

## **Cancer Research UK's response to the Office of Fair Trading Report on the Pharmaceutical Price Regulation Scheme**

### **Summary**

- Action is needed to ensure that cancer patients in the UK get fair and timely access to the best possible cost-effective treatments.
- The current system of drug pricing, and the way that it works in conjunction with the system of NICE appraisal, is untenable and disproportionately disadvantages cancer drugs and treatments in other areas of medically unmet need.
- Negotiations between the NHS and the pharmaceutical industry must be aimed at achieving maximum patient benefit within an acceptable overall budget.
- Cancer Research UK fully supports proposals for a value based pricing scheme for pharmaceuticals.
- The pharmaceutical industry, as every other industry, has a responsibility to take the value of their products into account in price setting.
- The Government must act now to ensure that the NHS is getting value for money for the pharmaceutical products it is purchasing.

### **Background**

Cancer Research UK is the largest charity funder of research in the UK. We carry out world-class research to improve our understanding of cancer and how to prevent, diagnose and treat different kinds of the disease.

Cancer Research UK welcomes the Office of Fair Trading (OFT) report on the Pharmaceutical Price Regulation Scheme (PPRS). We believe that a revision of the current system of PPRS is timely due to both the changing nature of drug development and the nature of the treatments in development. It would be a huge disappointment to us if the Government did not use this opportunity to revise the system which is currently failing cancer patients, as well as patients in other areas of unmet medical need.

As the major non-commercial cancer research funder in the UK, and as a charity directly supported by one in ten people, Cancer Research UK is a unique and important stakeholder in this debate. Our focus, as always, is on achieving the best possible health outcomes for patients with all forms of cancer.

We have already begun to see enormous dissatisfaction and disaffection from the public in response to media coverage where patients have been denied access to cancer treatments. The public question the value of cancer research if the resulting discoveries are then deemed too expensive for UK patients to receive. This negative situation damages not only the Government, but also the pharmaceutical industry and medical research charities, and certainly doesn't benefit patients. Indeed,

anecdotal evidence suggests that access to new treatments is the biggest single cause of dissatisfaction amongst cancer patients in the UK.

Much is made of the enviable position that the UK finds itself in at the forefront of science. We must act to ensure that government initiatives to promote the translation of research from bench to bedside are not undermined by a pricing system that prevents these advancements from ever reaching the public.

### **The development of cancer drugs and problems with the current system of PPRS**

We are in an unprecedented era of development of new anti-cancer drugs, built on the foundation of our rapidly increased level of understanding of how cancer starts and develops. A new generation of cancer therapies, targeted at the specific abnormalities found in cancer, are already becoming available. There are currently over 1,000 anti-cancer therapies in development. The whole pharmaceutical industry is investing heavily in oncology.

However, cancer remains an area of huge unmet medical need. Many of the newer agents are targeted at cancer abnormalities, rather than being general cytotoxic (cell-killing) agents, conferring higher efficacy and fewer side effects than classical chemotherapy regimes.

Accompanying these advances, the cost of development of new drugs continues to increase. There are few precise figures for this but estimates in the region of \$1 billion per successful drug are often cited. We accept that pharmaceutical companies need to recover their costs to allow more money to be invested in future research. However, other industries also need to recoup their R&D costs and they manage this without a system analogous to PPRS. Furthermore, there is little evidence to suggest that companies retain their R&D in the UK just because of the PPRS. The far more important driver is the quality of science and scientists across the UK, and the unique opportunity offered to the pharmaceutical industry by the NHS.

We believe that PPRS, as it is currently negotiated, and the mechanism by which the NHS considers what constitutes 'value for money' through the appraisal process overseen by the National Institute for Health and Clinical Excellence (NICE), disproportionately disadvantages cancer patients.

In areas where there are few or no competitor treatments, the profit-cap system of PPRS actively encourages treatments to be priced as high as possible. Pharmaceutical companies are able to demand high prices for new drugs whilst these treatments are still under patent. Cancer drugs are generally priced at higher levels by companies than drugs in some other therapeutic areas where there is more competition. In conjunction with the NICE threshold for cost effectiveness this inhibits new cancer drugs from being made available through the NHS.

Also, the majority of new cancer drugs are first licensed for use at the end stage of the disease. This is due both to the often high toxicity of new cancer therapies, and the nature of disease. Proven treatments are most likely to be used in the first stages of disease to prolong life, with newer, unproven, treatments resorted to when all other options fail. Under the current PPRS, when setting the initial price of these treatments, manufacturers will likely be aware that use in an active clinical setting will uncover suitability in patients at an earlier stage of their disease. This will result in a much larger market for the drug. Under the current PPRS, price negotiations with the

Department of Health generally result in a decrease in price. Manufacturers will therefore understandably want to set as high a price as possible for their new therapy, regardless of the fact that the value to patients will be lower when first licensed.

When NICE then come to appraise such a treatment relative to the price set by manufacturers, they will necessarily find it too expensive in the smaller population of end-stage disease patients who have lower life expectancy than patients at an earlier stage of their disease. The result is that expensive cancer treatments in areas of highest unmet medical need are increasingly unlikely to receive NICE approval. This potentially creates a vicious cycle wherein the higher the level of unmet need, the lower the chance that patients will be able to access a new treatment.

It is recognised that many of the newer treatments are being priced at levels much higher than historical averages. This, coupled with growing cancer incidence and expected lower increases in annual settlements for the NHS, looks set to place strain on the NHS budget. This strain will also increase as future best practice focuses on using combinations of the newer, more expensive treatments.

We fully understand that this issue cannot be tackled in isolation, and that initiatives that make pricing more related to value need to be accompanied by discussion on what constitutes value and how we can improve uptake of new treatments in a typically cautious NHS. However, these issues are being addressed. The House of Commons Health Select Committee ongoing inquiry into the work of NICE and the Cancer Reform Strategy exploration of how we can improve implementation of NICE approved drugs in the NHS are two examples of this. The Government must also face its responsibility to address drug pricing if we are to get the best deal for patients throughout the UK.

### **Comments on OFT recommendations for reform**

The OFT report recommends a number of options for stemming the rapidly spiralling costs of pharmaceuticals in the UK.

### **We believe that an ex-ante value system would be the fairest system and would most benefit cancer patients in the UK.**

Such a system would comprise a fast track assessment of a new drug's cost effectiveness at time of licensing and a rapid evaluation of the appropriate maximum price. In the absence of sufficient data, a risk sharing approach could be adopted, basing price on claims of cost effectiveness accompanied, where necessary, by future re-evaluations and repayments.

In the UK, we already operate a system of evaluating drugs based around cost effectiveness, such as the Health Technology Appraisal process undertaken by NICE. With adequate resourcing and a focus on increasing the numbers of Health Economists, the UK is therefore already equipped to carry out the necessary evaluations to inform negotiations between the NHS and the pharmaceutical industry.

It is clear that patients in the UK are currently experiencing delays in getting access to new treatments. This is only set to grow as NICE increasingly finds new treatments not cost-effective at launch. Patients will then have to wait an

undetermined amount of time until more research uncovers ways to make these drugs more targeted and cost-effective and the drug is re-evaluated by NICE.

It is our strong belief that pharmaceutical companies with confidence in the new treatments they are developing should not be frightened of schemes aimed at pricing treatments according to their benefit. Enabling the NHS to get value out of the money it spends on drugs will undoubtedly improve its ability to afford new treatments for cancer patients.

We welcome recent moves by Janssen and NICE to reach an agreement by which the company receives reimbursement for their new multiple myeloma treatment only when it confers actual benefit to patients, thereby reducing the overall cost of the drug to the NHS.

### **Innovation and advances in cancer treatments**

We are aware of a number of concerns voiced by the pharmaceutical industry with the findings and recommendations of the OFT report in terms of the impact these may have on future innovation. We support the need to develop a process of drug pricing that continues to reward and drive innovation in new drugs. In fact, the majority of progress in medical therapeutics generally takes the form of incremental innovation in terms of reduced side effects or slightly increased efficacy. This is especially true in cancer, where 'breakthrough' treatments are rare. As these drugs would necessarily command a lower value-for-money-rating this issue would automatically be addressed through a value-based pricing system.

### **Conclusion**

Solutions must be found to address current problems. We want to work with Government and the pharmaceutical industry to do this. The UK is a world-leader in the discovery and development of new anti-cancer treatments, but is slow in the uptake of these new medicines. It would be a great disappointment to us, and to cancer patients, if the Government does not take full advantage of the opportunity presented by the OFT report.

**Cancer Research UK  
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