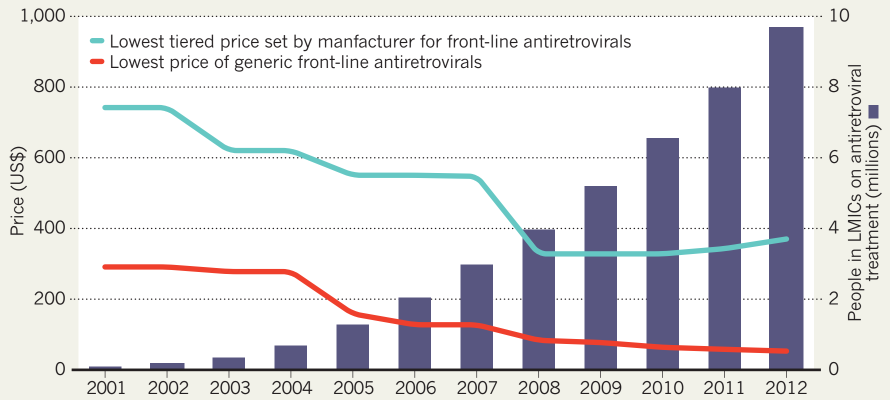
CUTTING COSTS

'Tiered pricing' has reduced the cost of drugs to treat HIV in low- and middle-income countries (LMICs), but bigger savings can be generated by encouraging the production of cheap generic medicines.



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PUBLIC HEALTH

Activists sound alarm on tiered drug prices

Plan could increase health costs in middle-income nations.

BY ERIKA CHECK HAYDEN

Global-health campaigners and researchers are protesting against a proposal that they say would allow drug companies to raise prices for needed medicines in many developing countries.

On 13 May, a coalition of 220 non-governmental organizations (NGOs) condemned a proposal from the Global Fund to Fight AIDS, Tuberculosis and Malaria that promotes 'tiered pricing', in which drug companies offer the same medicines at vastly different prices in different countries. This approach was first used in the early 2000s to cut the cost of medications for HIV/AIDS, malaria and tuberculosis in some of the world's poorest countries. Economists say that it ultimately leads to higher costs than does allowing the manufacture of cheaper generic medicines (see 'Cutting costs').

The current debate centres on middle-income countries such as India, China, South Africa and Brazil, which have expanding economies but are home to the vast majority of the world's ill people — many of whom are poor. As these nations work to increase access to health care, they face rising prices for drugs and vaccines. But their growing overall wealth puts them at risk of losing access to prices and assistance reserved for low-income countries.

"These countries are being hit with a double whammy," says Rohit Malpani, director of policy and analysis for the Access Campaign of Médecins Sans Frontières (also known as Doctors Without Borders) in Geneva, Switzerland.

The Global Fund, which is also based in Geneva and is the world's largest supporter of international health programmes, is trying to organize an international group to address the problem for middle-income nations; early plans for its Equitable Access Initiative (EAI) mention a global system of tiered pricing as a potential solution. According to the fund's documents, organizations that have expressed interest in the EAI include the GAVI Alliance, a vaccine initiative based in Geneva; the World Bank; the United Nations Development Programme; UNICEF, the UN children's fund; and UNITAID, a group run by the World Health Organization that negotiates medicine prices for poor countries.

"These countries are being hit with a double whammy."

Seth Faison, the Global Fund's head of communications, says that the organization aims to make drugs more affordable in needy countries. "We all have the same ultimate goal, which is maximum access to drugs at the lowest possible prices," he says.

But critics say that the fund's plan would let companies set prices that are affordable only for the wealthiest people in these areas. They point to examples such as the tiered pricing for sofosbuvir, a breakthrough hepatitis C drug marketed by Gilead Sciences. Gilead, based in Foster City, California, charges US$900 per treatment course in some low- and middle-income nations, such as Egypt, Mozambique, Kenya and Myanmar (see *Nature* **508,** 295–296; 2014). This is a steep discount from the $84,000 that the company charges in the United States — where private insurers can absorb some of the cost. But the tiered price is more than the gross domestic product (GDP) per capita in Mozambique, about the same as the GDP per capita in Kenya and about one-third of that in Egypt.

"In middle-income countries with high income inequalities, companies make more money by selling to the rich people than they do by selling to the 90% of people who are poor," says Brook Baker, a senior policy analyst for the Health Global Access Project, a non-profit organization based in New York City.

Many would rather see the Global Fund contribute to or support existing access initiatives. This week's annual meeting of the World Health Organization in Geneva, for instance, includes discussions of four projects that aim to test new ways to develop affordable medicines.

The message may be getting through. The latest drafts of the Global Fund's proposal have backtracked: a version released to the fund's board on 15 May says that mentions of tiered pricing were made "in error". Yet its list of solutions to rising drug costs puts "economic classification of countries" first — leaving open the possibility that prices might be set according to a country's wealth. Middle-income countries could still be made to pay prices that are unaffordable for many of their citizens.

This alarms global-health researchers such as Suerie Moon at the Harvard School of Public Health in Boston, Massachusetts. "We have ten years of experience that shows that tiered pricing is going to lead to higher pricing," she says.

One study found that the US President's Emergency Plan for AIDS Relief, the world's largest single-country medical-aid programme, saved $323 million between 2005 and 2008 by buying generic HIV medicines instead of tiered-priced drugs (C. B. Holmes *et al. J. Am. Med. Assoc.* **304,** 313–320; 2010).

Moon is also worried about the EAI's potentially far-reaching impacts. Currently, companies negotiate tiered prices with individual countries and other buyers, but a systematic global pricing scheme might force more countries to pay higher prices.

"When you have multiple agencies coming together to put in place a system of rules and policies that have not worked well in the past ten years, I think that's a real cause for concern," says Moon. ■

CORRECTION

The Editorial 'An accident waiting to happen' (*Nature* **509,** 259; 2014) stated that 13 workers were exposed to levels of contamination. In fact, 21 were exposed.