
BIA response to DHSC consultation on the statutory scheme

Overview

The BIA has responded to the Department for Health and Social Care (DHSC)'s [consultation](#) on proposed changes to headline payment percentage and approach to consultations of the statutory scheme to control the cost of branded health service medicines.

Summary of BIA response:

- We do not support the rates set in the both the statutory and voluntary schemes, as these are significantly higher than the rates in comparable schemes in other European countries and therefore damage UK competitiveness. High rebate rates particularly impact small and medium-size biotech companies with no other revenue streams, and do not align with the Government's ambitions for the growth of the UK life sciences sector.
- We do not support the proposed procedure for future consultations as this would create issues around transparency and stakeholder engagement, and it is not clear how the workshops would lead to clear outcomes. Instead, DHSC should explore alternative mechanisms to speed up the process.

Consultation questions

Setting new headline payment percentage for 2026 and beyond

*We propose to set a statutory scheme headline payment percentage of 16.5% for 2026 and following years. **Do you agree or disagree with the level at which we propose to set the payment percentage?** Disagree*

Please explain your answer and provide evidence to support further development of our analysis.

- While we support maintaining broad commercial equivalence and welcome the reduction in the rate from 2025, we cannot agree with the rates set in both the statutory and voluntary schemes, as these are significantly higher than comparable European countries and damage UK competitiveness.
- As set out in our response to the 2025 consultation on the statutory scheme,¹ high rebate rates are damaging the attractiveness of the UK as a destination to invest, conduct research and launch new medicines. Through ongoing discussions on improving the UK commercial environment, the Government has recognised the impact of high rebate rates on UK attractiveness, including in its decision to cap the voluntary scheme rate at 15%.²
- High rebate rates impact companies of all sizes, however the impact for small and medium-sized biotech companies is particularly high, many of which only have a single licensed indication and no other revenue streams. High rebates also particularly impact the launch economics for innovative, high value treatments such as advanced therapy medicinal products (ATMPs), which are very costly to manufacture. If the UK intends to supportive innovative biotech companies to scale and invest here, then the Government must recognise the distinct economics of these companies and products.

Procedure for future consultations

We propose a simplified approach to future consultations on changes to payment percentages, where workshops are held with industry bodies, and with the Charity Medicines

¹ <https://www.bioindustry.org/resource/bia-response-to-proposed-review-of-the-statutory-scheme-for-branded-medicines-pricing-pdf.html>

² <https://www.gov.uk/government/publications/uk-us-arrangement-on-pharmaceutical-trade-and-pricing/arrangement-between-the-united-states-of-america-and-the-united-kingdom-on-pharmaceutical-pricing-html>

Access Coalition. More significant changes would involve a full public consultation as has been used before.

Do you agree or disagree with the proposed procedure for future consultations? Disagree

Please explain your answer and provide evidence to support further development of our analysis.

- While we understand DHSC's objective to reduce the delay between setting the VPAG rate and the statutory scheme rate, we disagree with the proposed procedure for future consultations.
- We are concerned that this proposal would make the process less transparent and limit the ability of affected companies to engage with the process. We also believe the proposed workshop structure is problematic as it is not clear how the workshops would lead to a clear conclusion or outcome.
- Instead, we recommend that DHSC explores alternative mechanisms to speed up the process, including legislating for the statutory scheme headline payment percentage to adjust automatically in line with VPAG and running an annual public consultation to enable all relevant companies and stakeholders to input.

Impact of the proposals

A full analysis of the areas which the NHS Act 2006 requires that we consult on is provided in the impact assessment and summarised within the consultation document. These topics are:

- *economic consequences for the life sciences industry of the UK*
- *consequences for the economy of the UK*
- *consequences for patients to whom any health service medicines are to be supplied and for other health service patients*

Do you agree or disagree with the analysis in the impact assessment of our proposals on those areas where the NHS Act 2006 requires that we consult? Disagree

Please explain your answer and provide evidence to support further development of our analysis.

- The impact assessment states that “our view remains that supply side factors are of greatest impact compared to demand side factors in company decisions about where to locate globally mobile investments”. While we agree that there a number of factors which impact these decisions, it is not clear from the evidence presented that supply side factors have a greater impact than demand side factors.
- We understand from our members that demand side factors have a significant impact on investment decisions, as if it is not commercially viable for a product to be launched in the UK then this will inevitably impact decisions about where to locate clinical trials and manufacturing operations. High rebates also contribute to a negative perception of the UK as a destination for life sciences investment.
- The assumption that demand side factors are less important than supply side factors means that the negative impact of high rebates are likely to be underestimated in the impact assessment.
- The impact assessment states that only “Medium” and “Large” businesses are in scope of the proposals as businesses with NHS sales of less than £6m per annum are excluded from the rebate mechanism. However, some biotech companies may have NHS sales of more than £6m, but with no other existing revenue streams they would remain a lean organisation. The impact of high rebate rates on these companies is particularly high and should be considered in the impact assessment.
- As we set out in our response to 2025 consultation, the impact assessment fails to consider the impact on high rebate rates on the wider UK life sciences sector, including early-stage SMEs which benefit from the presence and proximity of larger pharmaceutical companies through the agglomeration effect. For example, UK-based start-ups and spin-outs often benefit from partnerships and collaborations with pharmaceutical companies, and recruit from the talent pool of people with experience in the pharmaceutical sector. Reduced investment from pharmaceutical companies would also reduce demand for the services provided by UK-based companies, including CROs and CDMOs, which serve as suppliers and manufacturers for pharmaceutical

companies. It is therefore important that the statutory and voluntary schemes are considered in the context of the Government's ambitions for the growth of the UK life sciences sector.

Statutory duties

The Secretary of State for Health and Social Care must consider the following specific duties when proposing updates to the statutory scheme:

- *duties under the NHS Act 2006*
- *the public sector equality duty under the Equality Act 2010*
- *the Family Test*
- *the environmental principles policy statement*

These are considered in detail in the consultation document.

Do you agree or disagree with our initial conclusions about the impact that the proposed updates to the statutory scheme will have when taking into account the statutory duties of the Secretary of State? Disagree

Please explain your answer and provide evidence to support further development of our analysis.

- As set out in previous answers, we have a number of concerns with the proposals and disagree with the impact assessment of the proposed changes, so we cannot agree with DHSC's initial conclusions that the proposed updates to the statutory scheme will have when taking into account the statutory duties of the Secretary of State.

About the BIA

The BioIndustry Association (BIA) is the voice of the innovative life sciences and biotech industry, enabling and connecting the UK ecosystem so that businesses can start, grow and deliver world-changing innovation.

BIA policy submission

April 2026



We have over 600 members spanning human health and non-health biotech, including start-ups, scale-ups and established global companies. Our membership also encompasses the full UK ecosystem, including non-commercial research institutions and service providers.