

orienting

EFFECTS OF PRESCRIPTION CHARGES

The annual number of NHS prescriptions dispensed by chemist and appliance contractors in the United Kingdom is falling after a seven year period of expansion. As Figure 1 shows, the overall total grew between 1972 and 1978 at an annual average rate of 3 per cent (approximately 9 million prescriptions). It peaked in 1978 at 378 million. This figure, which represented a net gain of 154 million prescriptions or 69 per cent over 1949, was the highest in NHS history. During 1979, however, there was a decrease of 3 million prescriptions and figures for the first six months of 1980 indicate that the national total will continue to drop from 375 to 372 million by the end of the year.

The slackened chemists' NHS dispensing activities in 1979, as on previous occasions, was due almost entirely to a rise in the basic rate of prescription charges from 20p to 45p per item – the largest single increase since 1952. The moderation in demand which actually resulted directly from such higher charges (and hence the savings in the gross cost of providing the service) is very much a matter of judgement, because it is not possible to distinguish the deterrent effect from various other unquantifiable factors that may affect the volume of dispensing in any one year, such as epidemics of respiratory illness. It is estimated that the deterrent effect of the 1979 increase was probably in the region of 9 million prescriptions, including the net recorded decrease of 3 million. Nevertheless, the overall reduction was considerably smaller than the drop registered in 1968 when the number of prescriptions fell, in equivalent volume, by more than 12 million. This suggests that the imposition of higher charges in 1979 appeared to have less deterrent effect than that experienced a decade earlier.

The available data thus indicate that the major factors accounting for the rise in prescription numbers in the 1970s were, apart from the impact of new possibilities for pharmaceutical intervention, the falling relative price of prescriptions and the growing number of people exempted from charges. Between 1971 and 1979 the 'real' value of prescription charges fell by one-fifth.

Exemptions

In the United Kingdom as a whole, the provision for the exemption of any person or class of persons from prescription charges did not begin until mid-1968. Figure 2 lists the various exempt categories granted in that year. Under the then new arrangements, about 22 million people

Figure 2 Exemptions

Prescriptions for the following people were dispensed without charge from 10 June 1968 to 7 April 1974 (see text and Chart 1 for further revisions):

- Children under 15;
- People aged 65 and over;
- Expectant mothers and mothers of babies under 12 months;
- People suffering from specified medical conditions:
 - i. permanent fistula (including caecostomy, colostomy or ileostomy) requiring continuous surgical dressing or an appliance.
 - ii. diabetes mellitus.
 - iii. myxoedema.
 - iv. hypoparathyroidism.
 - v. hypopituitarism.
 - vi. Addison's disease and other forms of hypoadrenalism.
 - vii. Myasthenia gravis.
 - viii. epilepsy requiring continuous anti-convulsive therapy.
 - ix. a continuous physical disability which prevents the patient leaving his residence except with the help of another person (this does not mean a temporary disability even if it is likely to last a few months).
- War and service disablement pensioners in respect of their accepted war or service disablements;
- Recipients of supplementary benefits, and their dependants;
- Other people assessed as needing help to pay the charges, and their dependants;
- People holding pre-payment certificates (season tickets).

Source: DHSS Annual Report.

(or 45 per cent of the population) either directly or indirectly qualified for free NHS drugs and appliances. By the end of 1979, this total had risen to well over 30 million people, or more than half of the population. The increase was attributable mostly to transfers to the exempt category

and partly to the expansion of the population, which rose from 55 to 56 million over the past ten years.

In terms of number of prescriptions dispensed, those exempt increased from 156 million in 1969 to 243 million in 1979. This gain represents an increase of 58 per cent, an annual rate of growth of 4.4 per cent. As a result, free prescriptions now account for a higher proportion of all NHS chemist dispensing than in the first complete year of their introduction, advancing from just over half of the total to nearly two-thirds. It is estimated that by the end of 1980 this will have risen to 68 per cent. As Figure 3 demonstrates, a considerable portion of the rise occurred in the brief period between 1974 and 1976 when the overall gains amounted to 34 million prescriptions. This was equivalent to 40 per cent of the growth (86 million) generated in the entire decade ended in 1979.

This marked increase was largely due to the expansion of entitlement programmes introduced in 1974 under which children up to age 16 and women aged 60 and over qualified for free NHS prescriptions. In consequence of this development, approximately 1.5 million people in the latter category were added to the existing elderly population (aged over 65). Between 1969 and 1979 the total number of exempt elderly people in the country rose to 9.7 million, compared with 7.1 million in 1969. Within the NHS, elderly people, particularly those aged 75 and over, are by far the heaviest users of medical care. This is demonstrated in the statistics available for 1979 which show that in England, one in every three NHS prescriptions for drugs and appliances was dispensed to the elderly. This accounts for well over half of the total exempt prescriptions. On average, the elderly had nearly 13 prescriptions each during 1979, almost twice as many as the national average (Figure 4).

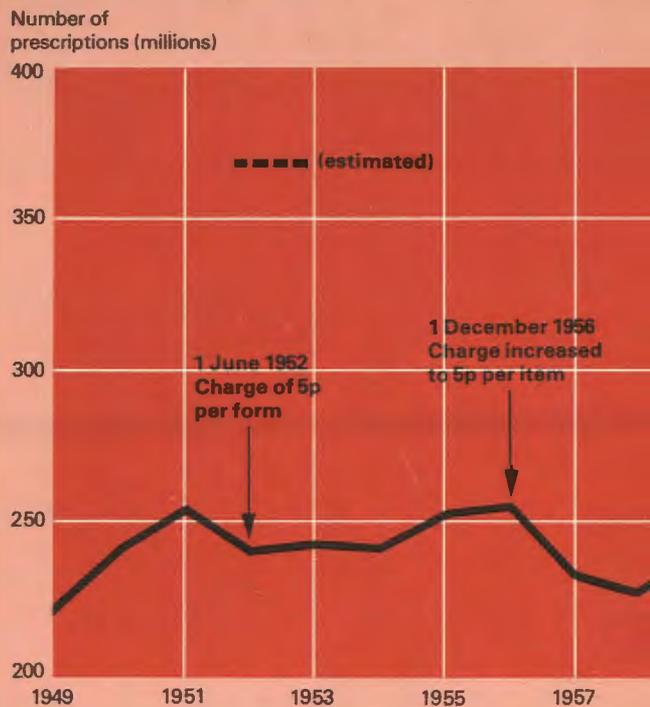
Another important factor which added considerably to the rise in exempt prescription numbers has been the provision of free contraceptive drugs and appliances, which began in 1975. Prior to that year, these items were prescribed only on clinical grounds and fewer than 1.5 million prescriptions were written by doctors in the United Kingdom each year. By the end of 1979, this total had reached nearly 6 million, the majority of which were for oral contraceptives. In terms of cost to the NHS, the rise added £10 million to the nation's drug bill, excluding the cost of dispensing services provided by chemist and appliance contractors.

Apart from the introduction of new programmes mentioned above, most of the other exempt groups also contributed to the recent expansion of free Pharmaceutical Services. Heading the list are the 10 million children aged under 16. Although growth in their numbers has lessened over the decade, in 1979 they accounted for 11 per cent (or 34 million) of the total prescriptions dispensed in England – the second single largest group. Nevertheless, they had the lowest number of prescriptions per head in the country.

In addition to the free prescriptions discussed so far, FPC exemption certificates for NHS drugs and appliances are also given without charge to expectant mothers, mothers who have a child under one year of age, and people suffering from specified medical conditions. Furthermore, the Family Practitioner Committees issue prepayment certificates¹ (season tickets) to those who need long periods of medication but are not qualified for exemptions. Over the past decade, the use of 'season tickets' for obtaining NHS pharmaceuticals has expanded substantially, growing from 81,000 to more than a quarter million certificates in England. This compares with a gain of 10 per cent for FPC exemption certificates which rose from 439,000 to just over half million during the same period. The great majority of the 'season tickets' were purchased by patients for supplies covering one year. In total, there were about 10.4 million prescriptions dispensed to this group in 1979, a rise of 28 per cent over 1977.

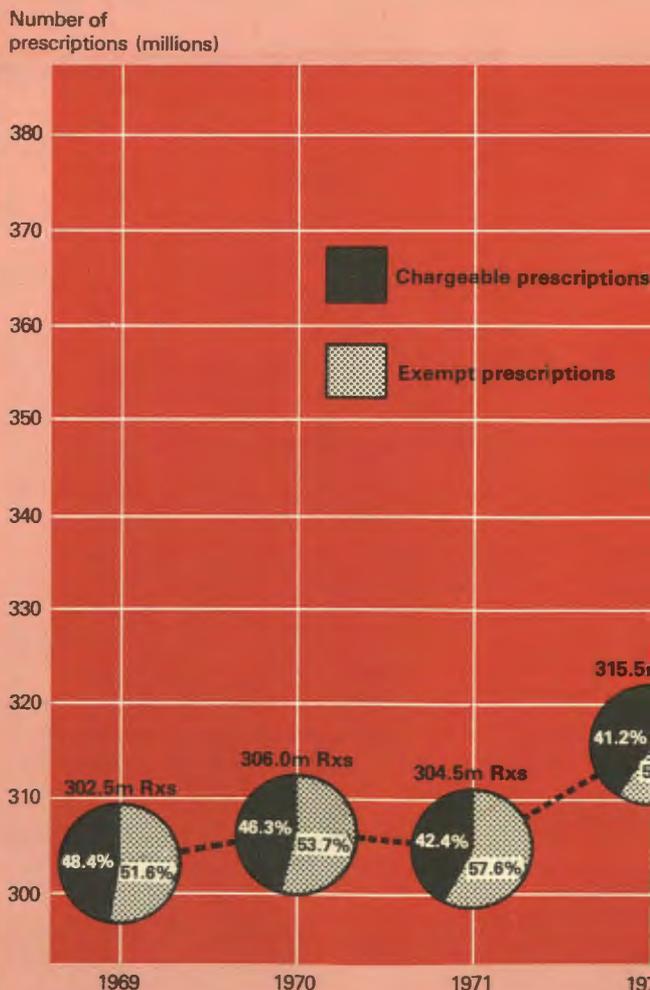
1 From 1 December 1980, the costs of these certificates will rise from the current rates at £12 for a year to £15 and £4.50 for four months to £5.50. At present, the certificates are worthwhile for anyone requiring more than 17 prescription items in a year or more than 6 items in four months. At the new prices, they will be worthwhile for anyone requiring more than 15 items in a year or 5 items in four months.

Figure 1 Number of NHS prescriptions dispensed by chemist



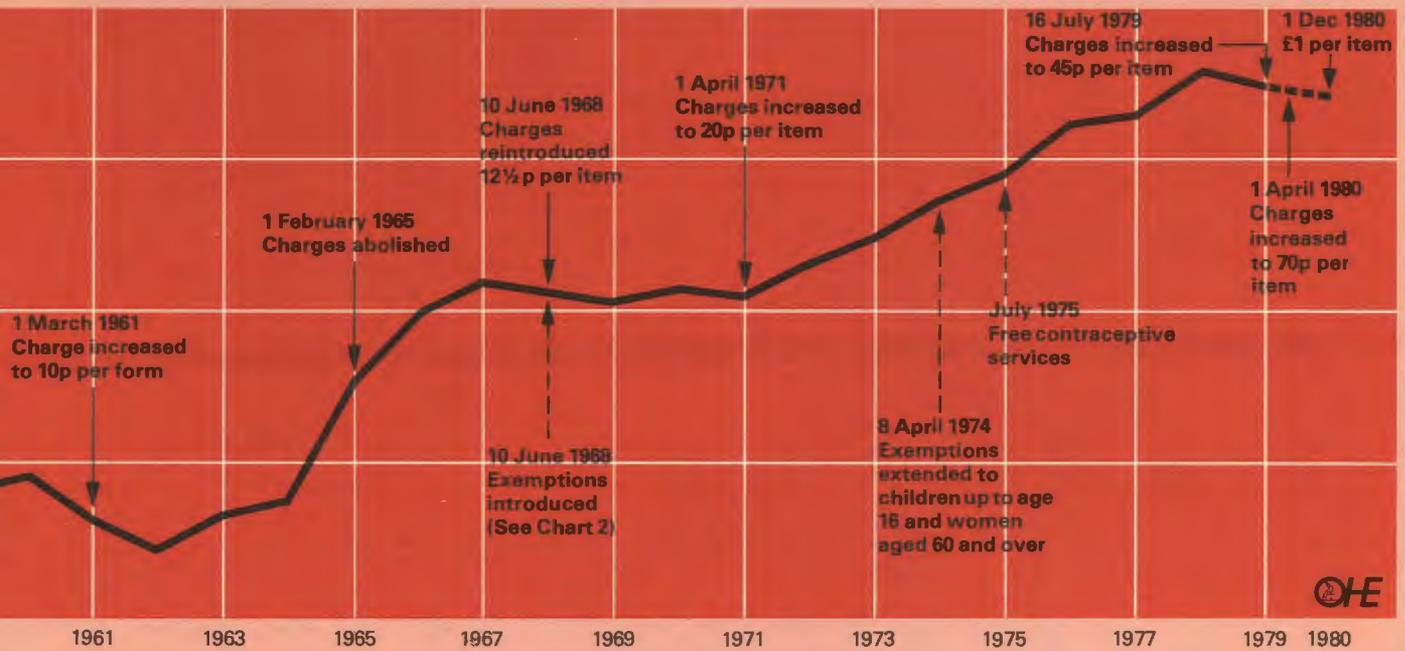
Source: DHSS.

Figure 3 Proportional distribution of NHS prescriptions



Note: Rx = Prescriptions. Est = OHE estimates.

Sources: DHSS Statistics



d by chemist and appliance contractors with and without charges, United Kingdom.

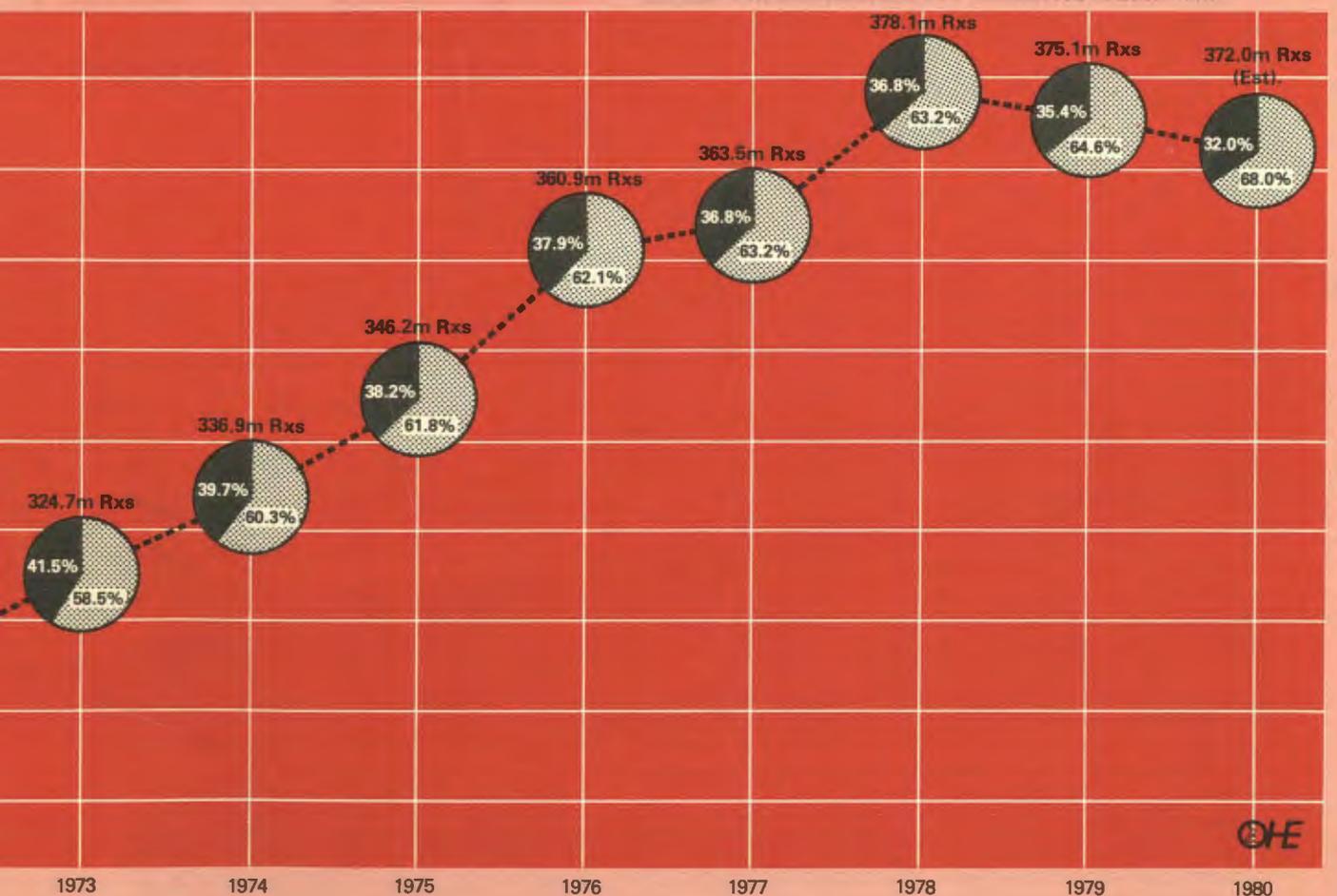


Figure 4 *Distribution of chargeable and exempt prescriptions by categories of pensioners, children under 16 years, season tickets and others. England, 1979.*

Total prescriptions in 1979, 304.6 million (or 6.6 prescriptions per head of population)

Notes:

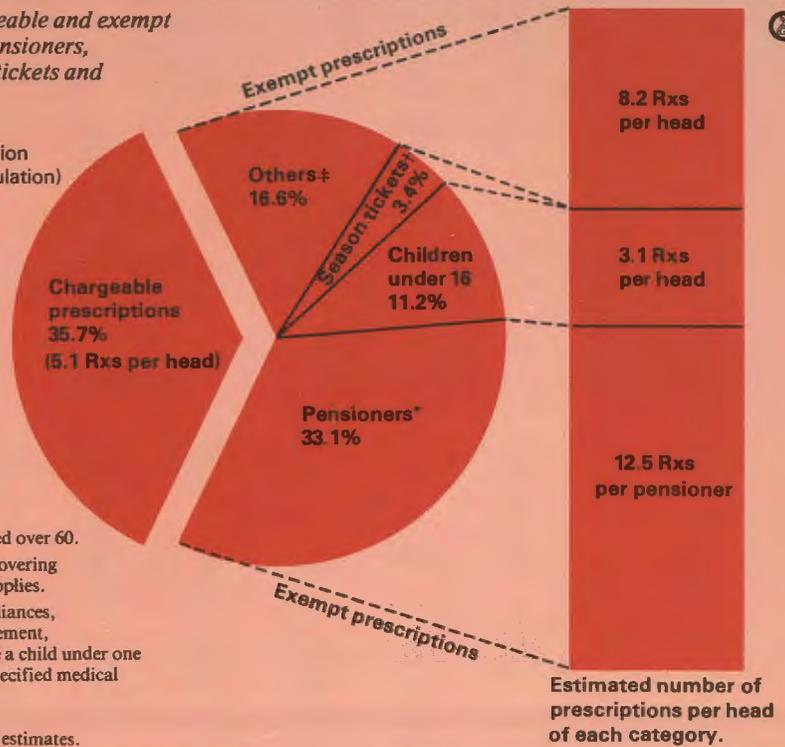
Rxs = Prescriptions.

*Include men aged over 65 and women aged over 60.

†These relate to pre-payment certificates covering both six-monthly and twelve-monthly supplies.

‡Include free contraceptive drugs and appliances, low income groups, war or service disablement, expectant mothers and mothers who have a child under one year of age, and people suffering from specified medical conditions.

Sources: Hansard 3 April 1980 and OHE estimates.



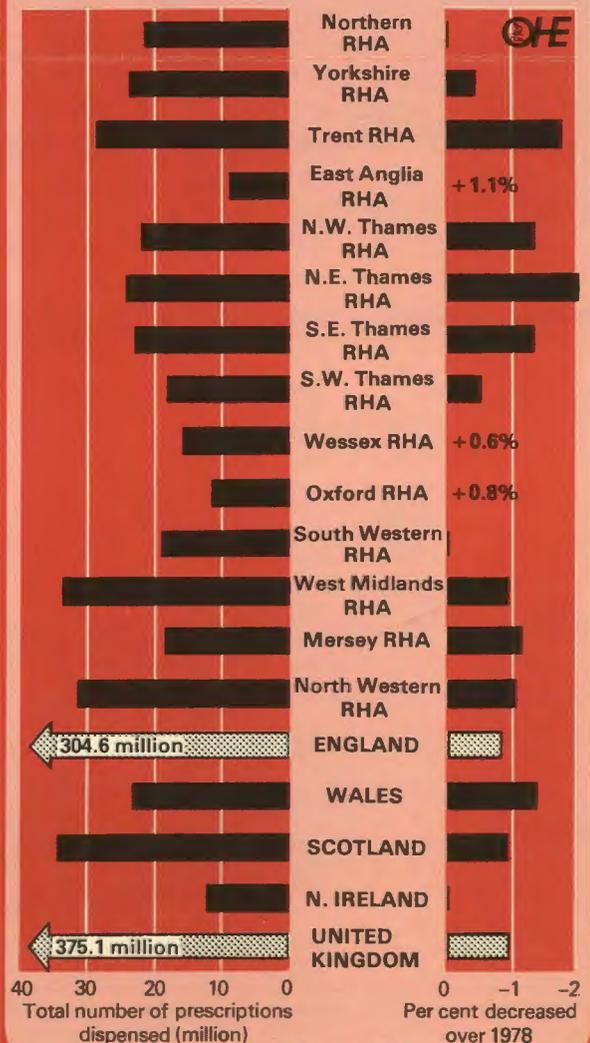
Chargeable prescriptions

In contrast to the experience of exemptions, chargeable prescriptions have generally followed a downward trend over the past ten years both in absolute numbers and as a proportion of the total dispensed in the United Kingdom. In 1979 they showed a substantial reduction, bringing the total down to 133 million. This was equivalent to 13 million fewer prescriptions than the number dispensed a decade ago. More than half of this drop occurred in the second part of the year when a new basic rate of charges was imposed. Relative to all prescriptions dispensed in the country, the number of chargeable prescriptions fell from 48 per cent in 1969 to 35 per cent in 1979.

Well over four-fifths of the overall reduction during 1979 occurred in England. However, as Figure 5 illustrates, not all of the regions were affected by raised prescription charges. There were increases recorded in East Anglia, Wessex and Oxford, while in Northern and South Western regions the numbers of prescriptions dispensed remained unchanged. This implies that in these regions the expansion of exemption prescriptions has more than offset the reduction in those items paid by patients. By contrast, all of the other regions registered a decline. The largest decreases were reported in Trent, North East and South East Thames, where the combined totals constituted nearly 40 per cent of the overall reduction. Larger than average decreases were also registered in North West Thames, Mersey and North Western but in Yorkshire and South West Thames, the declines were well below the national rate. Figure 6 illustrates the varying relationship between per capita prescribing rates and the net ingredient cost of prescription in the regions of England, Scotland, Wales and Northern Ireland.

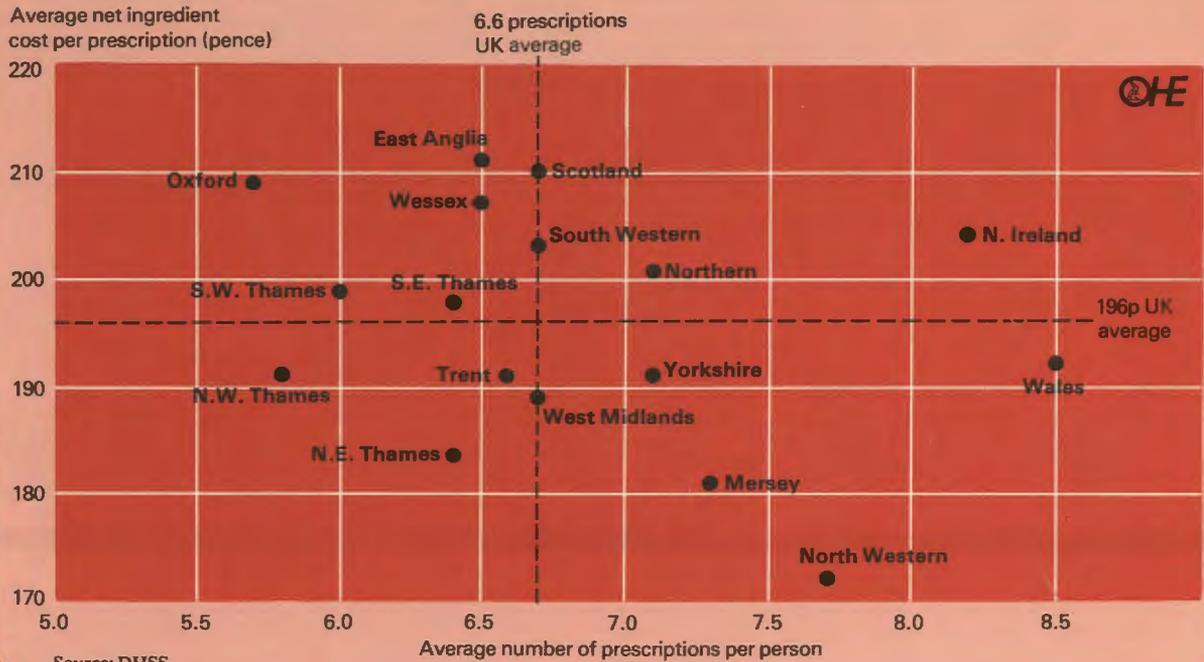
Two independent factors connected with the increase in prescription charges may have played a part in the fall in the number of prescriptions in some regions of the country. First, there seems to have been a decline in the prescribing of some of the cheaper remedies – a factor in this may be decisions by patients to buy some of the commoner household remedies such as lint, dressings and mild analgesics across the counter. Secondly, doctors may be prescribing some preparations in larger quantities but at less frequent intervals, particularly for patients not entitled to exemption. There is at present insufficient information to permit measurement of these possible factors.

Figure 5 *Number of NHS prescriptions dispensed in 1979 and percentage changes over 1978, by Regional Health Authority (RHA).*



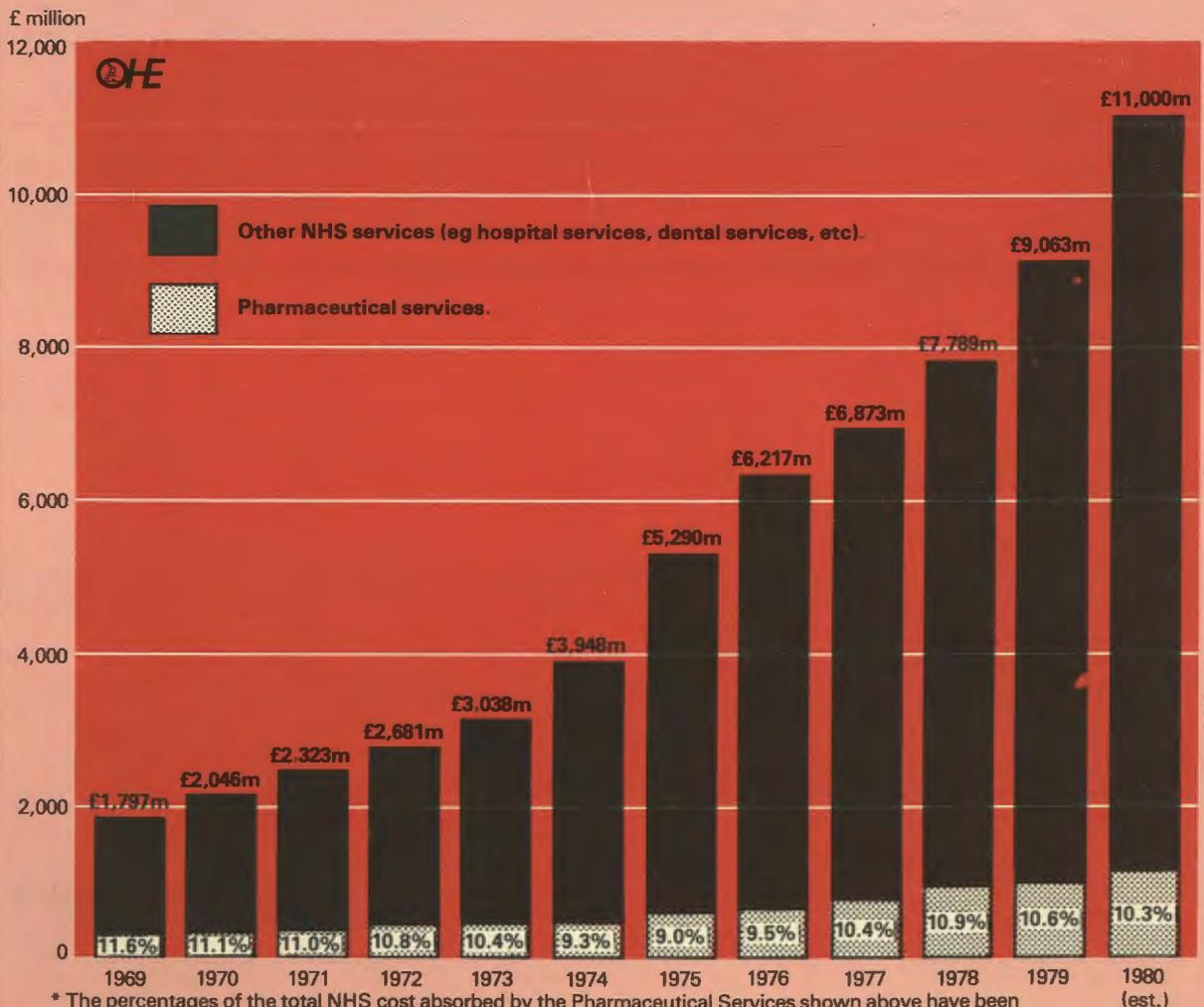
Source: DHSS.

Figure 6 Relationship between average number of prescriptions per person and average net ingredient cost per prescription. United Kingdom, 1979.



Source: DHSS.

Figure 7 Gross cost of NHS and proportion spent on Pharmaceutical Services* in the United Kingdom.

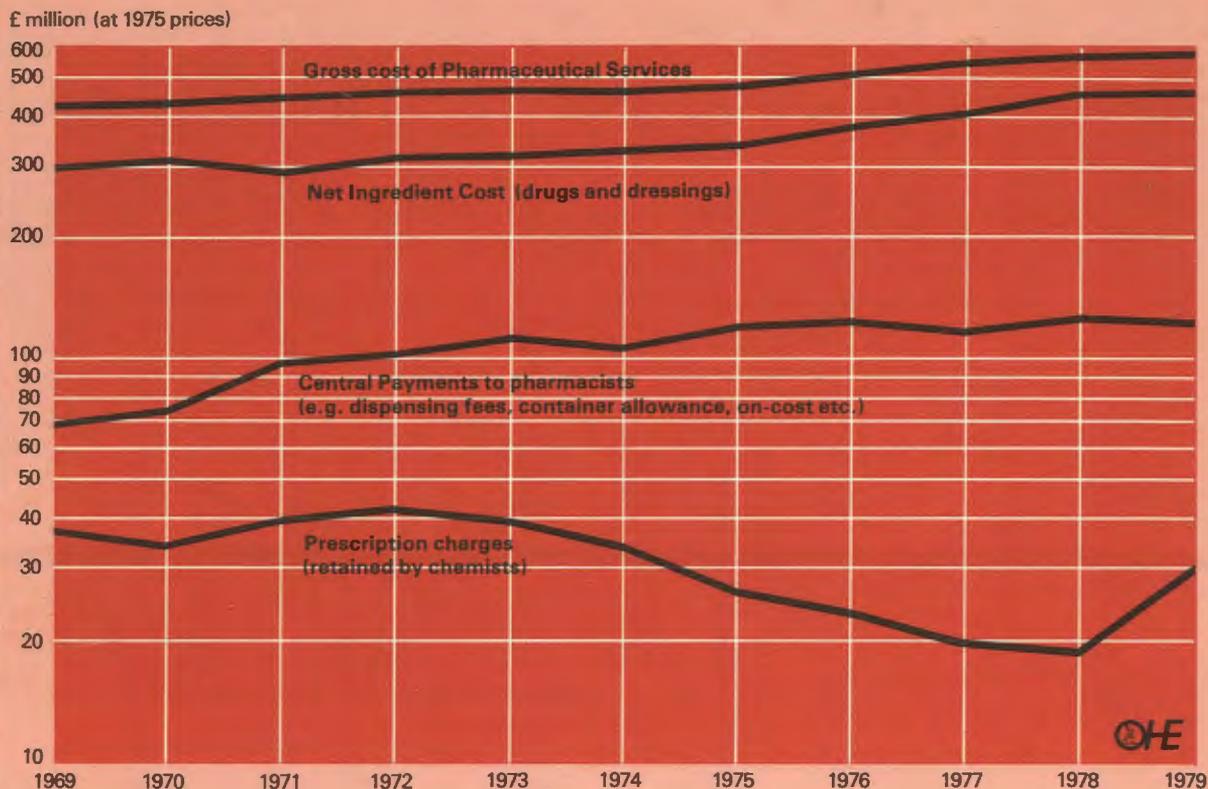


* The percentages of the total NHS cost absorbed by the Pharmaceutical Services shown above have been readjusted to include charges paid by patients. As a result, this series appears slightly different from those issued earlier in OHE publications. The following shows the percentages exclusive of charges during the same period.

10.6% 10.2% 10.0% 9.8% 9.6% 8.6% 8.5% 9.0% 10.0% 10.5% 10.1%

Sources: DHSS and OHE.

Figure 8 Gross cost of UK Pharmaceutical Services and its constituent items expressed at 1975 constant prices.



Note: All figures have been deflated by a general price index and hence include the relative price effect.

Source: OHE.

Cost of UK pharmaceutical services

Despite a marked drop in the number of prescriptions dispensed during 1979, the gross cost of Pharmaceutical Services in the United Kingdom rose by 14 per cent to a record level of £963 million. Although this represented in current prices a more than four-fold (42 per cent in 'real' terms) increase over 1969, last year the annual rise was the lowest since the turn of the decade. In consequence of this reduced growth, the Pharmaceutical Services' share of the total NHS expenditure dropped to 10.6 per cent, compared with 11.6 per cent in 1969. As Figure 7 illustrates, this proportion is likely to fall even further by the end of 1980, partly as a result of an anticipated reduction in the number of prescriptions dispensed.

While the imposition of new charges per item has not been accompanied by a drop in the cost of the pharmaceutical services, revenue yielded from such measures (which is retained by pharmacists) has expanded considerably in current price terms, rising from £18 million to £49 million between 1969 and 1979. Nevertheless, in 'real' terms this is a fall of 16 per cent. As a proportion of the overall pharmaceutical expenditure this therefore represented a drop from about 9 per cent to 5 per cent over the period. In contrast, central payments to pharmacists advanced from 17 per cent of the total to 19 per cent (or a rise from £35 million to £180 million). This growth is shown in Figure 8, which reveals that even when adjusted for inflation central payments to pharmacists have risen by nearly 60 per cent during the decade under review. The ingredient cost of drugs and appliances, which accounted for 76 per cent (£735 million) of NHS FPC pharmaceutical expenditure in 1979, increased by 45 per cent in 'real' terms since 1969².

But the 'real' rate of growth the latter recorded last year was less than one per cent. This contrasted sharply with an annual average growth of 4.1 per cent registered during the

preceding years since 1969. Additional increases in prescription charges from December 1980 will ensure further tight control in the number of NHS prescriptions outside the exempted sector. Indeed, current projections suggest that in 1980-81 revenue from charges will be three times higher than that in 1978-79. This should help to stabilise state spending on NHS pharmaceutical services even though the proportion of exempt prescriptions will continue to rise, probably to 68 per cent of the total issued by the end of this year.

Office of Health Economics

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To investigate other health and social problems.

To collect data from other countries.

To publish results, data and conclusions relevant to the above.

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² Total NHS 'real' spending increased by 55 per cent between 1969 and 1979.