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Rt. Hon Jeremy Corbyn MP
Leader of the Labour Party
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Labour Party proposal for a state-owned generic medicines manufacturer

We very much welcomed your support for the role that generic medicines play in helping to keep the NHS drugs bill affordable and in widening patient access to medicines as set out in your Conference speech and the Party's *Medicines for the many* report. We strongly agree with the paper's assertion that "the most sustainable way to keep drug prices down is through competition among generic suppliers".

The UK already has one of the most competitive generic medicines markets. As a result, the UK pays the lowest prices in Europe for its generic medicines¹. More than 75% of all NHS prescriptions are fulfilled by a generic medicine; and on average, the generic medicine price is 70% lower than the originator product immediately after loss of market exclusivity (patent and data exclusivity), before falling over time to being as much as 90% lower than the originator price². This leads to annual savings for the NHS of more than £13billion³, compared with the cost if all medicines were reimbursed at the average brand reimbursement price.

Comparable savings are now available for biological medicines with the growth in the use of biosimilars. The *Medicines for the many* report referenced the cost of the originator biological medicine Humira®. Following the loss of its exclusivity around a year ago, the launch of biosimilar Adalimumab has already saved the NHS £110 million.

The current pricing and reimbursement mechanism for generic medicines, which also serves to fund community pharmacy, achieves these low prices in part due to its flexibility in allowing prices to go up and down to cater for increases in manufacturers' costs and to reflect constraints in supply. As is mentioned in the *Medicines for the many* report, the National Audit Office⁴ conducted a review into increases in the cost to the NHS as a result of so called concessionary price increases for some medicines in a period of unusually high volatility. Even then, in the year NAO reviewed, the average reimbursement price of generic medicines fell on the year before.

¹ "The supply of generic medicines in the UK" market report, Oxera, June 2019, available at: <https://www.britishgenerics.co.uk/oxera>

² "The supply of generic medicines in the UK" market report, Oxera, June 2019, available at: <https://www.britishgenerics.co.uk/oxera>

³ "Prescriptions Dispensed in the Community - Statistics for England, 2007-2017", NHS Digital, 28 June 2019: <https://digital.nhs.uk/data-and-information/publications/statistical/prescriptions-dispensed-in-the-community/prescriptions-dispensed-in-the-community-england---2007---2017>

⁴ "Investigation into NHS spending on generic medicines in primary care", National Audit Office, 5 June 2019

Against this background, and Oxera's review⁵ (which we have previously shared with your health front bench colleagues), we believe that the current system, which encourages generic competition and incentivises doctors and pharmacists to prescribe and dispense generically, works extremely well in the interests of patients and the NHS. And while we are always supportive of policies to boost competition, we do not understand how a state-owned generics manufacturer – operating to the same requirements as others in the marketplace – would be able to have a positive impact. We should welcome the opportunity further to understand your views.

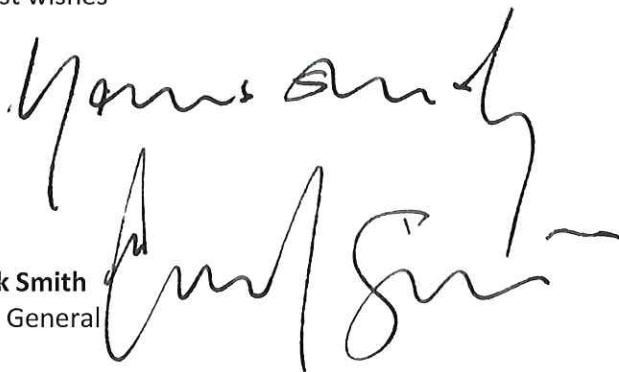
Of course, improvements can be made, and many of these are within the gift of government as well as the industry. For instance, we are working with the NHS to look at how generic manufacturers, partnering with medical research charities, may license on behalf of those charities proven treatments that are currently unlicensed, as way of helping to increase prescribing for those indications. Working with all stakeholders, we want to devise a better way to avoid and manage shortages.

Equally, we believe that the current pricing and reimbursement policies pursued by successive governments of applying a different system to branded and unbranded medicines, rather than distinguishing between those where there is competition and those where there is not, leads to higher costs to the NHS. The inclusion of biosimilars and branded generics in pricing schemes⁶ conceived for controlling the prices of patent-protected monopoly products actually serves to reduce competition and leads to higher prices. The pricing systems currently in place favour monopoly rights holders.

As the representative body for the generic and biosimilar industries, we should welcome the opportunity to engage with you or your team on these issues. I will contact your office to see if a meeting is possible. Alternatively, please feel free to contact me.

I have copied this letter to Jonathan Ashworth.

With best wishes

Yours truly


Warwick Smith
Director General

⁵ "The supply of generic medicines in the UK" market report, Oxera, June 2019, available at: <https://www.britishgenerics.co.uk/oxera>

⁶ Voluntary Pricing and Access Scheme (VPAS) and the Statutory scheme to control costs of branded health service medicines