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Route de la Corniche 10, 1010 Lausanne

# Pricing Without Borders: Spillovers of External Reference Pricing in Pharmaceutical Regulation

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Paolo Pertile is a Professor of Public Economics at the University of Verona. His topics of interest in the field of health economics include the link between regulation and innovation in health care technologies, optimal investment decisions under uncertainty in dynamic context and the economics of pharmaceutical markets.

**ABSTRACT**

In response to rising pharmaceutical spending, many countries have adopted external reference pricing (ERP) to control costs. However, our theoretical analysis shows that ERP can trigger strategic international responses, leading to unintended spillover effects and weaker cost containment than expected. Using data on 65 anticancer drugs across 16 countries, we examine Germany's 2011 adoption of ERP under the AMNOG reform. Our empirical findings confirm the theory: ERP implementation in Germany led to a 6.6% price increase in its reference countries.

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