

The Health Impact Fund:

A cost-effective, feasible plan for improving human health worldwide

At present, the development of new medicines is driven by the reward of temporary market exclusivity. When a new medicine is protected from generic competition, its profit-maximizing price inevitably prevents a large proportion of the world's population – including many in affluent countries – from purchasing it. As a result of this system of incentives, (1) people suffer and die needlessly *and* (2) research is focused on those medicines from which investors can make the most money, rather than on those that would lead to the greatest improvements in human health.

We can clearly do better – but there are also some very difficult problems to be resolved. How do we maintain incentives for innovation if prices are low? And how do we encourage innovators to work on projects that will improve health, rather than merely those that lead to profitable sales? Plausible solutions to these problems can take advantage of the international patent system, but must be more responsive to the health needs of the poor.

The Health Impact Fund (HIF) is the one solution which addresses all these problems.

Financed by governments, the HIF would offer patentees the option to forgo monopoly pricing in exchange for a reward based on the global health impact of their new medicine. By registering a patented medicine with the HIF, a firm would agree to sell it globally at cost. In exchange, the firm would receive, for a fixed time, payments based on the product's assessed global health impact. The arrangement would be optional and it wouldn't diminish patent rights.

The HIF would distribute large sums of money – we propose a minimum level of \$6 billion to be distributed annually. This money would be divided up in proportion to the assessed health impact of each product each year. Thus firms would compete to earn a share of the money by developing and distributing new medicines to obtain the largest possible global health impact. Health impact assessment would be conducted annually by the HIF for each registered medicine.

The HIF has the potential to be an institution that benefits everyone: patients, rich and poor alike, along with their caregivers; pharmaceutical companies and their shareholders; and taxpayers.

How the Health Impact Fund works for patients

The HIF increases the incentives to invest in developing medicines that have high health impact. It directs research toward the medicines that can do the most good. It can also reward the development of new products, and the discovery of new uses for existing products, which the patent system alone can't stimulate because of inadequate protection from imitation. All patients, rich and poor, would benefit from refocusing the innovation and marketing priorities of pharmaceutical companies toward health impact.

Any new medicines and new uses of existing medicines registered for health impact rewards would be available everywhere at marginal cost from the start. Many patients – especially in poor countries, but increasingly in wealthy ones too – are unable to afford the best treatment because it is too expensive. Even if fully insured, patients often lack access to medicines because their insurer deems them too

expensive to reimburse. The HIF solves this problem for registered drugs simply and directly by reducing prices to marginal cost.

How the Health Impact Fund works for Pharmaceutical Companies

Most proposals for increasing access to medicines would reduce the profits of pharmaceutical companies and hence their ability to fund research. The HIF, however, leaves the existing options of pharmaceutical firms untouched. It merely gives them the opportunity to make additional profits by developing new high-impact medicines that would be unprofitable or less profitable under monopoly pricing. Selling such registered medicines at cost, firms won't be forced to defend a policy of charging high prices to poor people and they won't be pressured to make charitable donations. With HIF-registered medicines they can instead "do well by doing good": bring real benefit to patients in a profitable way. Research scientists of these firms will be encouraged to focus on addressing the most important diseases, not merely those that can support high prices.

How the Health Impact Fund works for Taxpayers

The HIF will be supported mainly by governments, which are supported by the taxes they collect. Taxpayers want value for their money, and the HIF provides exactly that. Because the HIF is a more efficient way of incentivizing the pharmaceutical research and development we all want, total expenditures on medicines need not increase. However, if they do, the reason is that new medicines that would not have existed without the HIF are being developed. The HIF mechanism is designed to ensure that taxpayers always obtain value for money in the sense that any product registered with the HIF will have a lower cost for a given amount of health impact than products outside the HIF. Taxpayers may also benefit from a reduction in risks of pandemics and other health problems that easily cross national borders.

The path forward

For the HIF to become a reality, our proposal will need to be studied, challenged, refined, and considered from every angle. We have made a start on formulating the HIF – but we need help from a wide set of stakeholders – innovative companies, governments, insurance companies, epidemiologists, NGOs, lawyers, economists, doctors, and many others too – to push forward with the ideas presented here and to strengthen our proposal. We therefore encourage you to contact us at www.healthimpactfund.org if you have comments or ideas on this proposal.

It is also necessary that governments – supported by their citizens and with the collaboration of pharmaceutical firms – begin making commitments to support the HIF, once they are satisfied of the merits of the proposal. We believe that the right approach is for governments to commit to supporting the HIF financially if enough other countries do so as well.

The Health Impact Fund is a fair and cost-effective way of stimulating research and development of life-saving medicines. It would make advanced medicines available to all at competitive prices, while at the same time offering ample rewards for innovators.