



At the crossroads: how a new UK medicines deal can deliver for patients, the NHS and the economy

March 2023

Contents

3	Executive summary
5	Policy drivers and industry pipeline alignment for VPAG
7	VPAG Proposals: Delivering for patients, the NHS and the economy
10	Looking ahead: The size of the prize
10	Conclusion
11	References

About the ABPI

The ABPI exists to make the UK the best place in the world to research, develop and use new medicines and vaccines. We represent companies of all sizes who invest in discovering the medicines of the future.

Our members supply cutting edge treatments that improve and save the lives of millions of people.

We work in partnership with Government and the NHS so patients can get new treatments faster and the NHS can plan how much it spends on medicines.

Every day, we partner with organisations in the life sciences community and beyond to transform lives across the UK.

Executive summary

The life sciences sector has long been a jewel in the crown of the UK economy. The sector is the largest private source of R&D funding, contributing £36.9 billion in Gross Value Added to GDP each year and more than half a million jobs across the UK.¹

Successive governments have recognised the importance of the industry to both growth and improving patient outcomes, as most recently articulated in the 2021 Life Sciences Vision.²

But the life sciences industry in the UK now stands at a crossroads. The current direction of travel is leading away from success and we must act urgently to reverse this trend. A new Voluntary Scheme for Pricing, Access and Growth provides the opportunity for a new settlement, placing the UK's life sciences sector on the path for future growth.

The current voluntary pricing deal has resulted in a revenue tax of

26.5%

in 2023

The UK is losing out in investments in manufacturing and research, clinical trial numbers are falling, and we risk NHS patients having to wait for, or not get access to, medicines available in Europe. This is particularly troubling at a time when the pandemic has demonstrated the fundamental importance of vaccines and treatments, and when the pharmaceutical pipeline contains therapies for dementia, cancer, cardiovascular disease, and many other NHS priority areas.

The commercial environment facing companies operating in the UK is the significant driver of this decline, particularly the rapid rise in the revenue tax stipulated through the Voluntary Pricing and Access Scheme (VPAS) and the fallback Statutory Scheme.³ As recently as 2021 the VPAS rebate meant companies paid around 5% of their revenue back to the NHS. But in 2022 it rose to 15% and in 2023 to 26.5%.

This is completely outside both historical and international norms and we have seen this increasingly discussed at a global level by companies and investors.⁴ It is clear that the 2019 VPAS has become unfit for purpose.

At the same time, the NHS also finds itself at a crossroads. Rising demand, backlogs of care and workforce shortages have put the system under increasing operational and financial pressure. These pressures will only be exacerbated by maintaining an environment hostile to much-needed innovation, a highly scalable resource that can often relieve workforce pressure.

It is time for a more balanced approach and with the current voluntary scheme due to expire at the end of this year, the moment to create one is now. This paper sets out ABPI's plan for an ambitious new settlement that will improve patient outcomes, increase economic growth and provide sustainability both for the NHS and the life sciences sector.

ABPI has been recognised by Government as the representative trade body for the voluntary scheme for over 60 years, and in developing these proposals we have sought to ensure that all parts of the industry have full confidence that their interests are represented. We want to build on these ideas with partners from across Government, the NHS and the broader system.

Competitive rates in 2023
would increase R&D

7.8%

by 2028



Our vision is for a new Voluntary Scheme for Pricing, Access, and Growth (VPAG) comprising a set of interdependent proposals that:

- ▀ Delivers a sustainable approach to medicines provision
- ▀ Maximises the potential of the UK life sciences industry as an engine for growth
- ▀ Ensures rapid patient access and adoption of new medicines
- ▀ Improves health outcomes and productivity for the whole country

Taken altogether, these interlinked proposals have the potential to deliver major benefits for the UK economy and the health of the population across all four nations:

- ▀ A return to internationally competitive rates would **increase annual R&D investment by 7.8% over 2023 to 2028⁵**
- ▀ Thereby generating an **additional £50 billion in economic output over 30 years compared** to a scenario in which payment rates remain at around current levels⁶
- ▀ Improved health outcomes, with **increasing the uptake of just four types of medicines delivering 429,000 additional years of life in good health** for patients and **£17.9 billion in productivity gains⁷**

Securing this vision will require a new mindset and approach from government, system partners and industry. It will require building on the partnership and trust forged during the pandemic and acting with urgency to deploy available solutions. It will require learning from successes like the Vaccine Taskforce, recognising that real progress comes from drawing on experience from across the public and private sector. And it will require partnership to create the conditions where innovative medicines can demonstrate their value as an investment in the nation's health, wealth, and productivity.

By reaching an ambitious new agreement that recognises and supports the links between pricing, access and growth, government and industry can create a virtuous cycle for patients, the NHS and the economy right across the life sciences ecosystem.

We commend these proposals to our government and NHS system partners and look forward to working together to forge a new Voluntary Scheme supporting Pricing, Access, and Growth – **VPAG**.

Policy drivers and industry pipeline alignment for VPAG

Government ambition clearly recognises the value of the life sciences industry, both in terms of contributing to economic growth and in recognising the role new innovations can play in solving the biggest health problems of a generation. The up-coming agreement of a new VPAG presents a clear opportunity to align these goals behind a sustainable financial mechanism.



The Government's Life Sciences Vision (LSV) sets out the Government's plan to create a thriving sector, and tackle the major causes of death and disease.

It includes seven healthcare missions, which are:

- Improving translational capabilities in neurodegeneration and dementia
- Enabling early diagnosis and treatments, including immune modulating therapies such as cancer vaccines
- Sustaining the UK position in novel vaccine discovery development and manufacturing
- Treatment and prevention of cardiovascular diseases and its major risk factors, including obesity
- Reducing mortality and morbidity from respiratory disease in the UK and globally
- Increasing the understanding of mental health conditions, including work to redefine diseases and develop translational tools to address them⁸
- Addressing the underlying biology of ageing

And the Vision identifies four underpinning themes for success:

- Building on the new ways of working from COVID-19 to tackle future disease missions
- Building on the UK's science and clinical research infrastructure and harnessing the UK's unique genomic and health data

- Supporting the NHS to test, purchase and spread innovative technologies more effectively, so that cutting-edge science and innovations can be embedded widely across the NHS as early as possible, and rapidly adopted in the rest of the world
- Creating the right business environment in the UK in which companies can access the finance to grow, be regulated in an agile and efficient way, and manufacture and commercialise their medicines in the UK⁹

The Vision further reflects on the importance of balancing 'affordability, and patient access with support for a thriving life science industry'.

Alongside the Life Sciences Vision, the NHS Long Term Plan sets out the reform agenda for the NHS, identifying new ambitions in disease areas such as cancer, cardiovascular disease, stroke, diabetes and respiratory. **The Plan notes that patients "benefit enormously from research and innovation, with breakthroughs enabling prevention of ill-health, earlier diagnosis, more effective treatments, better outcomes and faster recovery."** The plan commits the NHS to work fully on implementing the Government life science ambitions.¹⁰

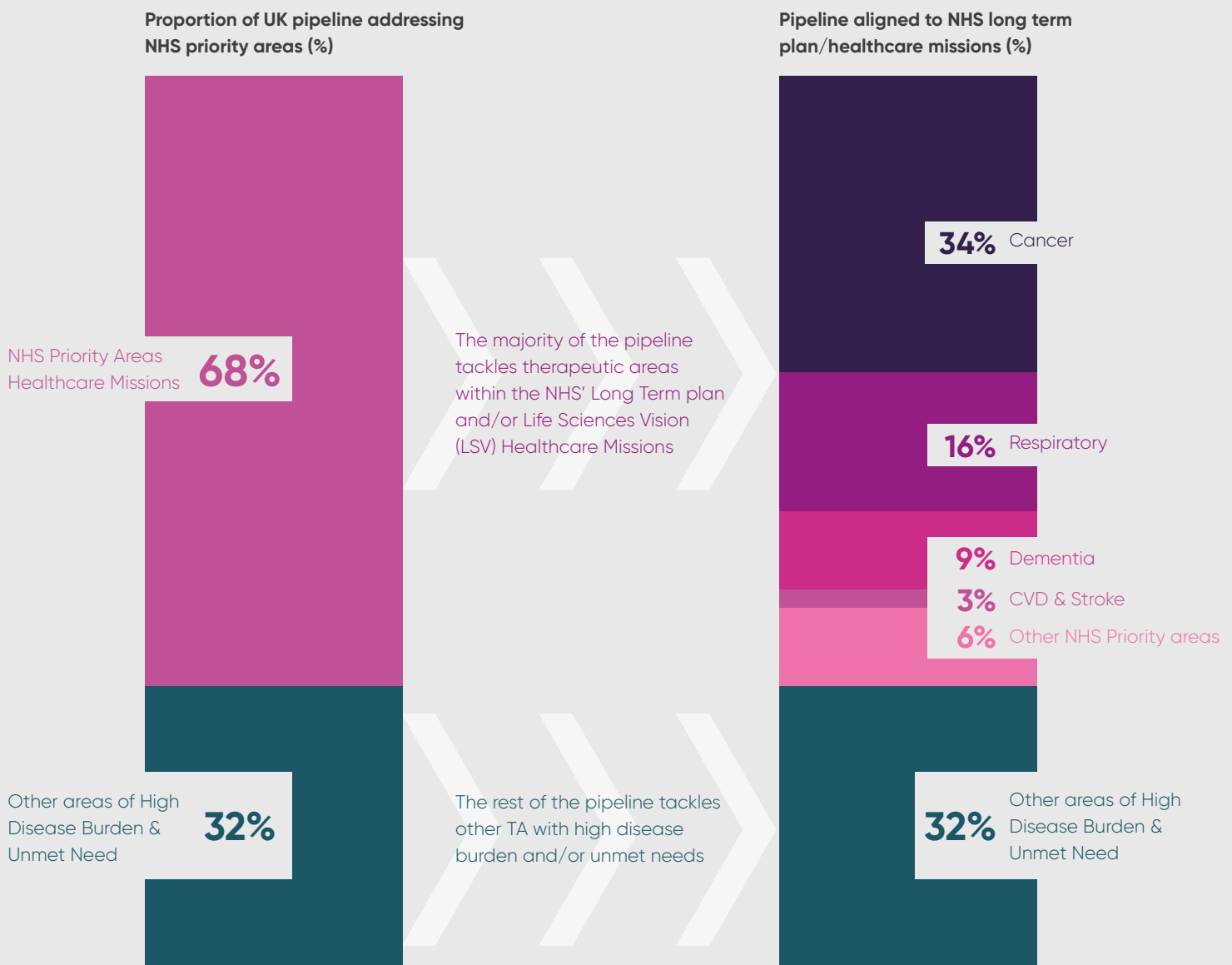
Industry pipelines are already aligned to deliver on these Government and NHS ambitions.

Currently, 68% of innovative medicines in the UK's pipeline directly target NHS long term plan priority areas and/or the Life Science Vision healthcare missions.¹¹

Ensuring the UK is successful in bringing these innovations to the UK patients, through attracting R&D, early launches, and accelerated adoption of these medicines, is therefore key to delivering the Government's ambitions. This requires the entire life sciences ecosystem to be firing on all cylinders and our VPAG Vision can deliver this.



Figure 2: Innovative medicines in the UK's future pipeline aligned to the NHS Long Term Plan and Life Science Vision missions



VPAG Proposals: Delivering for patients, the NHS and the economy

For over 60 years, successive Voluntary Schemes have helped build partnership between Government, industry and the NHS on shared goals covering financial sustainability, economic growth and patient outcomes. This partnership has never been more important – and now is the moment for a fundamentally new and more ambitious settlement that drives the health and wealth of the UK.



The VPAS 2019 was intended to balance NHS expenditure on medicines with the objectives of improving patient access to medicines, supporting future innovation and the UK economy, and granting financial predictability to all parties. Following the pandemic, it is clear that the agreement has prioritised medicines expenditure to the detriment of achieving all the other aims.

- ▮ **It has not provided predictability** to all parties on cost and expenditure. Rebates have risen unexpectedly from 5.1% to 26.5% in just over a year.
- ▮ **It has not optimised availability and adoption of new medicines.** In fact, use of medicines on the NHS three years after launch is typically 64% of other nations.¹²
- ▮ **It has not supported the growth of life sciences industry, or the future of medicines innovation within the UK.** Our global share of R&D has declined, our manufacturing base is shrinking, and clinical trials initiations are down by 44% since 2017.¹³

The ABPI has published further analysis on the limitations of the VPAS 2019 on our [website](#).



On behalf of industry, ABPI now proposes a new framework for 2024. A Voluntary Scheme addressing Pricing, Access, and Growth (VPAG 2024) that:

- 1 **Delivers a sustainable approach to medicines provision**, for the whole branded market which rapidly brings industry payments in line with comparator countries to unlock investment and growth
- 2 **Maximises the potential of the UK life sciences industry as an engine for growth**, including through harnessing the full value of the UK as a destination for R&D, including clinical research
- 3 **Ensures rapid patient access and adoption of new medicines** in partnership with a dynamic, independent post-Brexit regulatory system with MHRA and NICE
- 4 **Improves health outcomes and productivity** for the whole country, including through equitable adoption and uptake of future healthcare innovation.

Following an extensive consultation process across industry, as well as patient organisations and other key stakeholders, we have developed a series of ambitious – and in some cases, world first – proposals aligned to each of these goals and the Life Sciences Vision.



1 A sustainable approach to medicines provision, which rapidly brings industry revenue payments in line with comparator countries to unlock investment and growth

The industry proposes that a fixed payment rate be levied across all eligible NHS sales,¹⁴ providing greater stability to all parties and thereby benefitting investment, security of supply and NHS financial management.

Industry is prepared to offer a contribution in line with the average paid throughout the pre-pandemic years of 2014-21 – including five years in which industry agreed to increase its contributions at a time of austerity through the 2014 PPRS.

This contribution, at a payment rate of 6.88%, is projected to provide the NHS with over £1 billion annually during the course of the scheme – around £300 million higher than the average across all years prior to 2023 and comfortably exceeding the highest contribution ever made before the pandemic.

Under these terms, UK spend on branded medicines would remain below 10% of NHS expenditure and UK medicines spend per capita would also remain well below any comparable country, compared to an average of 14% across the G7.¹⁵



2 Maximising the potential of the UK life sciences industry as an engine for growth, including through harnessing the full value of the UK as a destination for R&D, including clinical research

We want the UK to be the best place in the world to research, develop and use the medicines of the future. We want to work with the Government to build an environment that can catalyse the investment to achieve this. We welcome government's recognition that there is much to do to deliver on its plans across research, genomics and data; recover performance that dipped following the pandemic; and arrest the decline in the global share of R&D investment going to the UK.

We propose establishing a world-first, industry-funded Investment Facility worth over £1 billion to maximise the potential of the UK health and life sciences ecosystem as an engine for economic growth.

Our proposals on pricing and access will have a positive impact on growth. We also propose to establish an entirely new, industry-funded Investment Facility, worth over £1 billion and funded by a 1.5% premium paid in addition to the agreed scheme payment rate. This would be a first-in-the-world proposal and a genuine Brexit dividend¹⁶, providing resources to underpin the collaborative proposals that follow and opening the door to new investment.

We have drawn up a range of options where the Investment Facility could drive growth across the whole ecosystem, deploying the capabilities of UK life sciences in partnership with the NHS and Government:

▀ **Clinical research capacity build** – establishing an agile, flexible, dedicated NHS clinical trial delivery workforce at system level within ICSs, Health Boards and Trusts. This will enable a globally competitive offer to companies, helping address the dramatic decline in late-stage trials to directly improve thousands of patients' lives and bring in substantial new NHS funds.

▀ **Genomics capacity build** – partnering with NHS England and Devolved Administrations to help further develop the NHS genomic medicine service, by supporting Genomic Laboratory Hubs to standardise clinical and laboratory testing strategies and improve Hub performance. This could greatly improve the NHS's offer to patients in terms of timely access to cutting edge therapies, and clinical trials that can help that can tackle disease progression early, saving costs and changing lives.

▀ **Real world data recruitment service** – building the UK capability to utilise real world data to improve the speed, diversity and efficiency of recruitment into clinical trials. This would directly tackle the issue that 50% of UK trials now fail to reach their recruitment target, holding the UK back from re-emergence as a global clinical trial leader.

▀ **A medicines equity partnership operating across each of the four nations** – see [proposal 4](#) for more details.

For these proposals to be realised, and for industry to be able to agree to fund such a Facility as part of an overall VPAG package, will require that the overall Scheme package be internationally competitive.



3 Ensuring rapid patient access and adoption of new medicines in partnership with a dynamic, independent post-Brexit regulatory system with MHRA, NICE and SMC

This will enable the UK to regain and sustain its position as a 'first wave' country for new medicine launches.

To ensure all NHS patients are able to access new medicines, it is critical we have a sustainable, joined up and effective regulatory, Health Technology Assessment (HTA) and commercial environment. This will enable a connected ecosystem that recognises the value medicines bring to UK patients, their families and carers and the NHS.

If an internationally competitive framework can be agreed, including terms to support rapid access to, and adoption of, new medicines, industry is willing to explore whether companies could sign up to a commitment to prioritise the UK as an early launch market, seeking a GB licence

on new medicines in their first wave of regulatory filings. Such a commitment could help the MHRA flourish post-Brexit as a world-leading regulator while bringing medicines to UK patients faster.

Delivering this ambitious commitment will inevitably be contingent on securing a healthy overall framework and access environment, as well as essential revisions to Chapter 3 (Access, Uptake and Outcomes) in the current VPAS¹⁷. If future medicines and licence extensions for new indications are to be consistently available to NHS patients, the NHSE Commercial Framework will need to evolve to allow more flexibility, such as wider use of Indication Based Agreements. Consideration will also need to be given to elements of NICE's Methods and Process Review that remain unimplemented.



4 Improving health outcomes and productivity for the whole country, including through equitable adoption and uptake of future healthcare innovation.

Poor UK health outcomes are contributing significantly to a shrinking labour force, stalling productivity, and exacerbating health inequalities and NHS pressures. Ill health amongst working age people is costing the UK over £150bn annually, with analysis showing that expanding use of just four classes of medicines in line with NICE's expectations would realise £17.9bn of productivity gains.^{18,19}

To address this challenge and drive equitable adoption of medicines in areas aligned to the Life Sciences Vision, the NHS Long Term Plan and Core20plus5 – the national NHS England approach to inform action to reduce healthcare inequalities at both national and system level – we propose establishing a **Medicines Equity Partnership** operating across the four nations of the UK.

This Partnership would be funded by the Investment Facility. Working with the NHS in all four UK nations, the Partnership should improve health outcomes and productivity for the whole country by addressing the barriers at local system level that prevent timely uptake of new medicines

that have been approved by NICE, the SMC and AWMSG. This work would play an important role in supporting the Government's prevention agenda, foster economic growth and reduce pressures on the healthcare system.

We foresee that this partnership could use existing data sources, such as the Innovation Scorecard and industry data, and act as an extension of the work already going on across the four nations to respond to health inequalities. The partnership would provide additional financial support to local systems to address the drivers of variable uptake, with healthcare systems able to apply for funding directly. This approach would ensure that each health system's autonomy is respected.

Looking ahead: **The size of the prize**

Our proposal will bring strong benefits to the UK.

Analysis by PwC demonstrated the scale of UK economic growth that could be delivered by the research-based pharmaceutical industry with the right conditions in place. These benefits include:

- Generating an additional £68 billion in GDP over 30 years owing to increased R&D investment alone
- A £16.3 billion boost to annual GDP from increased pharmaceutical exports
- 85,000 additional jobs from pharmaceutical exports, 7,230 additional jobs from greater foreign direct investment and 17,500 jobs from greater volumes of life sciences IPOs

This research is supported by a recent report from WPI, who demonstrate that:

- Returning to internationally competitive payment terms is expected to increase annual R&D investment by 7.8% over 2023 to 2028.
- This would lead to an additional £50 billion in economic output over 30 years and £17.9 billion in tax revenues – based on the Government's own estimates – versus a scenario in which payment rates remain at current levels.²⁰

There is also a clear case for the NHS and patients.

Further analysis by PwC showed that increasing uptake across just four types of medicines (DOACs, SGLT2 inhibitors, severe asthma biologics and vasopressin V2-receptor antagonists) to the NICE recommended eligible patient populations, would deliver over a lifetime horizon:²¹

- 429,000 additional years of life in good health for patients
- £17.9 billion in productivity gains for the United Kingdom
- £5.5 billion of which would be paid directly back to the Exchequer through taxes

And for the NHS, new innovations promise to free up NHS staff and other resources to deliver more healthcare for patients, improve outcomes and contribute to the success of the Long-Term Plan:

- Some asthma biologics can halve the number of exacerbations for patients and therefore significantly reduce the number of emergency admissions for respiratory care
- And as seen during the pandemic, DOACs reduce the need for outpatient anticoagulant clinics which frees up the time of healthcare professionals.

Returning to an internationally competitive payment rate will:

1. increase annual R&D investment by

7.8%

between 2023 and 2028

2. deliver an additional

17.9bn

in tax revenues

Conclusion

We wish to build on these ideas and hear from partners from across Government, the NHS and broader system to seize the opportunity for a better approach, to truly promote UK health and wealth for years to come.

Now is the moment for a fundamentally new and more ambitious settlement.

For Government it can provide a world leading agreement to attract investment, grow the economy and future tax base.

For patients and clinicians, it can support access and adoption to the latest medicines, leading to improved healthcare outcomes.

For the NHS it can support productivity and long-term financial sustainability.

For industry it can restore predictability and stability.



References

- 1 PWC report for the ABPI: Life Sciences Superpower, Growing the leading global hub in the UK, p2 - <https://www.abpi.org.uk/publications/abpi-life-sciences-superpower-report/>
- 2 HM Government: Life Sciences Vision, Build Back Better, Our Plan for Growth - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1013597/life-sciences-vision-2021.pdf
- 3 'VPAS 2019' is the latest iteration of a 60-year-old mechanism agreed between industry and Government every five years to balance UK medicines funding and patient access to innovative medicines - <https://www.gov.uk/government/publications/voluntary-scheme-for-branded-medicines-pricing-and-access>
- 4 The VPAS has been raised on global earnings calls for several companies, including AbbVie - <https://www.fool.com/earnings/call-transcripts/2023/02/09/abbvie-abbv-q4-2022-earnings-calltranscript/>
Astrazeneca <https://www.ft.com/content/70a9188d-2efa-49cf-bbb3-da3f28857ba6>
Sanofi - <https://www.fool.com/earnings/call-transcripts/2023/02/09/abbvie-abbv-q4-2022-earnings-calltranscript/>
- 5 WPI Economics report for the ABPI: False economy? How NHS medicine procurement threatens the UK's Life Sciences growth engine, p11. Additional benefits shown based on a comparison of payment rates of 20-30% vs <10% across 2024-2028 - <https://www.abpi.org.uk/publications/false-economy-how-nhs-medicine-procurement-threatens-the-uk-s-life-sciences-growth-engine/>
- 6 WPI Economics report for the ABPI: False economy? How NHS medicine procurement threatens the UK's Life Sciences growth engine, p2. Additional benefits shown based on a comparison of payment rates of 20-30% vs <10% across 2024-2028 - <https://www.abpi.org.uk/publications/false-economy-how-nhs-medicine-procurement-threatens-the-uk-s-life-sciences-growth-engine/>
- 7 PWC report for the ABPI: Transforming Lives, Raising Productivity: Is the UK missing out on the full potential of innovative medicines, p2. Increasing DOACs, SGLT2 inhibitors, severe asthma biologics and vasopressin V2-receptor antagonists) to the NICE recommended eligible patient populations. - <https://www.abpi.org.uk/media/5frnryxy/transforming-lives-raising-productivity-v4-may.pdf>
- 8 HM Government: Life Sciences Vision, Build Back Better, Our Plan for Growth, p9 - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1013597/life-sciences-vision-2021.pdf
- 9 HM Government: Life Sciences Vision, Build Back Better, Our Plan for Growth, p9 - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1013597/life-sciences-vision-2021.pdf
- 10 The NHS Long Term Plan, p75 - <https://www.longtermplan.nhs.uk/publication/nhs-long-term-plan/>
- 11 From PharmaProjects & Oliver Wyman Analysis
- 12 Office for Life Sciences: Life Science Competitiveness Indicators 2021, slide 32 - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1060202/Life_Science_Competitiveness_Indicators_2021_report_March_2022_revision.pdf
- 13 PWC report for the ABPI: Life Sciences Superpower, Growing the leading global hub in the UK, p2 - <https://www.abpi.org.uk/publications/abpi-life-sciences-superpower-report/>
- 14 We propose eligible sales be defined broadly as under the 2019 VPAS - <https://www.gov.uk/government/publications/voluntary-scheme-for-branded-medicines-pricing-and-access> - However, provisions supporting small and medium sized companies require updating as do those for the treatment of New Active Substances.
- 15 IQVIA: Drug Expenditure Dynamics 1995-2020: Understanding medicine spending in context - <https://www.iqvia.com/insights/the-iqvia-institute/reports/drug-expenditure-dynamics>
- 16 Prior to the UK's accession to the EEC, voluntary schemes specifically incentivised investment into the UK. These measures were removed for state aids reasons. We have identified as a 'dividend' of the UK's restored status the means to again use the voluntary scheme to strengthen incentives for UK investment.
- 17 Department of Health and Social Care: Voluntary scheme for branded medicines pricing and access - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/761834/voluntary-scheme-for-branded-medicines-pricing-and-access-chapters-and-glossary.pdf
- 18 Times Health Commission: Rising levels of ill health costing economy £150bn a year - <https://www.thetimes.co.uk/article/rising-levels-of-ill-health-costing-economy-150bn-a-year-x5dckn5jg>
- 19 PWC report for the ABPI: Transforming Lives, Raising Productivity: Is the UK missing out on the full potential of innovative medicines, p2 - <https://www.abpi.org.uk/media/5frnryxy/transforming-lives-raising-productivity-v4-may.pdf>
- 20 WPI Economics report for the ABPI: False economy? How NHS medicine procurement threatens the UK's Life Sciences growth engine, p11. Additional benefits shown based on a comparison of payment rates of 20-30% vs <10% across 2024-2028. - <https://www.abpi.org.uk/publications/false-economy-how-nhs-medicine-procurement-threatens-the-uk-s-life-sciences-growth-engine/>
- 21 PWC report for the ABPI: Transforming Lives, Raising Productivity: Is the UK missing out on the full potential of innovative medicines, p2. Increasing DOACs, SGLT2 inhibitors, severe asthma biologics and vasopressin V2-receptor antagonists) to the NICE recommended eligible patient populations - <https://www.abpi.org.uk/media/5frnryxy/transforming-lives-raising-productivity-v4-may.pdf>





The Association of the British Pharmaceutical Industry

A company limited by guarantee registered
in England & Wales number 09826787

Registered office 2nd Floor Goldings House,
Hay's Galleria, 2 Hay's Lane, London, SE1 2HB

RMI-0128-0919