

FEATURE

DATA BRIEFING

Prescription charges: are they worth it?

John Appleby assesses whether the policy of charging for prescriptions in England is helping or harming the NHS

John Appleby *chief economist*

King's Fund, London, UK

While Wales, Northern Ireland, and Scotland have abandoned charges for prescriptions, in April the English saw prescription charges rise once again, to £8.05 (€10; \$13.5) per prescribed item. Labour peer David Lipsey has suggested that the charges are, “a dog’s dinner lacking any basis in fairness or logic and stuffed with anomalies and inconsistencies.”¹ But apart from unfairness, illogicality, and anomalies, is there a fundamental problem with such charges?

Although prescription charges have been rising, the latest data show that the number of pharmaceutical items prescribed in England reached its highest level yet—over one billion in 2012—equivalent to nearly 19 per person and an increase of 62% since 2002 (fig 1).² But as fig 1 also shows, the proportion of prescribed items that attracted a charge was small (around 10%) because of exemptions—for children, elderly people, those in receipt of welfare benefits and others. Moreover, in real terms the prescription charge has hardly changed in recent years—at least relative to price changes in the economy as a whole (fig 2).²

But while prescription charges have held up, the actual cost of drugs has been falling in real terms since 2004 (fig 2).² Then, the average “net ingredient cost” (list price) of all prescribed items was around £14 (at 2012 prices). Since then it has dropped steadily to around £8.50—only fractionally more than the prescription charge. This fall has been good for the NHS, and is partly due to greater use of cheaper generic drugs rather than branded drugs (fig 3).² But as charges for an increasing number of drugs start to exceed their price—and especially for prescribed drugs out of patent that can be bought over the counter—increasingly it looks as though there are limits to future increases in charges.

Although charging does raise money for the NHS—around £400m in gross revenue in 2012 (although a change in methods of data collection complicates things from 2007 onwards; revenue could be more like £700m, see fig 4).²—this represents around 0.4% (to 0.7%) of total NHS spend in England. Abolishing charges would mean losing this revenue, but perhaps

the loss is worth it if charging dissuades some people from seeking care or cashing in prescriptions, increasing their risk of needing emergency treatment in the future.

A study of the effect of the abolition of charges in Wales is interesting. Overall dispensing rates after abolition were comparable with those before abolition and those in another part of the UK.^{3 4} The authors also found that although rates increased for drugs dispensed to those people who would have previously paid for their prescriptions, the increase was not significantly different from that in a comparable region of the UK (the north east of England). They also found no significant increase in visits to general practices or any drop in the sale of paid for over the counter drugs.

Although these results disprove the contention that dispensing rates would rise steeply if the prescription charge was removed, they also suggest that the charging regime was not a substantial barrier to accessing NHS care. The net impact for Wales seems to be only a loss of revenue (around £30m a year).

As David Cohen has suggested,⁵ whether people are for or against prescription charges (with extensive exemptions) may boil down to the value they attach to the principle that NHS care should be available on the basis of need rather than the apparent reality—at least in the case of Wales—that making prescriptions free for everyone seems to have no effect on access to and take up of care and treatment. This is not necessarily an argument for increasing or widening the scope of patient charges, of course, and the standard economists’ downward sloping demand curve (where higher prices mean lower demand) could well reappear depending on charging levels, exemption arrangements, and other factors.

- 1 Social Market Foundation Health Commission. *User charges for healthcare*. SMF, 2004.
- 2 Health and Social Care Information Centre. Prescriptions dispensed in the community, statistics for England—2002-2012. 2013. www.hscic.gov.uk/catalogue/PUB11291.
- 3 Cohen D, Alam MF, Dunstan FDJ, Myles S, Hughes DA, Routledge PA. Abolition of prescription co-payments in Wales: an observational study on dispensing rates. *Value in Health* 2010;13:675-80.
- 4 Groves S, Cohen D, Alam F, Myles S, Hughes D, Dunstan F, et al. Abolition of prescription charges in Wales: the impact on medicines-use in those who used to pay. *Int J Pharmacy Pract* 2010;18:332-40.

- 5 Cohen D. Should prescription charges be brought back to cut NHS costs? 2013. *Wales Online* 2013 Jun 10. www.walesonline.co.uk/news/health/should-prescription-charges-brought-back-4053805.

Cite this as: *BMJ* 2014;348:g3944

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Figures

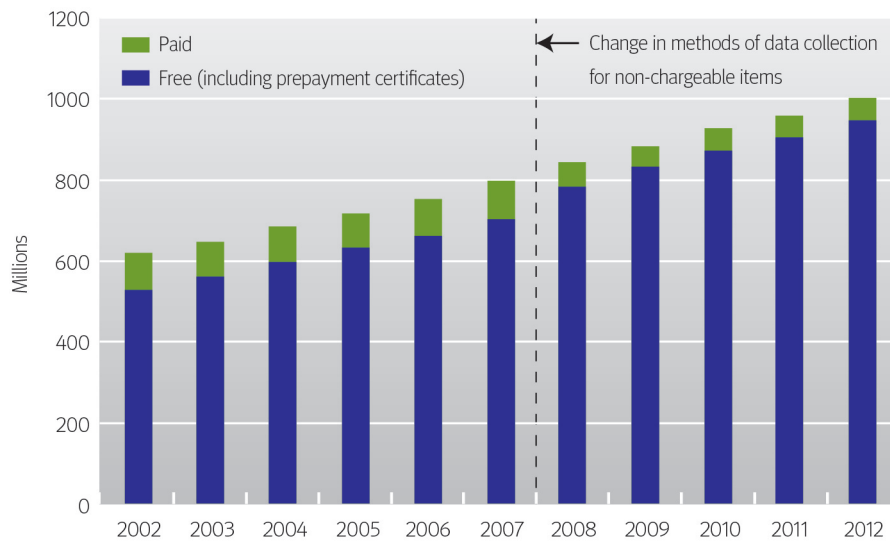


Fig 1 Number of prescription items (paid for and free), England 2002-12 (methods for collection of data on payment exemptions changed in 2007)²

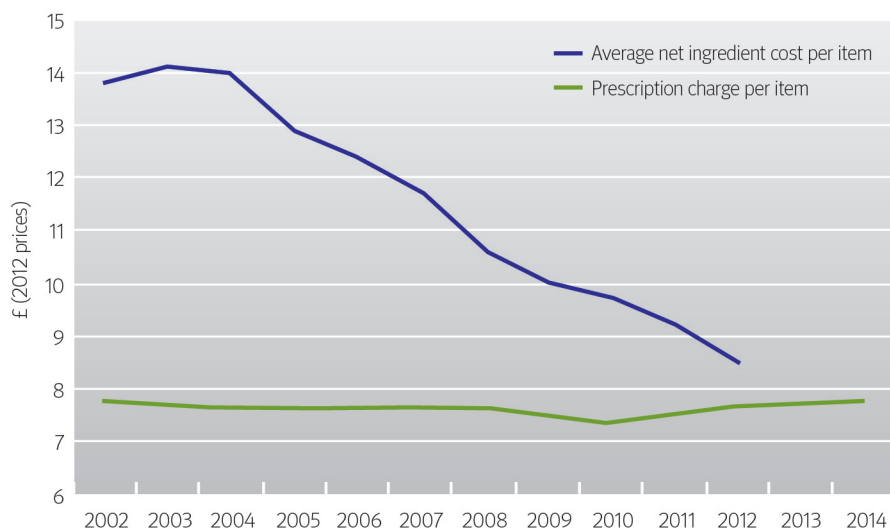


Fig 2 Average net ingredient cost per item and prescription charge per item, 2002-12 (standardised at 2012 prices using GDP deflator (general measure of inflation in the economy))²

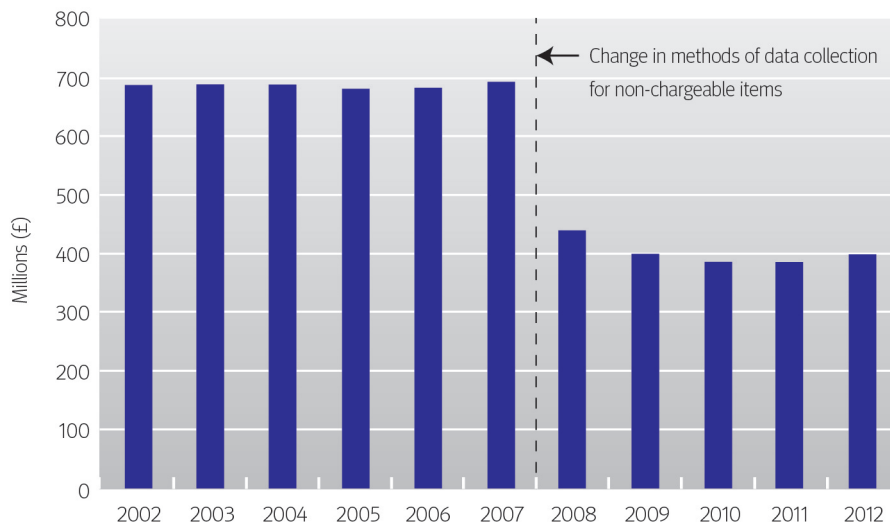


Fig 3 Gross revenue from prescription charges, 2002-12 (paid for items×prescription charge, standardised at 2012 prices using GDP deflator)²

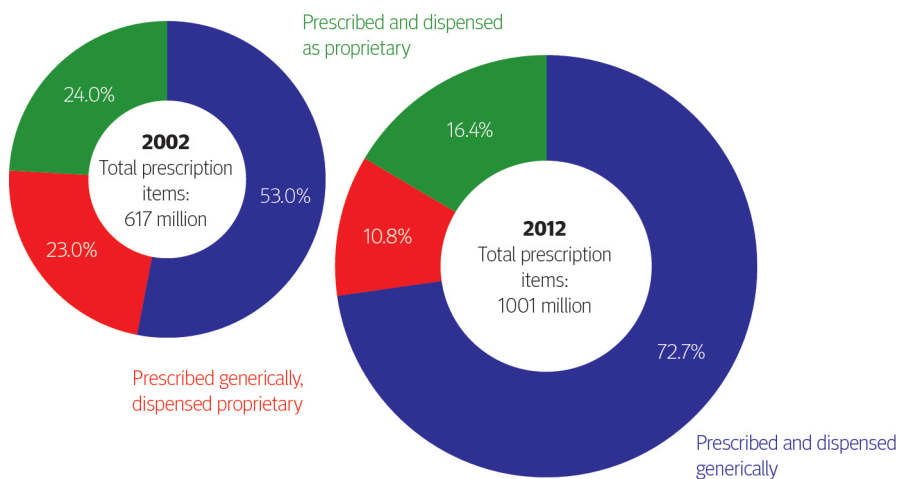


Fig 4 Percentage of prescription items prescribed or dispensed generically and proprietary, 2002 and 2012²