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2015 life sciences outlook
United Kingdom

Pharmaceutical sales in the United Kingdom have grown strongly over the past decade and should continue to do so, driven by an aging population, further increase in chronic diseases, rising payer benefit levels, wider use of preventative treatments, and technology advancements.[1]

About 10 percent of global pharmaceutical R&D is performed in UK laboratories, the third-largest share, behind the U.S. (50 percent) and Japan (15 percent).[2]

The UK is likely to be among Europe's best-performing large markets in the next few years. Sales of prescription and over-the-counter (OTC) drugs are forecast to rise 2.9 percent annually (in local currency terms), from an estimated $34.2 billion in 2013 to $39.7 billion in 2018. In addition, the UK is among the world's largest exporters of pharmaceuticals by value.[3]

UK's pharmaceutical market = $34.2 billion in 2013

Growth rate = 2.9 percent annually (in local currency terms) in 2014-2018

The life sciences sector is a substantial employer in the UK, and several leading global pharmaceutical firms are headquartered there. These companies, like their peers around the globe, are dealing with a number of issues, among them:

Pricing pressures — Branded pharmaceutical prices in the UK are subject to constraints under the Pharmaceutical Price Regulation Scheme (PPRS), a voluntary agreement between manufacturers and the government. The most recent version of the PPRS (2014), introduced a spending ceiling, with companies agreeing to zero price increases for the first two years, followed by small increases of less than 2 per cent in the following three years. The scheme regulates the profits that that companies can achieve on sales to the NHS, rather than regulating prices directly. The aim is to provide a balance between the need for new medicines in the future, patient access to medicines, and the need for government to manage expenditure wisely. To date the majority of companies have joined the voluntary scheme as the alternative is a statutory scheme that requires companies to cut prices by 15 per cent and is mainly used by smaller companies.[4, 5]

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1 *Industry Report, Healthcare: United Kingdom,* The Economist Intelligence Unit, June 2014
2 Ibid
3 Ibid
4 http://www.abpi.org.uk/our-work/policy-parliamentary/Documents/understanding_pprs2014.pdf
5 Ibid

Growth of generics — The UK has one of the most established markets for generic medicines in the European Union (EU). Generics' market share has more than doubled over the past decade and is expected to keep growing. The UK Government has encouraged prescribers to prescribe generics if available, as they are generally more cost-effective than branded drugs and, because it allows any suitable product to be dispensed, which can reduce delays in supplying medicines to patients. Generic medicines go through the same detailed safety and quality requirements as the original branded product. Usage of generic medicines increased to more than 75 per cent of all NHS prescriptions in 2013. Based on these data, generic medicines now save the NHS nearly £12.3billion annually (according to the British Generic Manufacturers Association (BGMA), which represents more than 90 per cent of the UK supply market).[6, 7]

Transition from a volume-based to a value-based market — Life sciences companies are becoming more responsible for patient outcomes, and to provide evidence of their products' efficacy and value. The UK's National Institute for Health and Clinical Excellence (NICE) undertakes technical appraisals of the clinical and cost effectiveness of health technologies, such as new pharmaceutical and biopharmaceutical products, to ensure that all NHS patients have equitable access to the most clinically- and cost-effective treatments that are available. NICE uses information from clinical trials as well as information from patients and clinical experts in making their assessment. Regulations require clinical commissioners to comply with recommendations in a technology appraisal within 3 months of its date of publication. The NHS is legally obliged to fund and resource medicines and treatments recommended by NICE's technology appraisals. Between 2000 and 30 September 2014 NICE has undertaken 534 assessments, 80 per cent of decisions (426) were ´recommended' or approved for use in specific circumstances (optimized).[8]

Some of NICE's decisions to refuse access to new treatments have proved unpopular with the pharmaceutical industry and the public. NICE is currently developing proposals on changes to the basis on which it recommends treatments; these changes were due to be implemented in late 2014. However following a consultation, NICE has agreed to undertake further work to consider the changes to NICE methods as part of a wider review of the innovation, evaluation and adoption of new treatments (including those for cancers). Including reaching agreement between NICE, NHS England and the Department of Health, on the NHS's willingness to pay for new treatments, which would take account of any special cases, such as ultra-orphan conditions and cancer; and more productive sharing of risk between companies and the NHS.[9]

- R&D budget constraints — The UK is a world leader in pharmaceutical research and development (R&D) — about 10 percent of global pharmaceutical R&D is performed in UK laboratories.[10] Indeed, the industry spent £4.2bn on research and development in 2012 directly employing some 68,000 people in the UK. The UK was amongst the top 10 of global pharmaceutical markets, but slipped from sixth in 2007 to ninth in 2012 as a result of increasing competition from China, Brazil and India. Although the UK has traditionally been seen as an early launch market, the share of the market attributable to products launched in the previous five years is lower than most comparable countries.[11] However, the UK has been hit by R&D budget constraints in recent years – due, in part, to patent expiries—with several manufacturers closing facilities, restructuring operations, and transferring jobs. As they for ways to fill their product pipelines, manufacturers will need to work more leanly and efficiently, and to consider engaging in increased M&A and partnering activity.

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6 http://www.britishgenerics.co.uk/admin/files/1406559746_BGMA-generic-usage-increased-to-more-than-75-percent-according-to-NHS-data.pdf
7 *Industry Report, Healthcare: United Kingdom*, The Economist Intelligence Unit, June 2014
8 https://www.nice.org.uk/News/NICE-statistics
9 http://www.nice.org.uk/news/press-and-media/nice-calls-for-a-new-approach-to-managing-the-entry-of-drugs-into-the-nhs
10 Ibid
11 http://www.abpi.org.uk/industry-info/knowledge-hub/global-industry/Pages/industry-market-.aspx#fig1

- Shift from brand-centric to customer-centric marketing — Life sciences customers are diverse and their needs are complex and variable. This calls for personalized conversations via multi-channel approaches at various stages throughout their journey. Harnessing the opportunities afforded by social media and digital marketing can help companies attain a more effective return on their marketing spend.
- The digitally enabled health care provider — HCPs in Europe are becoming increasingly connected and spending more time online for business and clinical purposes. Life sciences companies need to understand HCPs' needs and behaviors online in order to deliver the best possible user experience.
- Globalized operations — Global life sciences companies accustomed to operating in developed countries like the UK need to become more adept at understanding and controlling operations "at arm's length," particularly in less mature, emerging markets where they may have major R&D and/or manufacturing operations.

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