Chatham House Working Group on New Business Models for Antibiotics

By: John-Arne Rottingen
Director, Division of Infectious Disease Control,
Norwegian Institute of Public Health

Since the summer of 2013, the Chatham House Centre on Global Health Security has been working to articulate new business models for antibiotics, particularly delinkage mechanisms to remove any incentive for volume-based sales, which are particularly problematic for antibiotics due to resistance. In October 2013, a roundtable was organized at Chatham House to discuss all known antibiotic delinkage models. A follow up working group (WG) has been established and intends to identify a workable breakthrough approach rather than extensions or modifications of the reasonably well-understood existing business models.

Building on those discussions, in February 2014, Chatham House released a WG Paper: New Business Models for Sustainable Antibiotics, which summarized the nine existing models and related concepts. Many of the models are similar, or share overlapping features and functions, making it difficult to compare the strengths and weaknesses of each one.

The WG has now received an Inception Paper that approaches delinkage in a new way, by articulating the six essential features that must be evaluated in any antibiotic delinkage model. This approach avoids focusing too much on labels and too little on substance. The six functional issues are:

1) **Structuring the innovation reward** (methodology: population-based payment based on health impact, broader valuation strategies, “insurance” models, or other measures; length of the payment period (single year, multiple years or perpetual); value of current v. future needs;

2) **Geographic scope** of the model (single country, regional, global, or a select group of countries based on interest; how is the model scalable and coordinated);

3) **Product scope** of the model (all anti-infective technologies (including vaccines & diagnostics), all antimicrobials, only systemic antibiotics, or just highly effective new antibiotics);

4) **Financing** mechanisms (refundable tax credits, health insurance payers, user fees (Pigouvian taxes) on agricultural and human antibiotic sales, general taxation);

5) **Ownership of the intellectual property** (private, public, private-public partnership, or administered by a third party); and

6) **Control of marketing and utilization** (restrictions on sales and trade, requirements for prescriptions, strong regulations (e.g. like narcotics), etc.).
The WG will work through these six functional questions from April until October 2014, at which point a final report will be issued. The Innovative Medicines Initiative has issued a call under its New Drugs for Bad Bugs programme (ND4BB) for work on new business models. The final report from the Chatham House WG intends to inform that work and other policy processes.

A consortium has been formed to conduct this work, the DRIVE-AB project, which will further develop the models, by mixing and matching the analysis of the six functional areas and include an analysis of experiences from other business sectors. Out of this analysis, existing models can be logically examined as well as new models potentially developed. Once the most promising models have been identified, they will be simulated to calculate the public health benefit against anticipated earnings (net present value). This analysis will be reviewed and validated by policymakers, industry experts, academics, donors and other stakeholders.