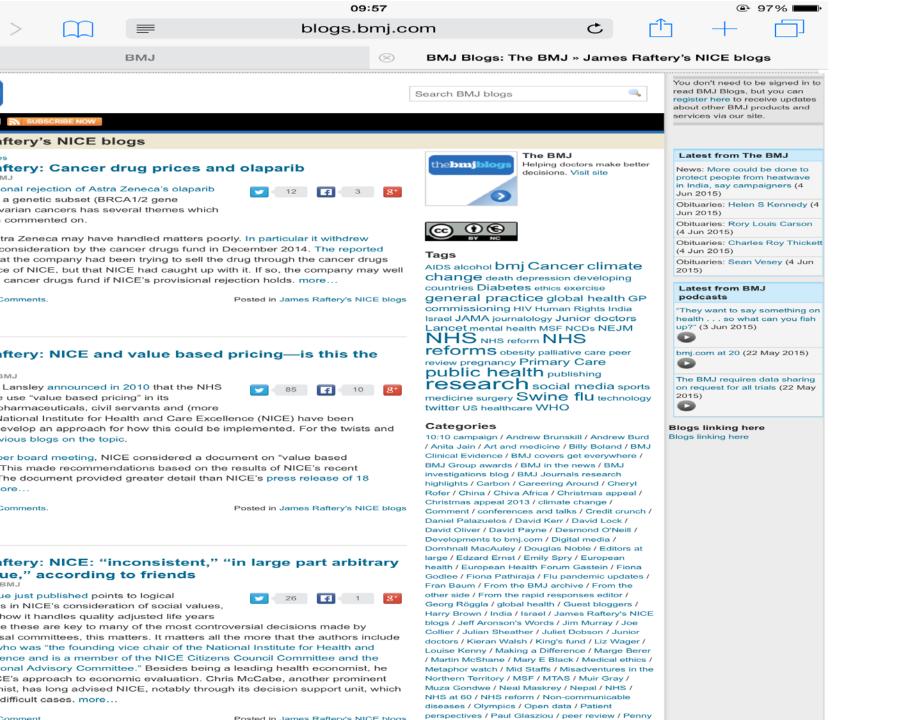
# Value based pricing in UK: a personal view of strengths, weaknesses and risks. (Or why it went wrong.)

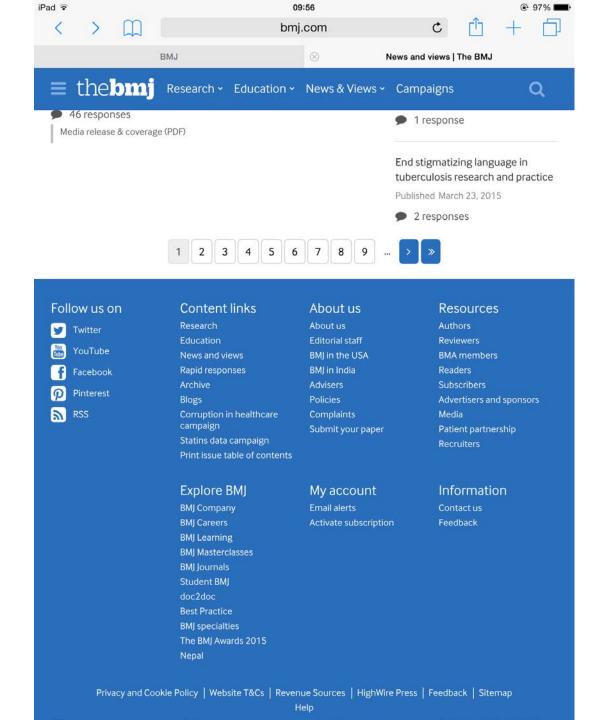
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#### **Timeline**

- **2007:** Office of Fair Trading report recommends Prescription Pricing Regulation Scheme (PPRS) is replaced by value based pricing for all branded drugs
- 2008: Government withdraws 2005-10 PPRS. Imposes 2009-13 PPRS with 7% price cut for all drugs. Includes scope for price reductions on through "patient access schemes". Also includes Association of British Pharmaceutical Industry commitment to reviewing NICE's economic perspective
- 2009: NICE's told to set up raise cost/QALY threshold for "end of life drugs"
- **2010:** new Government commits to "value based pricing" in 2014 PPRS. Sets up cancer drugs fund as "bridge to value based pricing" to fund drugs refused by NICE
- **2011:** Government response to consultation on value based pricing indicates that it will apply only to new drugs and give greater role to NICE
- 2013: Government response to House of Commons Health Committee report confirms NICE to take responsibility for value based pricing (April)
- 2013: NICE issued with new framework for value based pricing (June)
- 2014: NICE consults public on new QALY shortfall (absolute & relative)
- **2015**:NICE: consultation results: no change (for now.....)





### **Themes**

- political change with a new Government, an ambitious but untested minister and keen interest from several pressure groups,
- an ambiguous mission and title,
- presented in specialist language,
- self-contradicting claims,
- unanticipated consequences, belatedly recognised,
- a clash of values between those of the market and the "National Health Service",
- What could possibly go wrong?
- NICE and societal perspective
- Blunders
- Lessons

### Political change: new Government

- New Coalition (Conservative/Liberal) government elected 2010
- Programme for Government promised "We will reform NICE and move to "value based pricing"
- Set up Cancer Drugs Fund as bridge to value based pricing: to fund all cancer drugs refused by NICE (!)
- Similar to raised £/QALY in End of Life criteria 2009 and clarification on private top ups to NHS treatments
- Andrew Lansley: ambitious but untested minister
- keen interest from several pressure groups, including pharma (ABPI) which saw value based pricing as part f reforming NICE

### 2009 PPRS & ABPI proposal

- Chapter 5, "Uptake and Innovation" is accompanied by annex B which the report states (para 5.1) "has equal status with this chapter."
- Annex B:. "Uptake and Innovation package," it repeatedly uses the term 'we propose'. Who is the "we?"
- It states: "ABPI strongly supports this and will play a full role..." (third para, p.66)
- Annex B outlines proposals to do with NICE, such as industry involvement in identifying topics that the Department of Health refers to NICE
- "The Department is holding focus groups on value, as agreed with industry and referenced in the Government's response to the Health Select Committee, to explore the cost/benefit perspective that the Department sets for NICE. These groups will produce outputs and report to government. This is a complex area and the implications of adopting a broader perspective on costs and benefits could be substantial."

### Ambiguous mission, title

- Consultation: unclear if abolishing or reforming NICE & QALY
- "Value-based XX" a US import, linked to work by Michael Porter.
   Defined as "health outcome per \$"
- Implication is use of \$/QALY or similar but... outlawed in US!
- Rheinhardt: "why anyone would look to the US healthcare system for lessons is beyond belief"
- Value based pricing in UK proposed by Office of Fair Trading 2008 as £/QALY
- What did Minister mean, given he set up of Cancer Drugs Fund for drugs refused by NICE? As "bridge to value based pricing"?
- And proposed to set up "expert panels" which would decide instead of NICE
- News media predicted death of NICE

# Self-contradicting claims, unanticipated consequences

- Consultation themes contradicted by linked
   Impact Assessments from Department of Health
- These argued against any UK drug price premium for innovation (UK only 3% global market). Will not stimulte global R&D
- No evidence for public supporting higher values for severity, end of life drugs or innovation.
- Best critique of value based pricing?

### Clash of values: market v "National Health Service"

- Amending NICE's methods was presented in terms of conventional micro economics
- Changes to NICE were part of wider pro market reforms to NHS, widely resisted by doctors etc
- Cost benefit analysis: economists "second best" to market solution
- The economese term "Wider social benefits" used to cover costs and benefits. Distrusted.

### What could possibly go wrong?

- everything (almost)!
- See timeline:
- Topic passed to NICE in 2014
- Who did 2nd consultation on an alternative approach to Burden of Disease (QALY shortfall) which fewer understood
- As no agreement on way forward, it shelved it

### What was really going on?

- My view:
- ABPI out to hobble or abolish NICE
- Believed value based pricing would raise £/QALY threshold, with no losers
- Clash of evidence based policy with politics
- Value based pricing was only one of many issues in new NHS laws which were pro market
- Failure to see other parts of NICE already changing economic perspective

### NICE and societal perspective

- NICE public programme has long been concerned with valuation of future benefits (discounting) and
- narrow NHS perspective
- Moved to "Return on Investment"
- taking societal perspective
- And lower discount rate
- Hardly remarked upon

# "Appropriate perspectives for health care decision" (Claxton &al 2010, York)

- Reviewed literature and theory
- Found lack of clarity of what constitutes "societal perspective"
- ~ no consideration of implications of fixed budgets (ignored)
- Justified extra welfarism if budget specific cost perspective
- But pro wider perspective if consequences fall outside that budget
- Key role for opportunity cost as cost/QALY threshold within fixed health budget

# The Blunders of our Governments" King & Crewe (2013)

- Reviews 13 horror stories of major policy blunders up to 2010
- Poll tax, pensions, child support agency, dome, training, tax credits, tube, id cards, NHS IT systems
- Includes 2010 NHS reforms as likely blunder
- Causes: centralism, short termism, nonaccountability, lack of project managers, asymmetries of expertise, deficit of deliberation
- Value based pricing small item in this.....

### What might we learn?

- Very difficult if distrust at start
- One policy among many in reform of NHS, but more debated and researched than rest
- Lack of clarity led to exaggerated fears of attack on NHS
- Initial view that it would raise cost/QALY threshold proved wrong:
- Cost/QALY threshold could be raised if drug kept patient alive in sick, dependent state
- As with most cancer drugs......