

Thursday 19<sup>th</sup> July 2018

*For the attention of the Health and Social Care Committee*

## **Written response from Julie Wood, NHSCC, following oral evidence given to the Health and Social Care Committee's inquiry into NHS funding**

Dear chair and committee members,

Thank you for the opportunity to provide oral evidence to the Health and Social Care Committee's inquiry into NHS funding on Monday 2<sup>nd</sup> July. As requested during the discussion, please find information below regarding price increases and shortages over the last year for drugs for which no cheaper stock is obtainable (NCSO).

### NCSO drugs: context

If pharmacy contractors are unable to purchase a generic medicine listed in Part VIII of the Drug Tariff at (or below) the price set, they can report it to the Pharmaceutical Services Negotiating Committee (PSNC). If appropriate, the PSNC can then request that the Department of Health and Social Care grant a price concession – if it is accepted then the Drug Tariff price is suspended and the concessionary price adopted. Further information is provided on the PSNC website.<sup>i</sup>

### Supply shortages and increased NCSO costs in 2017/18

The National Audit Office report, *Investigation into NHS spending on generic medicines in primary care*,<sup>ii</sup> highlighted that increases in concessionary prices for NCSO drugs have resulted in unexpected cost for CCGs of approximately £315m in 2017/18. This is compared to concessionary pressures for England totalling £45m in 2016/17 and £58m in 2015/16.

The reasons behind the substantial increases in the costs of NCSO drugs in 2017/18 will be the result of numerous factors, which might have included concerns over the impact of Brexit and the uncertainty of the position at that time. The National Audit Office report highlights other potential factors, for example the Medicines and Healthcare products Regulatory Agency and European regulators partially suspending the licences of three generic medicines manufacturers.

The unexpected, increased costs of NCSO drugs in 2017/18 contributed significantly to the £250.5m overall deficit that CCGs ended the year with. As they attempted to mitigate these cost pressures, CCGs have had to take difficult decisions about the services that they fund to meet the needs of their populations, which will have resulted in reductions in the availability of treatment and services in some areas. In addition to financial pressures, a lack of availability of NSCO items impacts upon patients who should be in receipt of them, leaving gaps in their care and potentially compromising the safety and quality of their treatment. Switching patients to alternative medicines can result in anxiety and potentially affect clinical effectiveness.



These are issues which NHSCC highlighted in our recent response to the Public Accounts Committee's inquiry into price increases for generic medicines.<sup>iii</sup>

CCG guidance published by NHS England and NHS Improvement in *Refreshing NHS Plans for 2018/19* states that CCGs should “assume that the current high level of discretionary prices for generic drugs in short supply will not persist in 2018/19”.<sup>iv</sup> However, our members remain concerned that steps taken to date are not sufficient to address continued and future price increases in generic medicines. We highlighted this concern as well as potential steps that can be taken to help address the issue in our submission to the Public Accounts Committee, which is attached for your information. NHSCC views the continued pressures on the NHS from generic medicines pricing to be potentially unsustainable, and we have therefore called upon the Secretary of State to utilise his new powers under the Health Service Medical Supplies (Costs) Act 2017 to control excessive prices, where appropriate.

### Specific examples of NCSO price increases

The Department of Health and Social Care granted 709 concessionary prices in 2017/18 – more than double the 282 that were granted 2016-17.<sup>v</sup>

For example, Olanzapine, Quetiapine and Aripiprazole – three drugs used in the treatment of mental health conditions – were affected, having been in short supply last summer. The National Audit Office highlights that the cost of Quetiapine 100mg tablets was 70 times higher at its peak concessionary price of £113.10, compared to its previous set price of £1.59.<sup>vi</sup> Two of these three drugs are included in the National Audit Office's summary of the 10 medicines with the largest net spend on price concessions in 2017-18, which are listed below, alongside their common uses:

- Amlodipine 5mg and 10mg – for high blood pressure
- Gabapentin 300mg – for epilepsy and nerve pain
- Sumatriptan 50mg – for migraines
- Levetiracetam 500mg and 1g – for epilepsy
- Olanzapine 10mg – for schizophrenia and bi-polar disorder
- Quetiapine 25mg and 100mg – for schizophrenia and bi-polar disorder
- Mefenamic acid 500mg – for pain and inflammation

It is also worth noting that a number of very commonly prescribed medicines have been on the NCSO list for long periods of time, including two medicines that are included in the previous list of high expenditure on concessions this year – Amlodipine and Sumatriptan.

I hope this note provides the detail required; please do not hesitate to get in touch if you require any further information.

Yours sincerely,

Julie Wood,  
Chief Executive  
NHS Clinical Commissioners

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<sup>i</sup> <https://psnc.org.uk/dispensing-supply/supply-chain/generic-shortages/>

<sup>ii</sup> National Audit Office (2018) *Investigation into NHS spending on generic medicines in primary care*, HC 1122. Available from: <https://www.nao.org.uk/wp-content/uploads/2018/06/Investigation-into-NHS-spending-on-generic-medicines-in-primary-care.pdf>

<sup>iii</sup> NHS Clinical Commissioners (2018) *Written evidence submitted by NHS Clinical Commissioners (NHSCC) to the Public Accounts Committee price increases for generic medicines inquiry*, GEN0005. Available from: <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/public-accounts-committee/price-increases-for-generic-medications/written/85978.html>

<sup>iv</sup> NHS England and NHS Improvement (2018) *Refreshing NHS Plans for 2018/19*. Available from: <https://www.england.nhs.uk/wp-content/uploads/2018/02/planning-guidance-18-19.pdf>

<sup>v</sup> National Audit Office (2018) *ibid.*

<sup>vi</sup> National Audit Office (2018) *ibid.*

# NHS Clinical Commissioners

The independent collective voice  
of clinical commissioning groups

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Tuesday 26<sup>th</sup> June 2018

*For the attention of the Public Accounts Committee*

Dear chair and committee members,

NHS Clinical Commissioners (NHSCC) is the national membership organisation for clinical commissioning groups (CCGs) with over 90% in membership. We welcome this opportunity to submit written evidence to the Public Accounts Committee inquiry into price increases for generic medications.

As the NAO report identifies, the increase in concessionary prices resulted in an approximately £315m in unexpected cost for CCGs in 2017/18. By comparison, the total concessionary pressures for England were £58m in 2015/16 and £45m in 2016/17.

These unexpected costs were a main contributing factor to CCGs ending the year with a £250.5m overall deficit. In year attempts to mitigate these cost pressures have resulted in our members making difficult decisions about the funding of services within their local area. These costs will have resulted in reductions in the availability of treatment and services elsewhere as our members attempted to mitigate the impact on their bottom line. As well as this fiscal impact, for patients that should be in receipt of the 'No cheaper stock obtainable' (NCSO) items, a lack of availability of the required items has led to gaps in their care and potentially compromises the safety and quality of the treatment that they have been receiving. Our members' view is that this is unacceptable, as they do not have control over the concessionary pricing structure and therefore are unable to address the cause of the price increases.

We welcome the activity that has been undertaken by NHS England and the Department of Health and Social Care, and recognise the efforts made that have been effective in stabilising concessionary prices. In February 2018 concessionary pressures were £8.81m, reducing further to £8.18m in March 2018, compared to £53m in October 2017. We hope that this trend will continue, as current costs remain considerably higher than those at the start of 2017/18 and in previous years. Unless these pressures are addressed then CCGs will have to continue to make difficult decisions to reduce spending elsewhere to remain in balance.

In *Refreshing NHS Plans for 2018/19*, the joint NHS England and NHS Improvement guidance setting out expectations for commissioners and providers for 2018/19, CCGs were asked to "...assume that the current high level of discretionary prices for generic drugs in short supply will not persist in 2018/19." It would be helpful if the Public Accounts Committee could explore further what this will



entail, for example, whether NHS England and the Department of Health and Social Care are prepared to commit to underwrite any further excess costs in generic pricing that may develop over the course of the year. Our members remain concerned that the activity undertaken to date will not prove sufficiently robust to address further price increases, especially since currently available data does not show that concessionary pricing pressures have returned to historic levels.

The Competition and Markets Authority continue to investigate potentially anti-competitive behaviour by generic medicines suppliers. The Health Service Medical Supplies (Costs) Act 2017 allows the Secretary of State to control the price of generic medicines, including for those companies that are members of the voluntary pricing scheme for branded medicines. Our members' view is that the continued pressures on the NHS from generic medicines pricing is unsustainable and therefore the Secretary of State must act and utilise these new powers to control excessive prices. One example that we are particularly concerned about is Liothyronine. The UK has experienced a nearly 6,000% increase in the cost of the drug since 2007, from £4.46 to £258.19 per packet in July 2017. This can be purchased online from Europe for less than a tenth of the cost that the NHS is charged.

Another potential solution which it would be helpful for the committee to explore is where there is an absence of effective competition to address price increases, due to a small number of manufacturers or suppliers, whether there is a potential for the NHS to become a supplier in appropriate circumstances. Not only could this release substantial savings for the system, but it could also produce profit for the NHS through the sale of items abroad.

We have heard from members several practical actions that can be taken in local areas to address the issue of price increases for generic medication, including:

- Ensure that prices listed in the Drug Tariff (i.e. the price which the NHS will reimburse if a prescription is written generically) is the lowest price and includes the price of any branded products. We have identified examples, such as cholecalciferol, where branded prescribing is less expensive than generic pricing.
- Develop a single price for generic medicines based on *mg* rather than different prices for tablet and capsule forms and agree that pharmacists can substitute tablets for capsules and vice versa without the need for a GP to amend the prescription.
- Ensure a managed process for the gradual introduction of new generics, thereby avoiding some of the issues that were experienced in the introduction of Pregabalin. In the past generics initially become Category A items which then gradually reduced in price as more manufacturers entered the market and the supply chain therefore became more stable.
- Move to a process of median pricing for Category C drugs which would gradually drive the price down as community pharmacists purchase cheaper products and move away from brand originators, avoiding the need for branded generic prescribing to reduce costs.
- Allow pharmacists to substitute alternative strengths of generics without the need for the prescription to be returned to the GP for changing e.g. mirtazapine 30mg could be substituted for 2 x 15mg.
- Develop an approval process for reimbursement at branded prices where there are generic stock shortages. This should be administered centrally so it does not require the GP to rewrite the prescription on an individual basis.

- Allow flexibility in the dispensing process for multiple items on a single prescription, for example, allowing a pharmacist to dispense three out of four available items on a prescription, and then allowing the patient to attend an alternative pharmacist for the remaining item(s).
- Ensure that where NCSO listed drugs are returned to the drug tariff that there are effective safeguards in place to prevent the re-listing occurring at a higher level than before the NCSO listing. This should be accompanied by an assessment of what the cause of the NCSO listing was in the first instance.

Finally, our members' view is that the administration of the Drug Tariff could be reformed so that it takes greater account of the views of local commissioners, whom it currently places considerable financial pressure upon, but who have little say in how the system functions. There should be a clear statement in the Drug Tariff that the FP10 system is a transactional system and does not indicate that local commissioners have agreed to fund prescribing of the drug locally. Prescribers should be required to adhere to local prescribing formularies.

We know from the recent King's Fund report ([The rising cost of medicines to the NHS: what's the story?](#), April 2018) that overall the NHS receives a good deal for generic medicines, however, the nature of the system means that where pressures do occur they are felt by local commissioners rather than absorbed by the system. Currently the system does not allow sufficient flexibility to respond to local challenges and encourages behaviour that results in excessive and unreasonable costs to the NHS.

We would welcome the opportunity to discuss our concerns further with members of the committee during your inquiry.

Yours sincerely,

Julie Wood,  
Chief Executive  
NHS Clinical Commissioners