

# Pharmaceutical Price Regulation Scheme (PPRS) 2014: revised payment percentages at December 2016

## Revision of Chapter 6 of the 2014 PPRS

1. The Department of Health and the Association of the British Pharmaceutical Industry have agreed in principle to amend Chapter 6 of the 2014 PPRS<sup>1</sup> in accordance with paragraph 3.4 of the scheme in order that the scheme continues to deliver its agreed objectives of predictability and stability to Government and industry, and ensuring that the cost of branded medicines to the NHS stays within affordable limits. The effect of the change is that payment percentages for the final two years of the scheme are to be set as referenced below.

## Revised payment profile

2. Table 1 sets out the payment percentages that have applied for 2014, 2015 and 2016, as well as the payment percentage that will apply in 2017 and the range within which the payment percentage will fall in 2018.
3. The Government welcomes the pharmaceutical industry's agreement to the payment percentage arrangements for 2017 and 2018. This agreement offers increased stability to both the pharmaceutical industry in the UK, allowing it to plan its investment strategies, and the NHS by supporting the Government's NHS funding commitment for the health service.

**Table 1: historical and future and profile of payment percentages**

	2014	2015	2016	2017	2018 <sup>2</sup>
Annual payment percentage	3.74%	10.36%	7.80%	4.75%	2.38% - 7.80%

<sup>1</sup> As amended by the addenda dated 21 August 2015 and 21 December 2015:

<https://www.gov.uk/government/publications/pharmaceutical-price-regulation-scheme-2014>

<sup>2</sup> The payment percentage in 2018 will be determined by reference to the PPRS provided that the resulting PPRS Payment percentage it will fall within the range set out in the table above.

## Methodology

4. Previous adjustments to the PPRS payment percentages have been published on the gov.uk website. The Department is committed to publishing outturn quarterly aggregated sales and payments data for the PPRS on an ongoing basis. Together with the previous publications, the Q3 2016 aggregated data is at:

<https://www.gov.uk/government/publications/pprs-quarterly-net-sales-and-payment-information>.

## Apportionment to the Devolved Administrations

5. 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.
6. 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

7. In the interests of transparency we are publishing:
  - Table 2, reporting the outturn income from PPRS payments in 2015/16 for the UK and the apportionment of that income across the four countries.
  - Table 3, showing the estimated UK and England income in 2016/17 and 2017/18. These are only estimates because the outturn depends on the actual sales during the relevant periods, the PPRS payment percentage for 2018, and the apportionment method agreed with the Devolved Administrations for 2017/18.

**Table 2: PPRS Payments in 2015/16**

£m	PPRS Payments
UK	782
England	629
Scotland	77
Wales	44
Northern Ireland	32

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

**Table 3: Estimated UK and England income from PPRS Payments**

£m	2016/17	2017/18
UK	550	320 – 439
England	440	256 – 351

### Treatment of PPRS payments in England

8. 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
  
9. The Department estimates expected income from the PPRS, which is then included within NHS England baseline financial allocations. The previous estimate for 2016/17 for England was £518 million. The current forecast for 2016/17 is £440 million. The Department manages the up and downside risks should income be greater or lesser than the estimate.