

# The Health Impact Fund: Making New Medicines Accessible for All

## Supplements and Corrections

### Pricing and licensing

Methods for ensuring low prices for consumers of registered drugs are discussed on p. 14 of the book. Since publication, Aidan Hollis has analyzed this issue in much greater detail.<sup>1</sup> One attractive option not discussed in the book is for the HIF to issue tenders for manufacturing a registered product under a license from the registrant. The registrant could also participate in such tenders. Under this option, the HIF would award a manufacturing contract to one or more competitive firms, and the registrant would in turn be required to sell the product at the average tender price. This system uses competition to set prices and to create efficiencies in production while allowing the registrant to control the distribution of the product if it wishes. The tender process could be repeated periodically to ensure that advances in efficient manufacture are sought and their benefits passed on to consumers. The system is designed to achieve for each registered product the lowest possible price ceiling that still allows the registrant to cover the average variable costs of supplying its product.

### The need for patents

We proposed that only patented innovations be eligible for rewards on p. 14 of the book. As Talha Syed has since argued, this restriction is unnecessary and should be replaced by a restriction based on marketing approval from major regulatory authorities such as the FDA.<sup>2</sup> This approach broadens the range of valuable pharmaceutical developmental activity that the HIF will incentivize.

### Traditional medicines

One interesting possibility is for the HIF to incentivize clinical trials for traditional medicines, such as plant-based medicines that are unpatentable. The rewards would be based on increased sales enabled by the clinical trials. At the moment, it is unprofitable for private-sector firms to conduct such clinical trials. Rewards would only be paid for traditional medicines that were demonstrated safe and effective in trials, with the reward to be based only on the health impact due to additional sales of the product for the demonstrated use.

### Reward term flexibility

The HIF could offer registrants the opportunity to adjust their reward term, for example delaying the period in which they earned rewards, in order to allow registrants additional time to conduct necessary clinical trials to show the superiority of their product. The fixed end point of the exclusivity period offered by patents forces firms to rush their products to market. The HIF can improve upon this inflexibility.

We continue to explore improvements and refinements to the HIF proposal and welcome comments, criticisms, and questions at [www.healthimpactfund.org](http://www.healthimpactfund.org).

—Aidan Hollis and Thomas Pogge, November 2009

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<sup>1</sup> Aidan Hollis, "[The Health Impact Fund and Price Determination.](#)" IGH Discussion Paper #1, April 2009, available at [www.healthimpactfund.org](http://www.healthimpactfund.org).

<sup>2</sup> Talha Syed, "[Should a prize system for pharmaceuticals require patent protection for eligibility?](#)" IGH Discussion Paper #2, June 2009, available at [www.healthimpactfund.org](http://www.healthimpactfund.org).