisms serve as a tool for accountability and are also a foundational element influencing the entire spectrum of healthcare affordability and accessibility. This significance is echoed in the World Health Organization (WHO)'s guidelines on pharmaceutical pricing policies [10], and Resolution A72 (2019) of the WHO on improving the visibility of net prices paid for medicines [4]. Building on this foundation, it is crucial to differentiate net price transparency and production cost transparency. Net price transparency does not extend to revealing the detailed breakdown of the research, development, production, and marketing costs of bringing a medicine to market. Net pricing transparency refers to medicine procurement between producers of innovative medicines and payers (public or private). Unlike direct consumer purchases such as automobiles and mobile phones, most patients access medicines through insurance coverage (public or private), where insurers negotiate prices behind the scenes, often resulting in significant discrepancies between the list price and the price paid after negotiations.

Transparency acts as a deterrent against significant price discrepancies, fostering competition and driving down costs. It enables stakeholders, including governments, healthcare providers, and patients, to make informed decisions on the

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basis of the actual value and cost-effectiveness of health products [2]. This process of informed decision-making, which involves integrating transparent price data into healthcare decision frameworks, improves the allocative efficiency of limited healthcare resources. Market transparency also provides visibility into the pricing strategies and negotiation processes within the pharmaceutical supply chain, highlighting disparities and sometimes the arbitrariness in medicine pricing [5]. This visibility highlights cost reduction priorities and signals opportunities for negotiating prices, as well as ultimately expanding access to medicines.

However, achieving transparency in medicine pricing requires a multi-layered and collaborative approach. Proprietary pricing information, complex healthcare systems, and opaque negotiation processes often obscure the true cost and value of medicines. Improving transparency is a technical endeavor, but also a moral imperative aimed at ensuring that every patient, regardless of their socioeconomic status, has access to the medicines they need [6]. As strategies and policies for enhancing transparency are explored, it is clear that a concerted effort is required to forge a pathway toward fair medicine pricing [9, 11, 12]. This collaborative approach, highlighted in the innovative strategies for increasing access to medicines in developing countries, underlines the necessity of partnerships and adaptable pricing models to overcome access barriers [7, 9, 13].

### 3 Strategies and Policies for Enhancing Transparency

Countries have adopted a variety of strategies and policies aimed at enhancing transparency in medicine pricing. These efforts, ranging from managed entry agreements (MEAs) to direct price negotiations, reflect a commitment to more affordable healthcare [10]. However, while these approaches underscore diverse approaches necessitated by different national healthcare systems, they also bring to light the complexity of balancing transparency with commercial interests [14]. Potential unintended consequences may arise if medicine pricing shifts too far in either direction: toward either full transparency or complete opacity. Further evidence is needed to fully understand the implications of these extremes on medicine pricing and healthcare accessibility. Two evolving strategies are explored below—managed entry agreements (MEAs) and direct price negotiations—which continue to attract significant interest.

#### 3.1 Managed Entry Agreements

MEAs have become increasingly prevalent, reflecting a strategic shift in how countries and pharmaceutical companies negotiate the introduction and pricing of new medicines.

MEAs are arrangements between a manufacturer and a payer or provider that enable the coverage or reimbursement of a health technology under specific conditions [15–17]. The use of MEAs and the differentials between list and net prices in markets such as the USA and Europe signify a growing trend [2]. This development suggests a nuanced approach to medicine pricing, aiming to balance innovation incentives with cost containment measures. However, the effectiveness and transparency of these agreements vary significantly across different healthcare systems. In Europe, for example, the availability of price data and the evolution of European average prices indicate a complex landscape where MEAs play a critical role in shaping market dynamics [18].

Studies highlight the disparities in cancer medicine prices across countries [19], underlining the possible impact of MEAs on pricing policies to improve affordability and access. These experiences show how high prices of cancer medicines limit patient access in lower-income countries and where MEAs may support cost containment while enabling patient access. These experiences also highlight the challenges and potential benefits of more transparent pricing strategies, including their influence on negotiation power and market access [20]. They underscore the importance of carefully considering the design and implementation of MEAs within broader medicine pricing and reimbursement strategies to ensure they are effective at improving medicine affordability and access.

#### 3.2 Direct Price Negotiations

Direct price negotiations, as exemplified by the Inflation Reduction Act of 2022, mark a significant shift in medicine pricing, especially in the context of Medicare in the USA [21]. The Act enables Medicare to negotiate prices for certain medicines, specifically focusing on top-selling medicines that are single source with no generic competitors, beginning with 10 medicines in 2026 and expanding to 20 annually by 2029. However, challenges arise in ensuring the effectiveness of these negotiations, such as potential strategies by manufacturers to avoid negotiation by enabling generic competition [22]. Furthermore, the impact of these negotiations is limited by the number of medicines covered and the extent of discounts that can be achieved. Only a fraction of the medicines are expected to generate substantial savings, demonstrating the complexity of achieving significant cost reductions through direct negotiation [23]. A more detailed understanding of the potential and limitations of direct price negotiations, including insights from other high-income countries such as Germany and Canada, may contribute to the broader discussion of medicine pricing strategies. Notably, these countries use approaches such as statutory rebates, maximum price setting, and arbitration,

which could inform the U.S. strategy and enhance Medicare's negotiation capabilities [21].

## 4 Challenges in Achieving Transparency

Despite the global momentum toward greater transparency in medicine pricing, countries face numerous challenges in achieving this goal. These obstacles vary in nature and in the difficulty of their resolution, reflecting the complex ecosystem of medicine pricing.

### 4.1 Proprietary Pricing Information

The proprietary nature of pricing information, a significant barrier to transparency, is compounded by the competitive environment of pharmaceutical companies [2]. This secrecy, as highlighted by Vogler and Paterson (2017), often leads to information asymmetry, hindering effective negotiations. Confidential discounts and external reference pricing practices, although intended to manage costs, can inadvertently perpetuate these challenges, especially in less-resourced countries [20]. Similarly, confidentiality clauses in MEAs, while protecting sensitive information, can impede broader transparency efforts. The need for a balance between protecting commercial interests and fostering transparency is thus essential.

### 4.2 Healthcare System Complexity

The complexity of healthcare systems and the involvement of multiple stakeholders make the transparency of pricing information challenging. An evaluation of Portugal's centralized medicine procurement system demonstrates both the potential and limitations of such approaches in enhancing transparency [24]. The system utilizes a pooled procurement approach where public hospitals and primary care centers purchase medicines through a central agency, aiming to streamline processes, enhance transparency, and achieve cost savings. It demonstrates enhanced transparency due to more standardized procedures and centralized oversight, which helps in reducing discrepancies and variations across different regions and entities. While centralized procurement can improve governance and transparency, it also faces bureaucratic challenges and requires a deep understanding of market dynamics.

### 4.3 Negotiation Processes

The opacity of negotiation processes between pharmaceutical companies and payers is a critical concern. The strategies for enhancing the power of the payer in negotiations with monopolistic sellers, as discussed by Rintoul

et al. (2020), offer insights into overcoming this challenge. Approaches such as pooled procurement and increased stakeholder engagement can provide leverage to payers and contribute to more transparent and improved pricing outcomes [12]. Monopsonistic buyers significantly reduce pharmaceutical prices, as seen in the lower medicine costs in Canada compared with the USA due to the monopsonistic power of Canadian provincial governments [25]. Similarly, managed care plans exercise monopsonistic power to decrease healthcare prices, often leading to reduced payments to providers and potentially impacting the availability and quality of medical services [26]. Achieving transparency in medicine pricing requires a collaborative and multi-pronged approach to improve the transparency of negotiation processes. It involves balancing commercial confidentiality with the public's right to information and understanding the intricacies of healthcare systems.

## 5 Conclusion

Discussions around strategic approaches adopted by different countries consolidate the importance of market transparency in medicine pricing [8]. The concept of VBTP is an effort to align the pharmaceutical industry's need to recover research and development (R&D) investments with making medicines accessible and affordable across income divides. "Under VBTP, prices in each country should be based on a health system's willingness to pay, where willingness to pay reflects the actual assessed value of the product within that market/health system, accounting for affordability and budgetary constraints" [6], highlighting the intricate balance between ensuring equitable access and fostering innovation. Embracing these challenges as opportunities for innovation and cooperation is a pathway toward fair medicine pricing that is attuned to the needs of diverse populations [9].

The pathway to fair medicine pricing depends on the collaboration of governments, the pharmaceutical industry, and international organizations. This shared obligation is reflected in strategic pricing mechanisms that consider the value medicines provide within different health systems, illustrating the critical need for ongoing dialogue and shared learning. However, market transparency has "... the potential to undermine patient access to medicines in the developing world and compromise long-term development of new medicines for future generations" [2]. This serves as a reminder that a delicate equilibrium is crucial for effectively navigating the multifaceted landscape of medicine pricing.

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