

# 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.....)

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## Raftery's NICE blogs

## Raftery: Cancer drug prices and olaparib

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 onal rejection of Astra Zeneca's olaparib  
 a genetic subset (BRCA1/2 gene  
 varian cancers has several themes which  
 commented on.

 12  3 

tra Zeneca may have handled matters poorly. [In particular it withdrew](#)  
 consideration by the cancer drugs fund in December 2014. [The reported](#)  
 at the company had been trying to sell the drug through the cancer drugs  
 ce of NICE, but that NICE had caught up with it. If so, the company may well  
 cancer drugs fund if NICE's provisional rejection holds. [more...](#)

Comments.

Posted in James Raftery's NICE blogs



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## Raftery: NICE and value based pricing—is this the

BMJ  
 Lansley announced in 2010 that the NHS  
 use "value based pricing" in its  
 pharmaceuticals, civil servants and (more  
 National Institute for Health and Care Excellence (NICE) have been  
 develop an approach for how this could be implemented. For the twists and  
 vious blogs on the topic.

 85  10 

per board meeting, NICE considered a document on "value based  
 This made recommendations based on the results of NICE's recent  
 The document provided greater detail than NICE's [press release of 18](#)  
[ore...](#)

Comments.

Posted in James Raftery's NICE blogs

## Raftery: NICE: "inconsistent," "in large part arbitrary

BMJ  
 ue just published points to logical  
 s in NICE's consideration of social values,  
 how it handles quality adjusted life years  
 e these are key to many of the most controversial decisions made by  
 sal committees, this matters. It matters all the more that the authors include  
 ho was "the founding vice chair of the National Institute for Health and  
 ence and is a member of the NICE Citizens Council Committee and the  
 onal Advisory Committee." Besides being a leading health economist, he  
 CE's approach to economic evaluation. Chris McCabe, another prominent  
 hist, has long advised NICE, notably through its decision support unit, which  
 difficult cases. [more...](#)

Comment

Posted in James Raftery's NICE blogs

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# 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 of 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 stimulate 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 economesse 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, non-accountability, 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.....