Labour and Conservative prescribing policy, 1964–79

Darrin Baines MSc, PhD

In our series on the history of prescribing policy, Professor Darrin Baines traces how successive governments have attempted to curb drug costs. Here, he describes the recommendations made by the Sainsbury Committee

KEY EVENTS

- FEBRUARY 1965 Prescription charge abolished – cost the Exchequer approximately £50 million in increased public spending
- JUNE 1965 Sainsbury Committee began work – examined relationship between pharmaceutical industry and NHS
- SEPTEMBER 1967 Sainsbury Committee final report – recommended changes in pricing arrangements, patent and brand names, the Medicines Commission and planning
- NOVEMBER 1967 Prescription charged reintroduced – exemptions for children, pensioners, expectant and nursing mothers and chronically sick
- AUGUST 1973 Rational prescribing defined – as prescribing that is 'appropriate, effective, safe and economic'

The Labour Party, under the leadership of Harold Wilson, won the 1964 general election with a majority of only five seats. Although the party had not planned a major reorganisation of the NHS, its manifesto had pledged to 'restore as rapidly as possible a completely free health service'.[1]

Despite objections from the Treasury, the Labour government fulfilled part of its electoral promise by abolishing the prescription charge in February 1965. In consequence, not only did the Ministry of Health have one less means of controlling the growth in NHS spending on drugs, but the move also cost the Exchequer approximately £50 million in increased public expenditure.

The Sainsbury Committee

Three months prior to the 1964 election, the Ministry of Health had renegotiated the Voluntary Price Regulation Scheme (VPRS) for a further three and a half years, fearing that a delay would give the pharmaceutical industry an opportunity to increase prices. Again, the previous round of the VPRS had failed to produce significant savings and little more was expected of the new settlement.

Despite the Ministry's efforts, there were growing criticisms of the VPRS not only from the Treasury but also from the Public Accounts Committee.[1] In response, the Ministry approached Lord Sainsbury, the founder of the national grocery chain that carried his name, to chair an enquiry into 'the relationship of the pharmaceutical industry in Great Britain with the National Health Service, having regard to the structure of the industry, to the commercial policies of the firms comprising it, to pricing and sales promotion practices, to the effects of patents and to the relevance and value of research, and to make recommendations'.[2]

Recommendations

The Sainsbury Committee began work in June 1965 and published its final report in September 1967.

The report suggested that each pharmaceutical company should submit an annually audited financial return (which would state its financial position for the year) and produce a standard cost return (which would list the anticipated sales, proposed profit margins and expected selling price of all new drugs and existing products with annual NHS sales exceeding £250 000). The report recommended that the information contained in these returns should be used to negotiate the prices of pharmaceuticals used by the NHS.

As a safeguard against the failure of such negotiations, it was suggested that general medical and pharmaceutical

services should be made a service of the Crown, which would give the Minister for Health the power to control the price of expensive products.

The Committee recommended that there should be no brand names for new pharmaceuticals and that all such products (whether under patent or not) should be marketed under an approved name.

It was suggested that a Medicines Commission should be established and that, ultimately, no drug should be sold in the UK unless it had been licensed by the body. As a result, in the longer term, only safe and efficacious products would be available for sale.

Finally, the report recommended that a separate economic development committee should be established to monitor the general development of the pharmaceutical industry.

Although it contained a number of measures designed to control the prices that the NHS paid for drugs, the Sainsbury report had little effect.[1] Indeed, many of its recommendations were found to be impracticable or were already under consideration elsewhere. For example, the standard cost return idea was not accepted in case it deterred some companies from developing new drugs. Brand names were not abolished because of the damage that the move could have had on export sales. An economic development committee was not established as the Ministry continued to use the VPRS to support the British pharmaceutical industry.

In terms of the moves already afoot, in 1968 a new clause was added to the 1949 Patents Act that permitted the Secretary of State to purchase patented drugs from unlicensed sources, and a Medicines Commission was established in order to monitor the safety, quality and efficacy of new products. Finally, in October 1969, as part of the renegotiated VPRS, pharmaceutical companies were required to provide more detailed financial information to the Ministry of Health.

Like its predecessor the Hinchcliffe Committee, the Sainsbury Committee recommended few viable, short-term solutions to the problem of a sustained growth in public expenditure on drugs. Therefore, following the publication of its final report, the Treasury advocated the reintroduction of the prescription charge as a means of controlling the rise in NHS pharmaceutical costs.[1]

Despite pressure from the Exchequer, it was not until after the 'devaluation crisis' in November 1967 that Harold Wilson's government reintroduced the user-fee, at a rate of two shillings and six pence (12½p) per item. However, to win approval from the cabinet, children aged 15 and younger, adults aged 65 and over, expectant and nursing mothers and the chronically sick were all given exemptions from the charge.

A new VPRS

Soon after the Minister of Health, Kenneth Robinson, made public the government's response to the Sainsbury Report, negotiations over an extension of the VPRS began.[1] After 16 months of bargaining, a new settlement was announced in October 1969, which implied that profits should be judged in terms of the returns that companies earned on the capital that they employed producing NHS drugs, price increases for new medicines should be controlled, and industry spending on product promotion ought to be limited.[3]

Conservative policies

As a result of the delays that the deliberations of the Sainsbury Committee had created, the Wilson Government had little time to implement any substantial new pharmaceutical policies before its defeat by Edward Heath's Conservative Party at the 1970 general election. Prior to the election, the Conservative Party manifesto had made few references to the NHS, focusing instead on creating a 'new way of running our national affairs'.[4]

Once in power, the Conservative government's primary new prescribing policy idea was to introduce a graduated prescription charge that would be a fixed proportion of a drug's overall price. Despite the government's enthusiasm, the plan proved to be unpopular with the representatives of the medical, dental and pharmaceutical professions and, in April 1971, the tried-and-tested policy of increasing the prescription charge was adopted.[5]

However, to ensure that any benefits produced by the new charge were not negated by substantial increases in pharmaceutical prices, the VPRS was again renegotiated in September 1972.

Rational prescribing

Except in cases of proven excess, the prescribing and dispensing systems initially adopted by the NHS gave family doctors the freedom to prescribe in the ways that they deemed best. In consequence, practitioners had to establish their own 'norms' against which they could judge the rationality of their prescribing.

To help guide them in this task, a medical sociologist from University College, Swansea, Dr Peter Parish, suggested that 'rational prescribing' should be defined as prescribing that is 'appropriate, effective, safe and economic'.[6]

While Dr Parish advocated that the rationality of a doctor's prescribing should not be judged solely against financial criteria, he also acknowledged that GPs were at the centre of the prescribing and dispensing systems employed by the NHS:

'Drugs are developed, manufactured, promoted and supplied by the pharmaceutical industry; they are prescribed by doctors; dispensed by pharmacists; consumed by patients and through the National Health Service they are paid for by the taxpayer. Thus there are numerous agencies interested in prescribing, the critical link between them being the prescribing doctor who puts pen to paper. No wonder the prescribing activity of the general practitioner is always under discussion.'

As the above statement suggests, under the prescribing and dispensing systems initially chosen for the NHS, family doctors would always be under pressure, from one party or another, to either prescribe more or to prescribe less.

References

Full references are available on the *Prescriber* website: www.prescriber.co.uk.

Darrin Baines is associate professor, Faculty of Medicine and Health Sciences, University of Nottingham

The next article in the series will look at the formation of the Prescription Pricing Authority and the publication of the Clothier report.