



Università
di Brescia

RESEARCH SEMINAR



Pricing Multi-Indication Drugs: Endogenous Patient Selection, Price Caps, and the Cost of Public Funds

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Chair: Prof.ssa Rosella Levaggi, Università di Brescia

3rd November 2026

1:30 p.m.

Room D2, Brixia Building

Via San Faustino, 64 - Brescia

Drugs approved for multiple indications are increasingly the norm, are typically financed from public budgets, and deliver incremental value that varies across indications and across patients within each one. We model a manufacturer and a health plan bargaining over prices and coverage, and characterize the pricing mechanisms that induce efficient patient selection. A single property is necessary and sufficient: manufacturer revenue must equal a fixed share of total incremental value at every population profile. Indication-based pricing, two-part tariffs, and one uniform price satisfy it, the latter with weights that are uniquely the indications' population shares; weights fixed in advance cannot secure efficiency. The outcome is invariant to who controls coverage: manufacturer, health plan, or joint bargaining. When regulation blocks upward price adjustment, the uniform price restricts, yielding over-inclusion and narrowed launches. With costly public funds, selection efficiency survives but the division of surplus becomes welfare-relevant: payer bargaining power raises welfare, adoption requires a manufacturer share below a ceiling that falls with the cost of public funds, and price caps combined with rigid coverage operate as second-best regulation of the manufacturer's effective share.