

“Biomedicine and Other Innovation in Health Care: Examining the Links Between Policy Makers and Innovators”

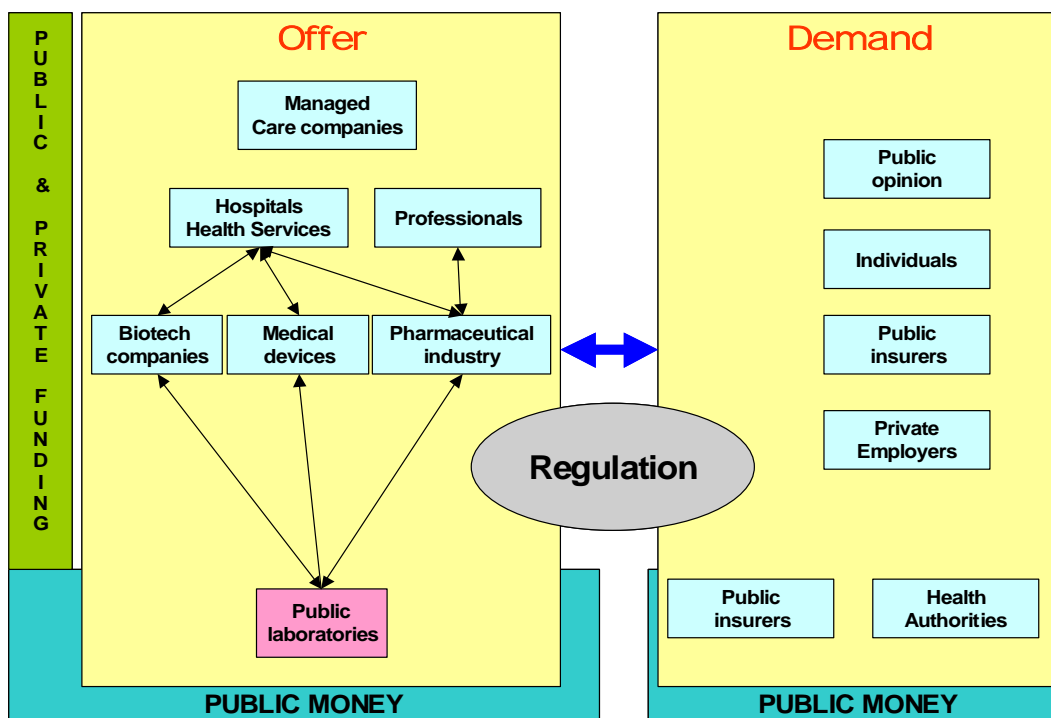
BIAC Discussion Draft to the OECD Workshop

**November 15-16, 2004
Berlin, Germany**

BIAC appreciates the opportunity to participate in the OECD Workshop on Biomedicine and other “Innovation in Healthcare: Examining the Link between Policy Makers and Innovators.” As employers, manufacturers, innovators and insurers, the private sector has a vested interest in striving to improve the quality and performance of the health care sector that serves the best interest of patients. BIAC believes that these improvements can only be achieved through continued private and public sector collaboration combined with a public regulatory climate favourable to innovation, competition and choice. The following are general comments of BIAC with respect to the general theme of the workshop. We also attach as an annexe to this paper the BIAC submission to the May 2004 OECD Health Ministerial Roundtable on “Innovation in Healthcare: Seizing the Benefits,” which is relevant to the discussions of the Berlin workshop.

General comments:

The interaction between the demand and the offer of health
innovation in products and services



- The above diagram demonstrates the importance of taking a comprehensive approach to supply and demand of health innovation products and services.
- An emphasis on “Public Priorities” corresponds mainly to governmental tools and does not necessarily represent the entire scope of demand for innovative products and services. Public priorities and health targets are usually set based not only on the mortality and morbidity of the population but also in view of the existing technologies that could potentially improve one population’s health compared to others. They often serve as benchmarks that the governments impose on themselves in order not to lose sight of the long-term goals of the public health care systems.
- Health care innovation is costly and it is ultimately brought to market by the private sector. Based on market opportunities and combined with their knowledge base and capabilities, private innovators strive to develop and commercialize products with improved performance characteristics for the ultimate consumer, the patient. However, the medical marketplace imperfectly translates the patient demand via the prism of the medical profession and the existence of public (or private) insurance. Successful public policy rests on providing the enabling frameworks for innovation including incentives to guide the private sector towards both private and public priorities. Special incentives for “orphan” diseases or demand “pull” for “neglected” conditions are examples of such public policy.
- We note the importance of personalised medicine so that the right therapy is given to the right patient at the right time. This could mean smaller markets for specialised therapies and drug companies should also be encouraged by governments.
- Continuous medical education should also be used to inform new technologies not only to medical staff but also to administrators, and insurance providers. IT will play an ever increasing role in patient and hospital management. There will be a growing need to integrate different IT systems across the healthcare system.
- BIAC emphasises that the link between innovation and public policy in health care should reflect the full multidimensional nature of demand and offer among all relevant actors, including for example, consumers, patients, insurers and medical and research professionals.
- BIAC stresses that any project going forward should address the entirety of these synergies, addressing the innovation processes as a whole. As stated in the OECD background documentation for this workshop, there is a need for dynamic, multidirectional thinking about innovation policy and links to health policy signals.
- BIAC therefore recommends that OECD replace the expression of “priorities” by “expression of demand.”
- HTA is a major issue on the agenda of health care policy makers. BIAC believes that those who provide health care technology, together with health care professionals, payers and political decision makers should engage in a collaborative dialogue. We appreciate that OECD promotes a rational and forward looking approach to addressing HTA so that it will not impede the development and diffusion of important health technologies.

- For any OECD work going forward, BIAC recommends that it builds upon existing OECD analysis in relevant areas, and also stresses the necessary co-operation between Health, Social Affairs, Science and Technology, and Finance and Economy Ministries needed for this project.

ANNEXE

**BIAC STATEMENT TO THE OECD HEALTH MINISTERIAL
ROUNDTABLE “INNOVATION IN HEALTH CARE:
SEIZING THE BENEFITS”**

13 MAY 2004

Introduction

Health care is a vital industry in OECD economies and a major employer. Increasingly, it is a source of high-quality jobs, technological innovation and other knowledge-intensive activities that benefit modern societies. At the same time a well-functioning, efficient health care sector is fundamental for a stable and a coherent social climate that provides a basis for sustained economic growth and innovation in other sectors.

As employers, manufacturers, innovators and insurers, the private sector has a vested interest in striving to improve the quality and performance of the health care sector that serves the best interest of patients. BIAC believes that these improvements can only be achieved through continued private and public sector innovation combined with a public regulatory climate favourable to innovation, competition and choice.

1. Innovation in Health Care is Key to Economic Growth in the OECD Countries

Innovation resulting from breakthroughs in science and technology fuels economic growth through enhancements in productivity, a fact demonstrated by numerous OECD research projects. The pioneering work of the OECD is beginning to show that a growing share of these innovations comes from health-related applications. Thus the agenda for economic growth is closely tied to innovation in life sciences and health and it is linked to the ability for producers to rapidly disseminate new technologies.

Many of the OECD countries have recently targeted greater R&D intensity and, to that end, developed strategic programs in life sciences. BIAC believes that public policies should support innovation as it impacts all facets of health care. In this regard intellectual property rights should be upheld to protect and promote breakthrough innovation.

We believe that the OECD health ministers should work more closely with science and technology ministers in developing policy agendas that emphasize the link between quality in health care and the capacity of the private sector to innovate through appropriate market-based incentives, particularly in pricing and reimbursement of new technologies.

Finally, we recommend that OECD governments review the barriers to innovation and strive to eliminate or reduce these wherever possible.

2. Benefits of Technological Change in Medicine Exceed the Costs

When costs and benefits are weighed together, technological advances in medicine have proved to be worth far more than their costs. New treatments and health care products and devices resulting from medical technology have made and are making growing contributions to public health, as demonstrated by increased longevity and greater quality of life, less absenteeism and lower rates of disability. Medical progress is predicated on continuing innovation.

Technological change has accounted for a large share of medical expenses over time. This by itself does not prove that the technology is not worth the costs. This depends on the benefits of the technology to the population over time across different diseases and not just based on the assessment of impact of individual products or services.

Based on studies by prominent economists, there is evidence, for example, that the estimated benefits of technological change in treatment of heart attacks, low-birth infants, depression and cataracts have greatly outweighed the costs. According to one study, “around 70 percent of the survival improvement in heart attack mortality is a result of changes in technology, with remainder coming from changes in risk factors such as smoking and in diagnostic technologies.”¹ Similar analysis shows the net benefit over costs of treating low-birth infants with technologies ranging from special ventilators to artificial surfactants. New medications such as selective serotonin uptake inhibitors are shown to be responsible for the change of treatment patterns of depression that actually shows net savings. The treatment of cataracts by operation has also generated net benefits.

The benefits exceed costs even though the new technologies have significantly expanded not only the intensity but the total use of new treatments. However incomplete, these studies signal a lack of reliable measures at a policy level and the need to develop methodologies that would remedy it. They also suggest the need to look at cost-benefit of technologies by broad medical conditions rather than in the aggregate (total health care expenditure).

BIAC believes that to advance this goal, governments should develop better tools to measure the total value of innovation that produces both good health and creates strong knowledge-based applications. This will require a better understanding of the different ways in which technology affects the medical system and the methodology for capturing health improvements.

3. Governments Have a Major Role in Supporting Innovation in Health Care.

¹ For example, D. Cutler and M. McClellan, “Is Technological Change in Medicine Worth It?” *Health Affairs*, Sept./Oct 2001, F. Lichtenberg, “Are Benefits of Newer Drugs Worth Their Costs?”, 1996, R. Miller and H. Frech, “Health Care Matters”, AEI, 2004, other.

Successful public policy rests on several core conditions enabling such innovation:

- Strong standards and effective enforcement of intellectual property protection
- Competition and contestable markets
- Open trade and investment
- Strong and sustainable fundamental research and development infrastructure
- Efficient and transparent regulatory systems
- Ethics and rule of law
- Support for education at all levels

Health care innovation is costly and it is predominately carried out by the private sector. There is no better R&D model available at present and the close interaction of private and public sectors is essential.

Benefits to patients could be increased and the high-costs of medical R&D could be alleviated if public policies would reduce the time necessary for market approval. This can be achieved for example by greater reliance on information technology in testing for safety and efficacy. Some regulatory authorities such as FDA also consider more flexible approaches in clinical trials that could offer faster market approval.

Health care R&D is global and it relies on the access to global markets. Faster and more reliable rates of diffusion worldwide would contribute to lower costs to patients.

BIAC believes that competition among innovators, access to financing, deepening scientific understanding and evolving consumer demands provide the best guide for priorities in research and development.

However, where innovation fails to deliver on the specific public priorities, it might be necessary for the governments to provide additional incentives. For example, incentives have been successfully set up to increase financial returns in researching cures for rare diseases by introducing orphan drug legislation.

4. Information and Communication Applications in Health Care Remain Unexploited

Information and communication applications (ICT) in health care offer a great potential for increasing productivity of the health care systems – yet they remain largely unexploited. Some of the most important areas are in speeding up research and development process through regulatory reforms, thus accelerating patient access to new promising products; providing tools for better safety and risk management; evaluations and benchmarking; addressing inequities, and greater monitoring capability for governments.

At the individual level, ICTs offer opportunities to provide information to and about the patient, improve individual care, increase patient compliance, strengthen individual responsibility, reduce errors and limit waste and paperwork. At the health facility

level, ICTs facilitate organizational innovation and change. Finally, ICTs play a role in designing innovative financing solutions associated with private insurance.

BIAC believes that governments ought to study the existing barriers to ICT applications including:

- consideration of security, privacy and confidentiality
- conditions necessary for successful implementation such as support from medical personnel
- flexibility and incentives

Again, the aspects of international cooperation and private-public coordination are crucial.

5. Dialogue Between Innovators and the Governments Should be Encouraged

Increasing communication between innovators and purchasers of innovative healthcare products is likely to be of benefit if there can be improved mutual understanding. Currently, there could be much more meaningful dialogue between industry and OECD governments to this effect.

If governments could express on a 10-20 year timeframe their priorities for public health and have a dialogue with innovators, this would likely result in more alignment between innovation and public health needs, provided that a viable market exists in those priority areas.

Public and private dialogue is necessary to stimulate more research and development on new cures for the “neglected” diseases of the developing countries such as infectious and tropical diseases as malaria, tuberculosis and leprosy that afflict millions of individuals. The challenge is that insufficient revenues on the demand side combine with the risk and ultimately the cost of R&D on the supply side. Strategies for stimulating R&D on the neglected diseases must either work to lower costs of development (“push” programs) or enhance the expected revenues (“pull” programs), or both and require public-private partnership to succeed.

BIAC recommends that there should be increased dialogue initiated between industry and OECD governments about how to remove barriers to innovation and improve alignment between healthcare innovation and the needs of both OECD and non-OECD countries. This could be done through the OECD Health Program, in partnership with the Directorate on Science, Technology and Industry.