

The NHS and Rising Spending on Pharmaceuticals Briefing from LSE

Summary

- As concerns grow about funding of health services in the UK, new research from Dr Huseyin Naci and team at LSE shows that **spending on prescription medicines by the NHS has reached a record high of £17.2bn a year**, as costs rise and pharmaceutical companies push expensive new products.
- This is a spending increase of over 5% annually since 2018. It is in significant part due to **spending on hospital-prescribed medicines, which rose by 35% - from £6.7bn to £9.1bn - between 2018 and 2022.**
- Crucially, the data shows that the NHS is exceeding spending predictions, and that **of the small number of new medications driving up spending, many are not delivering health benefits to justify inflated costs. Increased spending could be reducing public health** and preventing efforts to lessen waiting lists.
- The figures set out **a stark picture for policymakers**, who must make urgent choices around the **balance between health and industrial policy objectives.** This is time-critical, as the voluntary agreement between the pharmaceutical industry and the UK Government on medicine pricing is now being renegotiated.

Key Findings

- **NHS expenditure on medications is being driven by a small number of expensive new products.** For respiratory system disorders, **just the top three products contributed to £561m of increased spending between 2018 and 2022**, out of a total of £587m - a 279% rise in spending for this category.
- Medicines for malignant disease and immunosuppression, including cancer drugs, accounted for £904m of the total medicines bill growth since 2018 - a 43% increase in spending. **Just the top three products accounted for £333m of the increased expenditure.**
- **However, the data shows that some of these new, and expensive, medications do not deliver proven health benefits to justify their costs.** For example, most newly-introduced cancer drugs lack evidence of extending overall patient survival - the most direct measure of drug efficacy.
- This is because of **a decline in regulatory evidence standards, alongside expedited approval decisions**, meaning many new drugs enter the market with limited evidence of benefits and potential harm. Most do not offer any additional therapeutic advantages over existing alternatives.
- The research finds that the UK remains an attractive market for the introduction of new medicines, and that capping spending would not demonstrably reduce R&D investment in the UK or limit availability of new medicines.

Why is this Happening?

- There are two mechanisms to control spending on medicines by the NHS. The first, the Voluntary Scheme for Branded Medicines Pricing and Access (VPAS), is a deal between the Government and industry that sets a cap on the total allowed sales value of branded medicines each year. Under the current scheme, which finishes this year, the cap grows at an agreed rate of 2% per year, and sales above the cap are paid back to the Government through a rebate.
- The second is the evaluation of new medicines by NICE. NICE has seen an increase in product reviews due to the 2019 voluntary agreement, which mandates the appraisal of all new drugs and new uses of existing drugs. There has been a gradual rise in the proportion of positive recommendations by NICE.
- **A worrying trend has been the usage of approval thresholds that are too high** and disconnected from the opportunity costs of the healthcare system. These high costs mean that opportunities to fund medical assistance for people cannot be funded elsewhere in the healthcare system.
- Specifically, **a growing share of NICE recommendations are based on approval thresholds exceeding £30,000 per Quality Adjusted Life Year (QALY)**. A QALY is the cost required to ensure a patient gains an additional year of good health. The most widely accepted figure for a sustainable system is a cost of £15,000 per QALY - more half the amount that NICE is signing off.
- The research also shows that the pharmaceutical industry has worked hard to position access to new medicines as central to debate around the future of healthcare in the UK. This has helped create a contentious political climate around legitimate questions about value.

The Recommendations

- **The evidence shows that the Government should strive to strike a better balance between health and industrial policy objectives.** Ensuring the efficiency and affordability of medicines spending is essential to prevent resources from being diverted away from other vital services in the NHS.
- **NICE and NHS England must better communicate the principles and values guiding decision-making for pricing and reimbursement of medicines.** This would improve public awareness that decisions are fair, efficient, and sustainable, and serving all of society's best health interests.
- **Without a significant reduction in NICE's approval threshold, access to new medicines is likely to have adverse effects on population health.**
- More widely, **a new social contract is needed, emphasizing the improvement of population health for all rather than prioritizing the development and access to new technologies as the primary objective.**