

Pharmaceutical Price Regulation Scheme 2014: revised forecasts and profile of payment percentages at December 2015

Revised forecasts and payment profile

1. The table below sets out for each year of the scheme the revised forecasts and profile of payment percentages following the second adjustment to the profile of PPRS payments calculated in November 2015.
2. The Government welcomes the pharmaceutical industry's agreement to increase its payments to the Department of Health in 2016 compared to the amount agreed in the amendment to the Pharmaceutical Price Regulation Scheme (PPRS) published in August 2015. This supports the Government's NHS funding commitment made at the Spending Review to deliver the Five Year Forward View. This represents a payment of monies that would have been due in 2017 and 2018 under the PPRS and will support industry and government efforts to improve patient access to new clinically and cost-effective medicines.

Table 1: revised forecasts and profile of payment percentages

	2014	2015	2016	2017	2018
Revised forecast Growth Rate of Measured Spend (F%)	6.03%	0.90%	3.63%	1.91%	2.86%
Allowed Growth Rate of Measured Spend (AGR)	0%	0%	1.8%	1.8%	1.9%
Revised forecast of New Products Share of Measured Spend (NP%)	0.55%	1.95%	3.74%	5.70%	7.79%
Annual payment percentage (P% ₀₁ , P% ₀₂ and P% ₀₃)	3.74%	10.36%	7.80%		
Estimated future annual payment percentages (2017, 2018) (FP% ₀₄ , FP% ₀₅)				7.80%	7.80%

Methodology

3. The Pharmaceutical Price Regulation Scheme (PPRS)¹ sets out the methodology for calculating and adjusting the payment percentage each year. The revised addendum to the PPRS published on the same web page in December 2015 clarifies the treatment of sales of Cancer Drugs Fund (CDF) medicines under the PPRS.
4. This is the second adjustment to the PPRS payment percentage profile. The first adjustment was published in December 2014 (archived). The Department is committed to publishing outturn quarterly aggregated sales and payments data for the PPRS on an ongoing basis. The Q3 2015 aggregated date is at <https://www.gov.uk/government/publications/pprs-quarterly-net-sales-and-payment-information> together with the previous publications.
5. An explanation of the adjustments set out in Table 1 follows.
 - The forecast Growth Rate of Measured Spend figures (F%) and the forecast of New Products Share of Measured Spend figures (NP%) have been revised automatically according to the methodology set out in the PPRS, as amended by the addendum.
 - The calculation used annual data for calendar years 2013 and 2014 (audited wherever possible) to correct the 2014 outturn growth rate.
 - The calculation used the latest unaudited outturn data for the 12 months ending 30th September 2015 as compared to the 12 months ending 30th September 2014 to calculate the provisional 2015 growth rate.
 - The first two years' annual payment percentages (P%₁ and P%₂) were 3.74% and 10.36% respectively. These percentages were set to deliver a 0% growth rate in 2014 and 2015 for the sales covered.
 - Applying the PPRS methodology as amended by the addendum produces a profiled smoothed payment percentage for the last three years of the PPRS of 7.80% in order to deliver the agreed growth rates of 1.8% (2016), 1.8% (2017) and 1.9% (2018).
 - The third year's annual payment percentage (P%₃) is now fixed at 7.80%.
 - However, the final payment percentages in 2017 and 2018 (P%₄ and P%₅) depend on how the forecast growth rate compares to outturn for the remaining years of the scheme, and will be adjusted on an annual basis, as set out in the PPRS and the addendum.
 - In line with the agreement with the ABPI, the latest NHS England outturn or forecast figures for spend on the CDF have been used (see Table 2

¹https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/282523/Pharmaceutical_Price_Regulation.pdf

below). Where no budget forecast is available, we have used indicative figures.

Table 2: current CDF spend figures

NHS Financial Year	CDF spend £m
2013/14	230.5
2014/15	415
2015/16	410*
2016/17	340*
2017/18	340*
2018/19	340*

* The figure for 2015/16 represents NHS England's latest forecast of CDF spend (representing on overspend of £70m on the budget of £340m). The figures for 2016/17 onwards are indicative, and subject to confirmation from NHS England and the Department of Health following the 2016/17 financial allocations and the outcome of the current consultation on the Cancer Drugs Fund operating model.

Apportionment to the Devolved Administrations

6. The Government recognises that the PPRS payments that companies make under the 2014 Scheme in respect of the UK need to be allocated to each of the devolved administrations in a fair way. It is a matter for the devolved administrations to decide how to use the apportioned payments they receive from the PPRS.
7. The method for apportioning the 2014/15 and 2015/16 payments is based on primary care data for spend on licensed branded medicines, as the most consistent data set available across the UK. Income is apportioned using prescribing data for the same period as the income relates. The Health Departments explored with industry whether an accurate four country split of PPRS sales data could be obtained to inform the apportionment however not all companies are able to provide this data.

Payment outturn and estimates

8. In the interests of transparency we are publishing:
 - In Table 3 below, the outturn income from PPRS payments in 2014/15 for the UK and the apportionment of that income across the four countries.
 - In Table 4 below, estimated UK and England income in 2015/16 and 2016/17. These are still only estimates as the outturn depends on the actual sales during the relevant periods, the final PPRS payment

percentage for 2017, and the apportionment method agreed with the Devolved Administrations for 2016/17.

Table 3: PPRS Payments in 2014/15

£m	PPRS Payments
UK	443
England	357
Scotland	41
Wales	26
Northern Ireland	19

Note: The figures are based on actual amounts received and recorded in the 2014/15 financial year

Table 4: Estimated UK and England income from PPRS Payments

£m	2015/16	2016/17
UK	800	647
England	640	518

Treatment of PPRS payments in England

9. The Department ensures that all the income it receives from PPRS payments in England is reinvested in the NHS for patients' benefit. The Department includes the expected PPRS Payments in setting the NHS England allocations in advance of each year. Following normal Government accounting rules, and in line with the agreed PPRS, there is no separately identified or ring-fenced funding stream associated with the PPRS payment
10. The estimate for 2014/15 taken into account in setting the allocations for NHS England was £375m and the outturn for England was £357m. The estimate taken into account in setting the budget for 2015/16 was £796m. The revised estimate is £640m. The Department continues to work with NHS England to manage the expected reduction in PPRS payments compared to original forecasts.