

The current VPAS and the medicines it covers

The scheme covers medicines that are marketed with a brand name. In addition to the drugs sold by originator companies – those who invent and patent medicines – the scheme also includes manufacturers and suppliers of branded generic and biosimilar medicines. All biosimilars and some generics are required to be branded by the Medicines and Healthcare products Regulatory Agency (MHRA) for clinical reasons. Manufacturers of those products cannot “de-brand” and have no choice but to pay this levy. The OHE and LSE⁸ also noted, “Branded generics may also be branded by choice where the manufacturer wants to differentiate its product. This can be to draw attention to and promote certain features of the product.”

The scale of the levy is exacerbated by manufacturers of blockbuster patented medicines containing new active substances being exempted for three years, the costs of which other VPAS member companies must bear.

What’s driving the increase in the NHS medicines budget?

There are a number of possible reasons why the medicines budget has grown in recent years, which has driven the rise in the amount companies must pay the government. These include the impact of Covid-19 creating delayed demand for healthcare and arguably leading to less focus on cost-effective prescribing, NHSE signing more agreements for higher cost on-patent medicines and the impacts of inflation. The scheme runs for a five-year period and the agreement will be renewed in 2024.

Negotiations between DHSC, NHSE and ABPI were conducted through 2023. Presently, nearly half of medicines to which the current scheme is made up of branded generics and biosimilars, which typically face competition. Despite BGMA representing manufacturers who supply 80% of the medicines used in the NHS, and whose membership includes eight out of the ten largest suppliers to the NHS by volume, it is not included in the negotiations.

Operating in parallel with VPAS, there is a statutory branded medicines pricing scheme. It is updated each year to ensure that it is broadly commercially comparable with VPAS and is for companies that choose not to be members of the voluntary scheme. In the absence of any voluntary scheme being agreed, all suppliers of branded medicines would automatically fall into the statutory scheme.