



CRD SEMINAR

Professor Karl Claxton

Department of Economics and the Centre for Health Economics, University of York

Wednesday 7 September 2011

13:30 – 14:30

ARRC Auditorium



Karl Claxton is a Professor in the Department of Economics and the Centre for Health Economics at the University of York. He was a Harkness Fellow at the Harvard School of Public Health and until 2007 he held an adjunct appointment at Harvard as an Assistant Professor of Health and Decision Sciences. His research interests encompass the methods for the evaluation of health care technologies. He has served as a member of the National Institute for Health and Clinical Excellence Appraisal Committee from 1999 to 2010 and more recently as a member of the newly formed Medical Technologies Appraisal Committee. He has represented the committee at a number of appeals and was an expert witness for the Institute during judicial review. He is also a member of the National Decision Support Unit and continues to contribute to the development of the NICE Guide to the Methods of Technology Appraisal. He has contributed in a number of ways to recent policy debates such as pharmaceutical pricing and innovation, including as an expert witness at the House of Common Health Select Committee and the Kennedy review of Innovation in Health Technology. As well as NICE he has also advised, Department of Health, HM Treasury, Department of Innovation and Skills and Office of Life Sciences.

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!