Office of Health Economics Research

OHE Lunchtime Seminar with Associate Professor Paula Lorgelly, Deputy Director, Office of Health Economics

From the Antipodes to the Motherland: reflections on HTA decision makers as budget takers and budget makers

14th December 2015 between 12:00-2:00pm
King George V, Marriott County Hall, Westminster Bridge Rd, London, SE1 7PB

A buffet lunch will be available from 12:00 noon. The seminar will start promptly at 12.30 pm and finish promptly at 2.00 pm.

The decision-making criteria employed by health technology assessment (HTA) agencies differs between countries. Researchers have previously analysed HTA decisions, in an attempt to understand the influence of specific factors on decisions, both within and across jurisdictions. Despite agencies effectively evaluating the same clinical evidence base, adoption decisions vary. This could be due to different economic and health system contexts, social values, or an agency's ability to price-negotiate. Recently, it has been argued that it is time that the National Institute for Health and Care Excellence (NICE) revisited its processes or, more specifically, its criteria for making decisions. In the current austere climate one criterion that warrants discussion is whether it should include affordability.

While NICE, the Australian Pharmaceutical Benefits Advisory Committee (PBAC) and the New Zealand Pharmaceutical Management Agency (PHARMAC) on the face of it seem similar, in one respect –assessing affordability – they are very different. NICE's guidance is mandatory, if accepted by the Secretary of State, and yet it has no budget responsibility nor can it suggest where the money should come from to fund technologies it recommends. PBAC make recommendations on both the listing and funding of treatments, such that in their deliberations they also consider the financial cost/budget impact of listing. PHARMAC works within a capped budget, such that it may recommend a technology for listing but if the budget is exhausted, it then it simply cannot be funded.

Using a number of case studies, including that of sofosbuvir for Hepatitis C, the decisions and deliberations of each agency and its Health Ministry will be compared. Additionally, there will also be a discussion of the UK's Cancer Drug Fund, which exceeded its budget by 50%.

The presentation will conclude with a discussion of possible economic theories that may underpin a future solution. HTA could be thought of as working within a principal agent

paradigm, where the principal (the health service or healthcare system) is uninformed about the evidence base for new technology, hence has an agent (an HTA agency) to make those decisions. For an HTA agency to act as a perfect agent, it would need to know the criteria that matter to the health service. PHARMAC is given a fixed budget – and some general guidance. One issue might be whether the budget is optimal? PBAC functions without a constrained budget, and with little understanding of the true opportunity cost of its decisions. While NICE works hard to try to ensure its appraisal criteria align with NHS preferences and its public body remit, arguably without an affordability element there is agency dilemma. A possible solution is that the adoption of technologies with non-marginal effects on the budget change the cost-effectiveness threshold, so the adoption decision reflects both the cost effectiveness of the technology and its affordability. However, if budgets are not fungible, then this may not help.

If you would like to attend this seminar please reply to Kerry Sheppard (ksheppard@ohe.org). If you are unable to attend but think that a colleague might like to, please pass on this letter to them.

Yours faithfully

Adrian Towse
Director