

# Health Impact Fund

A proposal of **Incentives for Global Health**

The logo for Incentives for Global Health (IGH) consists of the letters "IGH" in a white, sans-serif font, centered within a solid blue square.

The Health Impact Fund is a new way of stimulating research and development of life-saving pharmaceuticals. To provide wide access to the most effective pharmaceuticals, prices need to be low enough for people to afford – but low prices don't create strong incentives for innovators to invest in research and development. The proposed Health Impact Fund is an optional mechanism that offers pharmaceutical innovators a supplementary reward based on the health impact of their products, if they agree to sell those products at designated low prices. The proposed Fund is to be financed mainly by governments.

## How will it work?

Pharmaceutical innovators holding valid patents can elect to sell their product globally at a low price designated by the Fund. In exchange, they will be paid by the Fund annually for ten years based on their product's assessed health impact. Participating firms will also offer zero-priced licenses of relevant technology required for manufacturing and selling the product following the ten years.

## How much will each firm earn?

The low price will be set to cover manufacturing costs, so firms' profits will derive from payments from the Fund. Each year, the Fund will have a fixed pay-out – perhaps \$5bn – to be distributed among the products firms elect to register. This annual pay-out will be shared among firms in proportion to the assessed global health impact of their drugs in the preceding year. Thus, products will be rewarded strictly in proportion to their health benefits.

## What drugs will be included?

The Health Impact Fund would be most attractive for products that are expected to have a large global health impact but relatively low profitability under monopoly pricing. For example, a drug treating a disease mainly afflicting poor people will be an excellent candidate for registration, since typically such products cannot earn high profits. Any pharmaceutical product is eligible, but payments will be largest for those products with the largest health impact. Thus, the Fund will provide important additional incentives to develop drugs for neglected diseases.

## How will it affect consumers?

Consumers will benefit from the availability of new drugs at low prices.

## Are patent rights affected?

No. Innovators retain their patent rights. They can elect to give up the freedom to charge monopoly prices in exchange for health impact payments from the Fund. Firms will make this election only when they expect higher profits from these payments than from monopoly prices.

## How will the Fund be financed?

Governments and other donors would commit to long-term funding. Much of the Fund's cost to taxpayers will be offset by savings on medicines that would otherwise have been bought at much higher prices. But its greatest benefit is that patients will gain access to important medicines that, without the Fund, would have been too expensive or even non-existent.

## How does this relate to AMCs?

These are complementary systems: Advance Market Commitments (AMCs) fix a supplementary payment in advance, but only for vaccines that meet specific pre-announced criteria. The Health Impact Fund rewards *any* effective vaccine or drug, based on its health impact. Products receiving payments under an AMC would be ineligible for health impact rewards.

## What is Incentives for Global Health?

IGH is an international, interdisciplinary collaboration of scholars and experts in public health, economics, ethics and law founded by Dr. Thomas Pogge of Yale University.

## How can I find out more?

More information on the proposed mechanism is available at [www.incentivesforglobalhealth.org](http://www.incentivesforglobalhealth.org). We welcome your questions and your involvement.