Agenda Item
4.4

Joint Commissioning Committee

High-Cost Medicines

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Pwrpas yr Adroddiad / Report Purpose	For Noting Choose an item.

Engagement (internal/external) undertaken to date (including receipt/consideration at Committee/Group)		
Committee / Group / Individuals	**Date**	**Outcome**
Collaborative Commissioning Leadership Group	18/11/2025	Noted

Acronyms / Glossary of Terms	
RTT	Referral to Treatment Time
NHS Joint Commissioning Committee	NWJCC

1. SITUATION

It is likely that in the UK the price paid for new medicines, and new indications for established medicines, will increase significantly. There is considerable pressure on the UK Government to increase the amount spent on medicines, and it is anticipated that the threshold used by the National Institute for Health and Care Excellence (NICE) to determine the cost effectiveness of medicines will increase. As a result, the cost of new medicines will probably increase by between 25% and 100%. This will not increase the cost of all medicines as it is unlikely to affect the price paid for established medicines and established indications. Nevertheless, it will have a significant effect, and as many new medicines are high-cost treatments for rare and very rare conditions, this will disproportionately affect the JCC.

2. BACKGROUND

The UK Government is operating in an increasingly complex geopolitical environment and there is significant external pressure to increase the price paid for new medicines (and new indications for established medicines). This must be seen in the context of the potentially dissonant twin aims of the UK government to both increase the size of UK Lifesciences PLC, while also trying to manage the ever-increasing NHS spending. Furthermore, the ambition to move from treatment to prevention is likely to require significant up-front investment (particularly medicines investment) before long term savings are realised.

The UK government faces 4 challenges to the established medicines pricing order:

- United States' (US) ambition to correct the imbalance between pharmaceutical prices in the US and the rest of the developed world (2.1)
- Implications of the US UK trade deal and pharmaceutical tariffs (2.2)
- The Voluntary Scheme for Branded Medicines Pricing, Access, and Growth agreement (2.3)
- Pharmaceutical industry concerns over medicines pricing in the UK (2.4)

2.1 Perceived pharmaceutical price imbalance

It has long been recognised that there is an imbalance between pharmaceutical prices in the US and the rest of the developed world. Medicines are significantly more expensive in the US than in other developed countries due to a complex system of private negotiations, the absence of centralised price negotiation and a lack of direct price controls. US View is that other countries are "freeloading" on US prices. In the US the rate limiting step for access is Federal Drug Administration (FDA) approval, with no Health Technology Assessment (HTA). Consequently, pharmaceutical company pricing is relatively unfettered.

In contrast most developed countries conduct HTAs as a means of judging value for money when making recommendations on the funding and reimbursement of new health interventions. Several countries employ cost-effectiveness analysis which seeks to estimate the additional cost incurred to gain one quality-adjusted life-year (QALY) as part of their HTAs. This may then be compared against a certain level – a cost-effectiveness threshold – above which the new technology would be deemed to be not cost-effective. NICE in England, Scottish Medicines Committee (SMC) in Scotland and the All-Wales Medicines Strategy Group (AWMSG) in Wales all use this methodology.

The US administration is pressing the pharmaceutical industry to level prices between the US and the "most favoured nations". Unfortunately, it is likely that the UK will be one of the benchmark "most favoured nations". The US administration has threatened the pharmaceutical industry with significant tariffs unless they level the pricing playing field. The widely publicised 170% increase by Eli Lilly in the price of consumer tirzepatide (mounjaro) prescriptions reflects the direction of travel.

2.2 Implications of the US UK trade deal and pharmaceutical tariffs

When the US administration threatened significant tariffs on the majority of countries, the UK was proactive in negotiating a 10% tariff on most exports. However, the tariff on pharmaceutical products is yet to be agreed and the US administration has threatened to impose 100% tariffs on pharmaceutical imports to the US.

2.3 Voluntary Scheme for Branded Medicines Pricing, Access, and Growth

In 2019 the UK government entered into the Voluntary Scheme for Branded Medicines Pricing and Access (VPAS), a non-contractual agreement between the government and the Association of British Pharmaceutical Industry (ABPI), aiming to manage NHS medicine spending by capping growth in branded medicine sales and requiring rebates on sales exceeding the cap. In 2024 the VPAS scheme was replaced by the Voluntary scheme for branded medicines pricing, access and growth (VPAG). Put simply both the VPAS and VPAG schemes cap the amount spent on branded medicines based on a level of 'allowed growth'. Anything below the 'allowed growth' results in additional payment from government to industry. Anything above the 'allowed growth' results in a rebate paid to the UK Government, with a proportion paid to WG under the Barnett formula. The rebate is not hypothecated. The ABPI was unhappy that under the VPAS scheme the rebate had increased to 15% of revenues. They are even less happy that for 2025 the rebate paid to UK Government (and thus to WG) will increase to 23.5% of revenues.

2.4 Lifesciences in the UK

The pharmaceutical industry's negotiations with the UK government over medicines pricing under the VPAG agreement broke down without an agreement in late August. Since then, MSD has abandoned plans for a £1bn research centre in London and AstraZeneca and New York-based Eli Lilly have paused projects, taking total pharma investments that are on hold or cancelled to nearly £2bn since the start of this year. AstraZeneca is publicly mooting changing it's listing from London to New York. In response the UK government science minister Patrick Vallance has now indicated that all options are now on the table and that "price increases are going to be a necessary part" of the solution. It is worth noting that the UK now accounts for only 2% of the global pharmaceutical market, and since Brexit its position in the pharmaceutical world order has decreased markedly. Increasingly the pharmaceutical industry will target more profitable markets for R+D and manufacturing investment.

2.5 NICE, Incremental Cost Effectiveness Ratios and Thresholds
NICE undertakes the nearly all HTAs for new medicines (and new indications for medicines) in NHS England and Wales. At the heart of the process is the calculation of the incremental cost-effectiveness ratio (ICER) and NICE's baseline cost-effectiveness threshold. The ICER is calculated by dividing the difference in cost between two possible interventions, divided by the difference in their outcomes. The usual outcome measured is the quality-adjusted life year (QALY), and thus the usual ICER is the cost per QALY gained.

The threshold is the cost that the NHS is willing to pay for a medicine to achieve one year of good health, and for NICE is currently between £20,000 to £30,000/QALY. A medicine or intervention with an ICER less than £20,000/QALY will be recommended by NICE, while a medicine or intervention greater than £30,000/QALY will not. In considering ICERs between £20-30,000/QALY NICE will take account of the degree of certainty around the evidence, health gain and innovative technologies. For very rare diseases a severity modifier may allow consideration of ICERs greater than £30,000.

Virtually all new medicines considered by NICE have ICERs considerably above £30,000, but the medicine manufacturer will usually offer a confidential rebate on the list price of the medicine. Without the rebate most medicines would be currently unaffordable. Although the range of rebate is very broad, the average rebate on new medicines (or new indication for medicines) is 80%. Of note is that DHSC estimate that the average cost to the NHS of producing one QALY through its existing services such as GP care or surgical procedures to be £15,000. Thus even at an ICER of £20,000/QALY, the current NICE threshold results in an "opportunity cost" to the NHS.

2.6 Threats to NHS Wales
The NICE threshold ICERs have been unchanged since 1999. The ABPI are arguing that stagnation in NICE's threshold is now a pressing problem, not only for patients, but also for the UK's global competitiveness in the life sciences, and that it is limiting the country's ability to attract inward life sciences investment in R&D and manufacturing. The ABPI are pushing for a significant increase in the threshold to £40,000–£50,000/QALY.

It appears from press briefings that the UK government will increase the NICE threshold to £25,000–£35,000 (a 25% increase) (https://www.theguardian.com/business/2025/oct/08/nhs-could-pay-25-more-for-medicines-under-plan-to-end-row-with-drugmakers-and-trump) but if the ABPI are successful it could be £40,000–£50,000 (a 100% increase).

2.7 Inflation rate for medicines and the proportionately greater effect on the NWJCC

It is difficult to obtain comparable data across different organisation's spending. Nevertheless in 2021/23 total NHS spending in Wales was £8.3bn, of which £1.05bn was spent on medicines (12.6%). During this period the WHSSC budget was £750M of which £100M was for medicines (13.3%). In 2023/24 NHS England spent £20.6bn on medicines and medical devices, up from £19.2bn the year before (7.3% annual increase). The NWJCC budget for Advanced Therapies increased from £10M in 2023/24 to £25M in 2025/26. Medicines account for a significant proportion of JCC's budget, and the rate of inflation for medicines is higher than other areas of the NHS. The rate of inflation for high-cost medicines is even greater. Consequently, increases in the costs of new medicines (particularly high-cost medicines) will have a proportionately greater effect on NWJCC finances that other areas of the NHS in Wales.

3. ASSESSMENT

Objectives / Strategy	
Dolen i Amcan (au) Strategol CBC / Link to JCC Strategic Objectives(s)	Improve Equity and Population Health
	If more than one applies please list below:
Dolen i Ddeddf Llesiant Cenedlaethau'r Dyfodol – Nodau Llesiant / Link to Wellbeing of Future Generations Act – Wellbeing Goals *150623-guide-to-the-fg-act-en.pdf (futuregenerations.wales)*	A Resilient Wales
	If more than one applies please list below:
Dolen i Hwyluswyr Ansawdd *(Canllawiau Statudol Dyletswydd Ansawdd (llyw.cymru)) /* **Link to Enablers of Quality** *(Duty of Quality Statutory Guidance (gov.wales))*	Whole-systems Perspective
	If more than one applies please list below:
Dolen i Feysydd Ansawdd	Efficient
	If more than one applies please list below:

(Canllawiau Statudol Dyletswydd Ansawdd (llyw.cymru)) / **Link to Domains of Quality** *(Duty of Quality Statutory Guidance (gov.wales))*	Efficient
Effaith Amgylcheddol/ Cynaliadwyedd (5R) / Environmental /Sustainability Impact (5Rs)	Choose an item. If more than one applies please list below:

Impact Assessment		
Ansawdd *Ydych chi wedi ymgymryd â Sgrinio Asesiad o'r Effaith ar Ansawdd? /* **Quality** *Have you undertaken a Quality Impact Assessment Screening?*	Yes: ☐ Outcome:	No: ☐ If no, please include rationale below:
Cydraddoldeb *Ydych chi wedi ymgymryd â Sgrinio Asesiad o'r Effaith ar Gydraddoldeb? /* **Equality** *Have you undertaken an Equality Impact Assessment Screening?*	Yes: ☐ Outcome:	No: ☐ If no, please include rationale below:
Cyfreithiol / Legal	There are no specific legal implications related to the activity outlined in this report.	
Enw da / Reputational	There is no direct impact on the reputation of the Joint Committee as a result of the activity outlined in this report.	
Effaith Adnoddau *(Pobl /Ariannol) /* **Resource Impact** *(People / Financial)*	Yes (Include further detail below) Potential cost pressures on the JCC	

4. RECOMMENDATIONS

The Members of the Joint Commissioning Committee are asked to:

- **Note** the report and **consider** in relation to the forthcoming IMTP

5. NEXT STEPS

Next steps include:

- To await the UK governments decision on the NICE thresholds.
- NWJCC will continue to horizon scan all medicines and advanced therapies likely to be within the NWJCCs remit.
- NWJCC will game the financial consequences of different increases in the ICER threshold on the medicines horizon scanning to generate potential and likely budget impacts
- NWJCC to be updated on any medicines pricing developments