



Department of Health & Social Care

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Lewis Macdonald MSP
Convenor of the Health and Sport Committee
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The Scottish Parliament
Edinburgh
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26 February 2020

Dear Lewis,

Thank you for your letter of 5th February. For ease I will respond in the order that you have asked your questions.

Evidence supporting my statement in the Committee meeting, that the price paid by the NHS in the UK for generic medicines, compares very favourably internationally can be found (most recently) in the Oxera report *'The supply of generic medicines in the UK'* which states:

'A comparison of prices across five European countries suggests that prices of generic medicines in the UK are generally lower than in the other countries—and often by a large amount' and that *'despite its comparatively low prices, the UK is seen as an attractive market due to its large size and low regulatory barriers'*.

A link to more details of this study can be found here: <https://www.oxera.com/publications/oxera-study-supply-generic-medicines-uk/>

A study published in *The Milbank Quarterly* in 2017 comparing ex-manufacturer prices in 13 countries, also showed that prices in the UK were cheapest and up to six times cheaper than in the other countries in the study.

A link to the study can be found here: <https://onlinelibrary.wiley.com/doi/full/10.1111/1468-0009.12279>

You also asked how the powers in the NHS Act 2006 to limit prices apply to generic medicines. As set out in my letter of 24 January, section 262 of the NHS Act 2006, enables the Secretary of State for Health and Social Care to limit the price of any medicine that is not covered by the voluntary scheme for branded medicines pricing and access (VPAS). The Department is considering use of these powers for high-priced generic medicines. These are UK wide powers and therefore, where the Secretary of State sets a maximum price for a generic medicine, that maximum price would also apply in Scotland. In addition to the use of price setting powers, the Department is also exploring other, non-legislative interventions in the market to lower prices for high-priced generic medicines. We will discuss these proposals and how they apply in Scotland with the Scottish Government, before we consult on all the proposals later this year.

You asked for further detail regarding outcomes-based pricing. NHS England and Improvement (NHSE&I) is responsible for leading on commercial agreements with companies, including outcomes-based arrangements and the Committee may therefore wish to contact NHSE&I directly for further details on this. NHSE&I may also be best placed to consider your further query regarding circumstances in which assessed outcomes differ from manufacturer expected outcomes.

The 2019 Voluntary Scheme highlighted the opportunity to expand commercial flexibilities offered by the NHS. NHS England is currently developing the commercial framework and recently consulted on a draft framework. The draft framework includes a range of potential confidential or complex commercial arrangements that could be considered on a case-by-case basis, including outcomes-based agreements, where this could deliver higher levels of health gain relative to cost. The framework makes clear that any confidential and/or complex commercial arrangement will need to be proportionate to the risk, affordability and value challenge to be managed.

Finally, you asked about the potential of the voluntary scheme to achieve value-based pricing. The scheme does not make any commitments related to value-based pricing, and the aspects of the scheme related to value assessment apply to England only as a devolved matter. However, in that context, NICE has committed as part of the scheme, to carry out a review of the methods and processes it will use in assessing whether medicines represent value in the development of its technology appraisal and highly specialised technologies guidance. That review is now underway and NICE plans to consult publicly on its proposals in the summer.

Yours sincerely

Liz Woodeson CBE, Director of Medicines and Pharmacy