

The Health Impact Fund

Overview

The Health Impact Fund (HIF) proposal is promoted by Incentives for Global Health (IGH), a non-profit organization devoted to advancing market-based solutions to global health challenges. The HIF proposes a new way of paying for pharmaceutical innovation by incentivizing the development and delivery of new medicines through pay-for-performance mechanisms. It is a fair and cost-effective way of stimulating research and development of high-impact pharmaceuticals that would make advanced medicines available to all at competitive prices, while at the same time offering ample rewards for innovators.

Problem – Global access to medicines

The global pharmaceutical industry should serve two critical needs: to create new medicines that are important to global health, and to enable people all over the world to access these products once they are developed. However, the current system does not incentivize or prioritize either of these outcomes. During the last twenty years, extensive and uniform protections of intellectual property rights (IPRs) have been incorporated into the global trading system through initiatives such as the World Trade Organization's Trade-Related Aspects of Intellectual Property Rights Agreement. Under the current IPR regime, the development of new medicines is driven by the reward of temporary market exclusivity. While this method of incentivizing research has produced important innovations, it has also engendered unfortunate consequences. Under the present system, firms are incentivized to focus on developing medicines that offer the highest financial gains, rather than those with the largest therapeutic gains. This has resulted in a relative dearth of research into medicines that treat diseases mainly prevalent among poor, insured people. At the same time, valuable medicines are often priced out of reach of consumers or insurers, resulting in less effective treatments – or no treatments at all. Of course, people who do not purchase medicines provide no profit to pharmaceutical companies, so there are potentially significant gains from a more rational approach to compensating pharmaceutical innovation and supply.

Solution – Health Impact Fund

The HIF is a proposed new mechanism to pay for pharmaceutical innovation that would complement the existing rules while substantially mitigating the associated moral problems. The HIF proposes the establishment of a large fund that would pay rewards to pharmaceutical innovators for drugs the innovator agrees to sell at cost, with rewards based on real-world measured health impact of each product. Pharmaceutical firms worldwide will have the option of registering new medicines with the HIF. The HIF will have a fixed pool of money to pay out annually. Each year, this amount will be dispersed and each participating pharmaceutical company will receive a share of the pool equal to the share of assessed health impact attributable to its medicines. The HIF will be most attractive for products that are expected to have a large global health impact but relatively low profitability under monopoly pricing. The HIF is to be financed by governments. Ideally, countries will commit a fixed amount of their gross national income to the HIF.

As proposed, the HIF would create incentives (a) to develop new drugs for currently neglected medical conditions in developed and developing countries, (b) to dramatically lower the cost of HIF-registered drugs, including drugs for leukemia and other cancers that create access issues in developed countries and (c) to examine off-patent drugs for new uses, which would also be rewardable under the HIF scheme. If successful, the HIF could be scaled up to capture a larger share of total pharmaceutical spending, thereby providing access to additional important medicines and reorienting pharmaceutical research towards health impact.

The HIF aligns the mission of pharmaceutical firms, to promote public health, with their responsibility to make money for their shareholders. Since the HIF will reward health impact on anyone in the world at an equal rate, innovators will find it profitable to develop medicines to treat even the poor – especially given that among them the greatest health impacts are waiting to be realized.

Health Impact Fund Team

The HIF is the product of an international and interdisciplinary team of scholars and professionals, led by Thomas Pogge (Leitner Professor of Philosophy and International Affairs at Yale University), Aidan Hollis (Professor of Economics at the University of Calgary), and Tim Gilbert (founding partner of Gilbert's LLP, a law firm in Toronto). The project is supported by an impressive group of advisors that includes Peter Singer (Professor of Bioethics at Princeton University), Amartya Sen (Professor of Economics and Philosophy at Harvard University and Nobel Prize Winner in Economics), James Orbinski (Professor at the Balsillie School of International Affairs, University of Waterloo), and Paul Martin (former Prime Minister of Canada).

Work done to date

A vast amount of research has gone into the development of the HIF, on topics as diverse as antibiotic resistance, traditional medicines, pooled funding mechanisms, incentive-based approaches, health metrics, impact evaluation, pharmaceutical policy, health economics and global governance. This research is now ripe for dissemination as a coherent whole. Furthermore, fundamental elements of the HIF proposal – such as pay-for-performance and health impact measurement – are applicable in other contexts and thus merit attention on their own. Indeed, this research both pushes forward fledgling efforts to link pay-for-performance with health impact, and also demonstrates the need for alternative incentives to address diseases currently neglected.

Next step – A pilot

The clear direction forward for the present is testing the HIF approach at a small scale. There is a lot to study before the HIF is ready to implement. In particular, it makes sense to see how pharmaceutical companies will respond to the pay-for-performance mechanism built into the HIF. This aspect of the HIF can be tested on a manageable scale. A pilot could include a competition at a smaller scale between pharmaceutical companies' efforts to achieve health impact in low- and middle-income countries. A pilot would allow for the pay-for-performance approach to be field-tested and refined before it is implemented on a wider scale.

Performance measurement is at the heart of the HIF. Measurement needs to be robust across different products and in diverse settings. Working with leading health care assessment organizations such as the George Institute for International Health, NICE International, and the Institute for Health Metrics and Evaluation, IGH will perform evaluations of the health impact of products in a variety of countries. The HIF would expand assessment beyond pre-approval clinical trials, using epidemiological data from actual usage, practical trials, physician surveys, and patient demographics, as modifiers to the core health impact assessment.

How to get involved

For the HIF to become a reality, it must be extensively studied and challenged. We need help from a wide range 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 the proposal. We therefore encourage you to contact us at contact@healthimpactfund.org if you have any comments or ideas on this proposal. For more information, please see: <http://healthimpactfund.org/>