



Department
of Health

From the Rt Hon Jeremy Hunt MP
Secretary of State for Health

Richmond House
79 Whitehall
London
SW1A 2NS

PO-1038298

020 7210 4850

The Rt Hon Fiona Mactaggart MP
By email to: mactaggartf@parliament.uk

01 JUL 2016

Dear Fiona,

Thank you for your email of 10 June on behalf of a number of your constituents about the price of NHS drugs.

We are aware that there have been a number of increases in the prices of certain medicines. These include instances where a product previously marketed as a brand has been subsequently marketed as generic and an increase in price has been applied in view of the lack of a competitive market for that product. We are, of course, concerned about the adverse effect such increases might have on NHS budgets.

You will have seen my response to the recent reports of excessive and potentially improper rises in the prices of generic (off-patent) drugs and my statement that we will not tolerate improper pricing.

Any concerns about possible anti-competitive behaviour by pharmaceutical companies should always be reported to the Competition and Markets Authority, and I have asked the Authority to look urgently at the evidence uncovered by *The Times* as part of its investigations into excessive drugs pricing.

There are systems in place to ensure that the NHS obtains the best value possible from the purchasing of medicines. The Government has in place voluntary and statutory schemes to consider the prices of branded and generic medicines rather than consider each product individually.

We also have legislative provisions to allow us to intervene with regard to prices of medicines. However, any investigation would require a high-level and detailed knowledge of the company's business to be able to make a judgement as to whether a particular price increase was justified.

Further, the cost of any medicine has to be balanced against the importance of meeting the individual treatment needs of patients and potential additional costs to

the NHS if supply is interrupted, for example, adverse outcomes owing to the stopping of treatment.

Under current arrangements, the Department of Health does not agree the selling price of generic medicines as, typically, there is competition between suppliers, which keeps prices down.

There is a voluntary agreement (Scheme M) between the Department and most generic manufacturers, which in the main gives the manufacturer freedom of pricing for their products, relying on market mechanisms, such as competition, to deliver value for money for the vast majority of generic medicines dispensed in primary care. The National Audit Office identified savings to the NHS of around £1.8 billion over the period 2005/06 to 2008/09 thanks to Scheme M and the related reimbursement arrangements.

However, while the system does, on balance, work well for the majority of products, there are anomalies, and we do keep the system under review and pursue improvements as appropriate. For example, we raised this issue in a recent consultation on the statutory scheme to control the prices of branded medicines, which we launched on 10 September 2015. We asked for views on whether we should consider the options available to the Department, such as my powers to limit the prices of generic medicines where there is no competitive market to secure value for money. The consultation closed on 4 December 2015 and we are continuing to consider carefully all the consultation responses. It is important we get these changes right for patients, the NHS and industry. We want to look in particular at the impact on small and medium-sized businesses, while securing the medicines patients need at a cost that the NHS can afford.

I can assure you that we will be keeping a close eye on developments in this area.

In view of the growing cost of increasingly sophisticated and specialised medicines, the Government has launched the Accelerated Access Review to look at ways that the NHS can secure discounts in return for partnership-working with companies on research and development, and I look forward to announcements on that in the coming months.

I hope this reply is helpful.



JEREMY HUNT