

Pfizer's Approach to Medicine Pricing

Background

Innovative medicines are critical components of long-term investments in health, frequently resulting in cost savings by avoiding or reducing downstream medical expenses. In addition to improving individual health, medicines aid society with the increased productivity that results from a healthier workforce. Medicines often produce returns that exceed short-term spending by offsetting other health care costs, such as hospitalization and other expensive services.^{i,ii,iii,iv} They also provide non-medical benefits, such as reducing sick-day absences and short-term disability incidence.^v

Every day, Pfizer colleagues across the world work to bring therapies and vaccines to people that extend and significantly improve their lives. As an innovative company, focused on scientific breakthroughs, Pfizer is pioneering biopharmaceutical advancements that not only treat difficult diseases but have the potential to cure or prevent them. Our research efforts are focused on novel medicines and vaccines, driving our substantial investments in R&D and urgency to get these breakthroughs to patients as quickly as possible.

Pfizer's Approach to Pricing

Our pricing strategy is guided by the value that our innovative and life-saving products bring to patients and society, an understanding of the health systems and environments in which we operate, and a goal of achieving the broadest possible access to our products.

Recognizing Value

Our medicines provide substantial value to patients and society, from improving health outcomes to alleviating the burden associated with illnesses that is carried by individuals, their families, and caregivers. When determining prices, we consider the long-term impact of a medicine, as its benefits may manifest immediately or over months and years. We consider the unmet patient need; burden of the disease on patients, their families, and caregivers; clinical outcomes of taking the medicine; and availability of other treatments. We may also account for the medicine's potential non-medical benefits, such as returning individuals to work and daily activities, lowering caregiver burden, and offsetting health care costs such as hospitalization.

Considering External Factors

Unlike any other part of the health care system (i.e., MRI machines, physician services and procedures, etc.), medicines have a built-in price reduction mechanism through the introduction of lower priced generics and biosimilars/bioidenticals. When a medicine's patent expires, multiple companies can offer generic or biosimilar versions, which provide similar health benefits at lower cost while also supporting financial sustainability for health care systems. This cycle is expected to continue for a range of diseases, including some of the most challenging ones such as cancer, Parkinson's, and rheumatoid arthritis.

In many countries, despite initial negotiations that allow some tailoring of prices to individual market conditions, the prices of medicines are ultimately regulated by governments and payers. Payers have the authority to restrict coverage to medicines broadly, including excluding coverage for patients if a manufacturer does not agree to the price the payer demands. To aid in negotiations and justify pricing demands, some governments assess medicines using health technology assessment (HTA) frameworks that often do not account for all the benefits a

medicine brings to patients and communities. Some markets also use international reference pricing, where the government sets a price for a medicine based on its price in other countries with significantly different economic situations, often leading to prices that do not reflect the value of the medicine. These differing health systems and regulations often result in substantially different reimbursement as well as different levels of patient access to medicines across countries.

Ensuring Access and Affordability

Unlike negotiations outside of the United States, which may involve only one or a handful of payers that determine access for most patients, in the United States, Pfizer negotiates with a range of entities, including regional and national insurers, pharmacy benefits managers, large employers, government agencies, hospitals, pharmacies, and wholesalers. To secure maximum affordable patient access, Pfizer engages in complex negotiations resulting in payment of fees and discounts to entities across the supply chain.

Once our medicines become available to patients (i.e., covered), Pfizer takes several additional measures to ensure equitable patient access and affordability. Our approaches focus on assisting patients with the greatest out-of-pocket exposure through various assistance programs, and through our advocacy for better public and private health insurance coverage. Pfizer's generics and biosimilars portfolio also creates savings and efficiencies for health care systems by offering additional treatments at lower costs.

Pfizer is committed to offering more flexible, innovative, and disruptive payment solutions, including risk-sharing and value-based agreements. Within value-based agreements, we are exploring several approaches, including pay-for-performance agreements, annuity payment models, and risk pooling. In low- and middle-income countries, we seek broader solutions to ensure access, such as partnering with global stakeholders to increase the number of trained health workers, facilitate appropriate and timely diagnoses of disease, and overcome medicine delivery challenges. These approaches help ensure that patients have the broadest possible access to our breakthroughs.

Key Facts and Figures

Pricing and Access Considerations

- In countries where the government sets medicine prices, patients often face restrictions in access to new treatments. For example, nearly 90% of new medicines launched since 2011 are available in the United States compared to 48% in France and 60% in the United Kingdom.^{vi}
- In 2022, 74,000 patients received over 582,000 Pfizer prescriptions for free or at a savings through Pfizer RxPathways. Outside of the U.S., Pfizer reached 1.1 million patients via patient assistance programs in 2022.^{vii}
- A recent analysis found that biosimilar prices in the United States are roughly 30% lower than domestic brand biologic prices and could reduce overall healthcare spending by more than \$100 billion from 2020-2024.^{viii}
- Expenditures from PhRMA member companies on R&D in the United States and abroad totaled more than \$100 billion in 2022. This represented 19% of the companies' total sales.^{ix}
- In 2023, brand-name drug net prices dropped for the sixth consecutive year. After adjusting for

overall inflation, brand-name drugs net prices decreased by almost 7%.^x

- In 2022, list prices grew below the rate of inflation – growing 3.7% on average – compared to the 6.5% inflation rate in the United States. Looking ahead, the average change in list price growth is projected to be 0% to 3% per year through 2027.^{xi}

The Value of Medicines

Valuation systems that undermine the appropriate reimbursement for medicines hinder the ability to develop future cures and treatments. Thus, Pfizer and other healthcare stakeholders work to quantify the various impacts of a medicine beyond the clinical aspect determined through clinical trials.

- While it is difficult to fully estimate the economic value of COVID-19 vaccines, one analysis found that COVID-19 vaccines generated \$5 trillion in societal economic value in the United States.^{xii}
- In highly developed countries, a study estimated that cancer mortality rates decreased 20% and 15% between 1981 and 2010 for men and women, respectively.^{xiii} From 1991 to 2020, the overall cancer death rate in the U.S. fell 33%.^{xiv}
- The Centers for Disease Control and Prevention (CDC) estimates that vaccination of children born between 1994 and 2021 will prevent 472 million illnesses, nearly 30 million hospitalizations, help avoid more than one million deaths, and save nearly \$2.2 trillion in total societal costs.^{xv}
- Every additional dollar spent on medicines for adherent patients with congestive heart failure, high blood pressure, diabetes, and high cholesterol generated \$3 to \$10 in savings on emergency room visits and inpatient hospitalizations. Researchers from the University of Chicago found that a 10% decrease in the cancer death rate is worth roughly \$4.4 trillion in economic value to current and future generations.^{xvi}

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ⁱⁱⁱ Jena et al, An economic evaluation of the war on Cancer, Journal of Health Economics 2010.

^{iv} Integrated Benefits Institute. Consumer Directed Health Plans: The Challenge to Managing Workforce Health, Performance and Productivity. November 2014.

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^{vi} PhRMA. Correcting the Record: Putting Medicine Costs and Spending in Context. March 24, 2022.

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^{ix} CDC. Vaccines for Children: Protecting America's Children Every Day. <https://www.cdc.gov/vaccines/programs/vfc/protecting-children.html#:~:text=Vaccines%20for%20Children.,prevent%20disease%20and%20save%20lives.>

^x Drug Channels. Tales of the Unsurprised: U.S. Brand-Name Drug Prices Fell for an Unprecedented Sixth Consecutive Year

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^{xi} IQVIA. The Use of Medicines in the U.S. 2023. <https://www.iqvia.com/insights/the-iqvia-institute/reports/the-use-of-medicines-in-the-us-2023>

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^{xiv} Sigel RL, Miller KD, Jemal A. Cancer statistics, 2023. <https://pubmed.ncbi.nlm.nih.gov/36633525/>

^{xv} CDC. Vaccines for Children: Protecting America's Children Every Day.

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^{xvi} PhRMA. The Five Essential Truths About Prescription Drug Spending. July 2015.

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