

MERCOSUR and associated states conclude joint price negotiations for oncology drugs including trastuzumab

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Eight South American countries participated in price negotiations with five drug manufacturers.

IHS Markit perspective

Implications	Three members of the MERCOSUR trade bloc (Argentina, Paraguay, and Uruguay) and five associated states (Bolivia, Chile, Colombia, Ecuador, and Peru) were involved in negotiations with five manufacturers over prices of oncology and hepatitis C virus (HCV) drugs. It is understood that a price agreement involving breast cancer drug trastuzumab and potentially other cancer medicines was reached, although these details were not clearly stated. However, a press release issued by MERCOSUR revealed that the parties agreed price reductions varying from 50% to 80% depending on country, amounting to an overall discount of 64% and total savings of USD128.6 million over two years.
Outlook	Ecuador's Ministry of Health (MoH) stated that, during the summit, Brazil – the fourth and largest member of MERCOSUR – expressed interest in adhering to the joint negotiations framework. This statement from Brazil is interesting, considering that the country currently holds technology transfer agreements for the production of a number of biologic drugs, including cancer treatments such as trastuzumab. Meanwhile, MERCOSUR's press release also revealed that "progress had been made" towards the creation of a regional price bank for medicines, a potentially significant development. The initiative will initially involve the monitoring of 49 products of high budget impact, as well as an agreement to jointly monitor medicines with high levels of judicialisation.

South American trade bloc MERCOSUR on 17 June concluded the third round of price negotiations for high-cost drugs involving three of the bloc's members (Argentina, Paraguay, and Uruguay) and five associated states (Bolivia, Chile, Colombia, Ecuador, and Peru). Brazil – the fourth and largest member of MERCOSUR – did not participate. The development was announced following the 44th Meeting of Health Ministers of MERCOSUR and Associated States that took place in Argentina on 14 June, focused on topics such as vaccination strategies and evidence-based public health policy.

The price negotiations, conducted by the Ad Hoc Committee for the Negotiation of High-Cost Medicines, focused on treatments for cancer and hepatitis C virus (HCV), in particular the breast cancer drug trastuzumab (active ingredient of Swiss company Roche's originator Herceptin). Although this was the only specific drug mentioned in the MERCOSUR press release, a separate statement issued by the Ministry of Health (MoH) of Ecuador on 17 June referred to savings achieved on the prices of "certain medicines" for the treatment of breast cancer as well as leukaemia, suggesting that more products were involved. Both statements revealed that the negotiations involved the participation of five unnamed pharmaceutical companies.

MERCOSUR reported that the latest round of negotiation resulted in price reductions varying from 50% to 80% depending on country, amounting to an overall discount of 64%. This corresponds to total savings of USD128.6 million over two years, according to the statement. The Ecuadoran MoH stated additionally that the country itself had secured discounts ranging between 64% and 75% on the cost of the medicines in question, amounting to USD18 million in savings. No further details on the negotiations and their result were revealed, and no documentation pertaining to the work of MERCOSUR's Ad Hoc Committee for the Negotiation of High-Cost Medicines had been published on its official website at the time of writing.

However, MERCOSUR's press release also revealed that "progress had been made" towards the creation of a regional price bank for medicines, a potentially significant development. The initiative will initially involve the monitoring of 49 products of high budget impact, as well as an agreement to jointly monitor medicines with high levels of so-called judicialisation (referring to the number of lawsuits filed to demand access to unreimbursed products).

Outlook and implications

The purpose of the negotiations was to "reduce acquisition prices for the entire region and achieve a homogenous and competitive price for the participating countries". MERCOSUR has previously undertaken negotiations involving drugs to treat HCV as well as most recently the immunosuppressant drug tacrolimus (see **Latin America: 26 November 2018: MERCOSUR member states complete joint price negotiation for immunosuppressant drug tacrolimus**).

Joint price negotiations are a powerful bargaining mechanism and may result in attractive price reductions. However, they may not necessarily lead to guaranteed revenues for the involved companies if the participating countries are individually responsible for subsequent procurement of the products in question. The MERCOSUR announcement appears to relate to price negotiations only and is probably separate from the planned joint procurement of oncology drugs by Argentina, Chile, Colombia, and Peru announced in October 2018, although this is unclear (see **Argentina - Chile - Colombia - Peru: Argentina, Chile, Colombia, Peru to jointly procure 10 oncology medicines**).

Ecuador's Ministry of Health (MoH) informed that, during the summit, Brazil – the fourth and largest member of MERCOSUR – had expressed interest in adhering to the joint negotiations framework. The potential participation of Brazil would be a major boost for the price negotiation framework in terms of added bargaining power, considering the country's size and its already relatively low drug prices. Brazil's statement is also interesting because the country currently holds technology transfer agreements for the production of a number of biologic drugs, including cancer treatments such as trastuzumab. Also during the ministers' meeting, Brazil took over the rotating presidency of the ministers' group from Argentina, which could have some influence on its policy direction in the near future.

Meanwhile, a regional price bank is potentially a relevant development that could influence pricing and reimbursement negotiations in the future, although details of the initiative and its progress are lacking.

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