Letter from Westminster

Review of Pharmaceutical Price Regulation Scheme

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The Public Accounts Committee is a formidable body. The granddaddy of the Commons select committees that scrutinise the work of individual departments, it looks at the way government money is spent in general terms. It is certainly the committee that ministers and civil servants treat with the greatest respect. The PAC has taken a regular interest in the size of the National Health Service drug bill, a subject that has once again become politically interesting. Criticism by the PAC of the previous scheme prompted the DHSS to set up the present Pharmaceutical Price Regulation Scheme five years ago.

The PAC was again on about the size of the NHS drug bill last week and had summoned officials from the DHSS, led by Sir Kenneth Stowe, the permanent secretary, to give evidence on the working of the scheme. All this was, of course, against the background of agitation by Opposition and Social Democrat MPs over what will be done about the yet to be published Greenfield report on generic prescribing. Clearly, Sir Kenneth had to turn up with something to say if the PAC was not to have a field day—and he duly did. A review of the scheme is to take place, and it will also take into account what Greenfield has to say and report to ministers by the summer.

Sir Kenneth told the PAC that taking into account that the scheme has been running for five years unaltered and that drugs accounted for about 10% of NHS spending—some £1700m—the DHSS ministers had decided it was appropriate now to review its working. "Ministers have concluded that review should now be undertaken and will want in particular to consider whether the rate of return on capital allowed to the industry as distinct from the target rate attributed to individual companies is appropriate; whether the incentives to efficiency and profit offered to individual companies are appropriate; whether the allowances made for costs charged as expenses under the scheme are too big or too small; and finally whether the scheme is right and what is the relationship to it of the Greenfield report on more effective prescribing," he said.

"The Secretary of State is proposing that it should be reviewed by the Department in consultation with other departments and the industry to make sure the balance is right between the interests of patients, the taxpayer and the industry, and that will now be set in hand." Mr Joel Barnett, the former Labour minister who chairs the PAC, asked when it would be concluded, and was told that this would be during the course of the summer but that Mr Norman Fowler, the Social Services Secretary, would want to take account of any views the PAC might express in its report about the scheme.

Mr Barnett then politely asked why it had taken so long for anything to be done about the Greenfield report, which has been in ministers' hands since last February. He got a splendidly *Yes, Minister* answer from Sir Kenneth to the effect that the

DHSS had been rather busy over the months since then. One of the charges made against Mr Fowler is that he is very much a one issue at a time minister, and the health pay dispute was just the kind of issue to drive all others into his pending tray.

The decision was given a qualified welcome by Mrs Gwyneth Dunwoody, Labour's health spokesman, who has embarked on an attempt to extract from the DHSS information about the prices the drug firms charge the NHS for their products. She wants Lord Cockfield, the Trade Secretary, to institute inquiries by the Monopolies and Mergers Commission into the sales practices of Bayer, Hoechst, and Pfizer, claiming there is clear evidence that some drug companies are ripping off the NHS at every chance they get.

In his report on the PPRS, the Comptroller and Auditor General, Mr Gordon Downey, said that the DHSS considered the scheme, taken overall, to be effective and to ensure that drug prices in the NHS were fair and reasonable. But he continued: "My examination has indicated, however, that the DHSS acknowledged the difficulty in administering the profit control aspect of the scheme, that there are uncertainties about the reasonableness of transfer prices, and the DHSS have inadequate evidence to establish objectively the efficiency of the industry."

Time government stopped protecting drug companies

Mrs Dunwoody sees that as grist to her mill. In addition, she said, there was evidence of drug companies putting pressure on those who reimported these drugs for sale at the lower prices. "It is time that the government stopped protecting drug companies and started protecting the interests of the NHS," she added. As for the inquiry, she said that late conversions were thought by the Good Lord to be better than none at all, but she would believe it when she actually saw the legislation to stop drug companies ripping off the NHS.

When the PAC does report, the chances are it will make something of an admission Mr Barnett extracted from Mr John Long, an assistant secretary at the DHSS, about the difficulties the Department has in dealing with the drug companies' figures on profits. He asked how many accountants were employed on the work. "We have engaged in this work one accountant full time with access to the rest of the branch within the Department," Mr Long replied. It sounds not too bad, but Mr Barnett asked the obvious follow up. "How many accountants are there in the Department?" "Ten," replied Mr Long. "How many do you think the 65 drug companies have?" Mr Barnett inquired. "More than that," Mr Long said, sounding a little abashed.

On the industry's profits the officials proved unwilling to give figures, and there was another choice little exchange between Mr William Hamilton, Labour MP for Central Fife and a PAC warhorse of long standing. Sir Kenneth suggested that the best way of replying would be for the DHSS to "put in a note" to the committee. Mr Hamilton persisted. Sir Kenneth waffled for a couple of sentences and promised a note. Mr Hamilton swallowed hard and admitted defeat.