Value based pricing for pharmaceuticals: its role and prospects in a newly devolved UK NHS

Value based pricing (VBP) for pharmaceuticals will be introduced into the UK NHS in 2014. This fundamental change in pharmaceutical regulation offers an opportunity to align the incentives of manufacturers, the NHS and local prescribers. Although currently there is little detail about how the scheme will work, more details have been provided about the future role of NICE. Importantly, from 2014, NICE guidance may not be mandatory, i.e., backed by the current funding directive. It may no longer issue guidance about whether a technology is or is not cost-effective or whether it is recommended for NHS use. However, the success of a VBP scheme for a newly devolved NHS depends critically on the detail of the type of scheme envisaged and the details of how it might be implemented.

The principles of VBP might be better described as 'benefit based pricing': the price at which the health benefits of a new product are just greater than the health benefits forgone as a result of services displaced to fund it.

Here we examine the principles of VBP in a collectively funded health care system like the UK NHS, before considering how these principles might be best implemented, highlighting particularly critical issues and examining whether and how other aspects of value (innovation, wider economic benefits, weights reflecting other aspects of ‘need’, and the need for evidence) might be taken into account.

We show that if properly implemented VBP based on NICE appraisal has potential to improve rather than damage dynamic efficiency.

All welcome!