# BIA response to proposed review of the 2025 scheme to control the cost of branded health service medicines

## Consultation questions

Consultation proposal: rate of allowed growth

**The consultation proposes to maintain both the allowed growth rate at 2% per year and the overall value of the baseline adjustment (but delay implementation of two-thirds of the adjustment to 2026). This is intended to optimise broad commercial equivalence between the schemes.**

**Do you agree or disagree with our proposal to maintain the level of allowed growth in the scheme to 2% each year, with baseline adjustments of £50 million in 2025, £430 million in 2026 and £380 million in 2027?**

- **Agree**
- **Neither agree nor disagree**
- **Disagree**
- **Don't know**

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

The BIA supports the overarching need for the statutory scheme to maintain broad commercial equivalence with the voluntary scheme. However, the BIA believes that the proposal to maintain the allowed growth rate for medicines spending to 2% each year is too low and will act as a barrier to growing the UK life sciences sector, delivering vital patient access to new medicines in the NHS and boosting economic growth. This is more pertinent than ever as the Government intensifies its efforts to embed a greater focus on prevention in healthcare and drive economic growth missions, with medicines playing a central role in advancing these ambitions.

Ensuring sustainable investment in medicines is critical for attracting pharmaceutical companies to invest in R&D, initiate clinical trials and manufacture innovative products in the UK and drive valuable health benefits to UK patients. Medicines contribute to preventing both the onset and

progression of many diseases, including for people with rare or serious conditions living with debilitating symptoms, creating savings in long-term healthcare costs and enabling patients and families to enter or return to the workforce and remain economically active.

We are concerned that the current 2% cap does not account for increases in inflation over recent years, wider overall healthcare spending in the NHS or potential disruption to medicine supply and pricing following US tariffs and other emerging global policies. As outlined in the consultation, the UK medicines budget has only grown at an average of 1.1% and rising to 2% since 2024. This means that medicines growth has declined by 11% when taking inflation into consideration, whilst the NHS budget has grown by 33% in real terms, demonstrating the disconnect between the set growth for medicines and the NHS overall budget. Further, there is no rationale provided around how the existing cap is appropriate for the UK beyond an unsubstantiated statement that allowing growth above 2% could create "unsustainable growth in spending on branded medicines in the longer term". This also contradicts recent comments made by Wes Streeting at the ABPI Conference around the need for the UK Government to see medicines as an investment as opposed to a "deadweight cost".

The BIA is particularly concerned in the context of UK competitiveness, especially given the UK invests a smaller share (9%) of overall healthcare costs on medicines compared to other comparator countries, including France (15%) and Germany (17%). Also, since 2018, total NHS expenditure has exceeded the allowed growth cap in the voluntary scheme, which creates unsustainable financial pressure on the pharmaceutical sector to pay more in annual rebate payments. This pressure combined with underinvestment compared to EU and global counterparts, will result in the UK being further deprioritised as a launch market, impact global investment and further damage UK competitiveness.

Furthermore, this underinvestment in medicines has detrimental implications for patient access to medicines and patient outcomes, as set out in a recent article by BIA CEO Steve Bates. According to research by the King's Fund, the UK also lags behind other countries on health outcomes, ranking 16th and 18th out of 19 comparable countries, for preventable and treatable causes of mortality. Further, recent EFPIA Patients W.A.I.T data shows that the rate of new medicine availability on the NHS in England has fallen from 66% to 56% and lags behind peers including France, Germany and Spain. This demonstrates the impact long-term underinvestment in medicines versus other countries has on the attractiveness of the UK as a destination for investment and product launches, with severe implications for patients accessing treatments and declining health outcomes.

We understand the challenges associated with balancing the need for pharmaceutical companies to invest in new medicines and to manage the NHS budget effectively. However, we believe that increasing the cap or removing it altogether would not result in unsustainable budget pressure on

the NHS as there are a number of cost control measures that serve to balance the medicines budget, including NICE's HTA evaluation that assesses the cost effectiveness of new medicines and the Budget Impact Threshold which is designed to facilitate access to cost-effective medicines in a sustainable way that does not inflate NHS budget. The BIA believes that the 2% cap adds a restrictive and unnecessary layer of cost control, creating an unfavourable and uneconomical commercial market for companies and making the UK increasingly uncompetitive.

The BIA strongly supports the need for a greater shift in government's approach towards medicines spending and understanding the value medicines offer to patients, the NHS and the economy, recognising them as a key investment that benefits the health and wealth of the nation, as acknowledged by Wes Streeting. We recommend that a more sustainable and pro-innovation approach is needed, which enables medicines to receive the same proportional increase in funding as the rest of the NHS and encourages companies to prioritise the UK market.

Consultation proposal: headline payment percentage

**The consultation proposes to raise the statutory scheme headline payment percentages for 2025, 2026 and 2027 to 23.8%, 24.7% and 26.4% respectively (from the current values of 23.8%, 24.7% and 26.4%). These updates would come into force on 1 July 2025. Companies who made statutory scheme payments in the first half of 2025 at the lower rate of 15.5% will pay a rate of 32.2% from 1 July 2025 to account for this. These levels are broadly equivalent to the payment rates established under VPAG.**

**Do you agree or disagree with the levels at which we propose to set the statutory scheme payment percentages, and the rationale provided for this?**

- **Agree**
- **Neither agree nor disagree**
- **Disagree**
- **Don't know**

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

The BIA is supportive of a statutory and voluntary scheme that enhances patient access to cost-effective medicines and supports the growth of the UK life science sector. However, we are highly concerned that the proposed new statutory and voluntary scheme payment percentages will not only fail to achieve these aims but risks severely impacting the attractiveness of the UK as a destination to invest, research and launch new medicines and indications, with detrimental consequences for patients and the economy.

In December 2024, it was announced that the voluntary scheme headline payment rate applying to newer medicines for 2025 would be 22.9%, which is significantly higher than the forecasted 15.3%. In addition, the new proposed statutory payment rate of 32.2%, an average of 23.8% for 2025, is the highest medicines rebate payment rate seen in the UK, with the statutory payment rate between 2019 and 2022 averaging at 10.6% and increasing to 27.5% in 2023. These rates for both the statutory and voluntary scheme are significantly out of line with the Government's projection for 2025 and come as a major cause for concern to companies' ability to invest in the UK. We are concerned that this dramatic increase in payment rates is creating enormous challenges for companies forecasting and decision making that will result in severe impacts on investment plans in the UK and undermine the strength of the life science sector.

The BIA is also concerned that the payment rates could continue to rise if medicines spending exceeds the proposed 2% allowed growth rate, which we believe is too low. It is important to recognise that the uncertainty and challenges that arise from these unsustainable rebate increases will not only impact smaller biotech companies but also larger multinational pharmaceutical firms that will view the UK as an uneconomical location to develop and manufacture innovative medicines and will choose to invest elsewhere.

Further, the UK payment rates in both schemes are far higher compared to other comparable countries, where rates are between 7% and 12%, and is therefore highly uncompetitive. These uncompetitive rates risk forcing global companies to further deprioritise the UK in favour of more 'pro-innovation' markets, which is reflected in the declining number of clinical trials initiated in the UK seen in recent years and the declining rate of medicines availability in the UK. Clinical trials provide significant value to UK patients and the economy and current commercial challenges, exacerbated by unsustainable rebate rates, may be perceived by companies as unsupportive of innovation and is therefore damaging the UK's attractiveness as an early launch market, discouraging companies from investing in the UK and putting UK patients and the economy at a disadvantage. This will have significant implications for both larger pharmaceutical companies and smaller UK-based biotech companies, risking the potential growth of the UK's thriving life science ecosystem.

The Government has rightly identified life sciences as a key priority growth-driving sector in the new Industrial Strategy, however the BIA strongly believes that the proposed new voluntary and statutory scheme rates undermine government ambitions to grow the UK life science sector and fail to align with the objective set out in the scheme to enable access to new medicines in a way that supports the life sciences sector and broader economy.

We are pleased that the autumn VPAG operational review has been brought forward from October 2025 to conclude in June and hope that an outcome can be agreed which incentivises UK medicine development while balancing the NHS budget and financial uncertainty and unsustainability faced by companies. We remain supportive of the initial aim, when the voluntary scheme was agreed, that rates should return to a globally competitive position by the end of the 5-year scheme but are concerned that this may no longer be achieved.

The BIA recommends that as the life science sector plan and NHS 10-year plan are developed and the scheme is reviewed, a greater emphasis towards prioritising and incentivising investment in medical innovation in line with wider healthcare spending is urgently needed to ensure the continued strength of the life science sector.

Consultation proposal: assurance of company data

**The consultation seeks respondent views on additional assurance requirements for presentation reports, given the additional importance of these reports to the price erosion mechanism introduced on 1 January 2025. DHSC is seeking views on what these procedures could look like in practice, and proposes that timelines for the report would align with the existing annual sales report audit. The proposal suggests that an independent auditor would conduct any additional assurance procedures.**

**Do you agree or disagree with the proposal to introduce some form of additional assurance requirement on presentation level sales reports (PLRs)?**

- **Agree**
- **Neither agree nor disagree**
- **Disagree**
- **Don't know**

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

**In particular, please provide evidence as to the expected additional cost of this requirement, and how this might differ between companies of different sizes.**

Impact of the proposals

**If you have any comments on the proposed methodology used in determining the payment percentages (as set out in the accompanying impact assessment), please set them out here.**

**Please give reasons and provide any evidence or analysis that would support any refinement you think the department should make.**

The proposed methodology is based on a 2% cap on the allowed growth rate for medicines which we believe is fundamentally too low and will restrict the growth of the UK life sciences sector and reduce patients access to medicines in the NHS. The reasons for this are set out in previous answers in this consultation.

In Annex C of the impact assessment statement sets out the various factors which impact company investment location decisions, concluding that "supply side factors are of greatest impact compared to demand side factors in company decisions about where to locate globally mobile investments". We agree that there a number of factors which impact these decisions, however it is not clear from the evidence presented that supply side factors have a greater impact than demand side factors. 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, resulting in global boardrooms holding a negative perception of the UK as a destination for investment.

The impact assessment should include an analysis of the potential impact on UK-based biotech companies 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.

Specific consultation requirements in the NHS Act 2006

**The statutory scheme is required to include consultation about the economic consequences for the life sciences industry in the United Kingdom, consequences for the economy of the United Kingdom, and consequences for patients to whom any health service medicines are to be supplied and for other health service patients. This is set out in the impact assessment accompanying this consultation.**

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

- Agree
- Neither agree nor disagree
- Disagree

- Don't know

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

The BIA has a number of concerns with the proposals as set out in previous answers, with implications for the growth of the UK life science sector and access to medicines on the NHS. BIA member companies have continued to report that the uncompetitive and unsustainable rebate rates have led to global boardrooms becoming increasingly apathetic to the UK as a launch market and destination for investment. We are pleased that the Government has committed to urgently review these issues during the review in June.

Statutory duties

**Several specific duties must be considered when proposing updates to the statutory scheme, including:**

- **duties under the NHS Act 2006**
- **the Family Test**
- **the environmental principles policy statement**

**We believe that the proposals will help ensure the Secretary of State for Health and Social Care continues to promote a comprehensive health service and that the proposed scheme supports the sustainability of NHS spending on medicines and patients' access to these medicines.**

**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?**

- Agree
- Neither agree nor disagree
- Disagree
- Don't know

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

As outlined in previous answers, the BIA is concerned that the proposals will negatively impact on these duties, to promote a comprehensive health service and support patients' access to medicines, as they will reduce access to medicines for NHS patients, impact the supply of medicines, and reduce investment into research and development in the UK.

## About the BIA

The BIA is the trade association for innovative life sciences and biotech industry in the UK, counting over 600 companies including start-ups, biotechnology, universities, research centres, investors and lawyers among its members. Our mission is to be the voice of the industry, enabling and connecting the UK ecosystem so that businesses can start, grow and deliver world-changing innovation. Please contact Senior Policy and Public Affairs Manager Rosie Lindup at rlindup@bioindustry.org for any further information regarding to this consultation response.