



Department
of Health

Pharmaceutical Price Regulation Scheme (PPRS) 2014: payment percentage for 2018

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Pharmaceutical Price Regulation Scheme (PPRS) 2014: payment percentage for 2018

1. In December 2016, the Department of Health and the Association of the British Pharmaceutical Industry agreed to amend Chapter 6 of the 2014 PPRS in accordance with paragraph 3.4 of the scheme in order that the scheme continued to deliver its agreed objectives of predictability and stability to Government and industry, and ensure that the cost of branded medicines to the NHS stays within affordable limits. The effect of the change is that the payment percentage for 2018 will fall within a range of 2.38-7.80%.
2. Together with the previous publications, the Q3 2017 aggregated data is at: <https://www.gov.uk/government/publications/pprs-quarterly-net-sales-and-payment-information>. This is aggregated into annual data below:

Table 1: forecasts and profile of annual payment percentages

	2014	2015	2016	2017	2018
Growth rate of measured spend (F%)	6.3%	0.4%	2.6%	5.2%	3.4%*
Allowed growth rate of measured spend (AGR)	0%	0%	1.8%	1.8%	1.9%
New products share of measured spend (NP%)	0.5%	2.7%	6.3%	9%	12.8%*
Annual payment percentage (P%1, P%2 and P%3)	3.74%	10.36%	7.8%	4.75%	15.23% (unadjusted)

*Forecast figures

3. As the unadjusted payment percentage for 2018 falls outside the agreed range of 2.38% to 7.80%, the actual payment percentage for 2018 will be set at 7.80%. The methodology for this calculation is set out in annex 5 of the 2014 PPRS, as revised in December 2016.

Apportionment to the devolved administrations

4. 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.

5. The method for apportioning 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

6. In the interests of transparency we are publishing:

- Table 2, reporting the outturn income from PPRS payments in 2016/17 for the UK and the apportionment of that income across the four countries.

Table 2: PPRS payments in 2016/17

£m	PPRS payments
UK	572
England	461
Scotland	54
Wales	32
Northern Ireland	23

Note: the figures are based on actual amounts received and apportioned to the devolved administrations

- Table 3, showing the estimated UK and England income in 2017/18 and 2018/19. These are only estimates because the outturn depends on the actual sales during the relevant periods, and the apportionment method agreed with the Devolved Administrations for 2018/19.

Table 3: Estimated UK and England income from PPRS payments (rounded to nearest £10m).

£m	2017/18	2018/19
UK	440	470
England	350	370

Treatment of PPRS payments in England

7. The Department ensures that all the income it receives from PPRS payments in England is reinvested in the NHS for patients' benefit. 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
8. The Department estimates expected income from the PPRS, which is then included within NHS England baseline financial allocations. The previous estimate for 2017/18 for England was £256-351 million. The current forecast for 2018/19 is £370 million. The Department manages the up and downside risks should income be greater or lesser than the estimate.

Patient Access Schemes in 2018

9. Following the Government's response to the Accelerated Access Review, the Department, the ABPI and NHS England have agreed a change to the administration of Patient Access Schemes (PAS), effective from 1 January 2018. This will see operational and approval functions currently carried out by the Department of Health transferred across to NHS England. Each PAS proposal will continue to be reviewed in accordance with the existing criteria, which were agreed between the Department and the ABPI as part of the 2014 PPRS.
10. The change is being made because allowing NHS England to facilitate the PAS process ensures dialogue regarding access arrangements is with the same party throughout the HTA process, which is not currently the case for products that undergo HST appraisal or enter the Cancer Drugs Fund. This will therefore remove duplication and bureaucracy. A joint communication from the ABPI, the Department and NHS England will follow shortly, including minor amendments to the PPRS that reflect the change in responsibility.