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EDITORIAL

Implications of pharmaceutical cost controls for medical research

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Changing Environment

Major changes are taking place, both globally and nationally. We are suffering recession in the developed world, which has also significant impact on third world countries trying to survive and improve their standing in the world. New, important economies are emerging in South East Asia. These issues must be faced in the context of pressures on governments of the Western World. One symptom of these changes is that health care is being reviewed in terms of expenditure, patient demands, expectation and shifting demographics. There is a growing elderly population in the developed countries with the associated demands on resources contributed to by a decreasing workforce.

In the USA, particularly, health care costs as a percentage of GDP are running out of control. They are currently at 14% but will reach 20% by the end of the millennium, if some action is not taken. The Clinton government is currently reviewing its health care system and has appointed a task force under Hilary Clinton. Its proposals are likely to have far reaching consequences if approved by Congress. This has already contributed to the depression in pharmaceutical company share prices in the USA. Health maintenance organisations (HMO's) are an increasingly powerful source, influencing the delivery of health care to its members. They are able to purchase health care from providers, negotiate prices directly and determine treatment protocols based on cost effectiveness.

In Europe, recession is also forcing governments to examine health costs and in particular, drug expenditure as an easily identifiable factor in containing costs. In the UK the NHS is subject to the same pressures and the changes initiated by the Conservative government are having a substantial impact. The decentralisation of control to the provider is a device intended to contain costs. This has been effected by introducing the purchser-provider concept, to much consternation in the medical profession. We now have trust status hospitals and GP Fund Holders. They are responsible for getting the best value for money for their patients. Again, drug costs are an easy target for scrutiny.

Changes in Society

As ever, patient expectation continues to increase. The emergence of new diagnostic and operating techniques are often, though not invariably, more expensive. Changing demographics means that more elderly patients have more degenerative diseases, requiring more care and treatment. Their consumption of drugs will also increase as a consequence. As new therapies emerge, patients can be expected to demand access to them. Unfortunately, patients do not necessarily understand the need for rationing. Emergence of new illnesses such as AIDS and immune deficiency from other sources such as transplantation surgery will increase drug consumption, one example being the increase in tuberculosis as a consequence of immune deficiency.

Government Attitudes

Health care must be controlled otherwise it could consume every penny in the exchequer. This is not new and rationing has been practised ever since the NHS was introduced. However, the pace of change has increased and significant initiatives must be taken to meet cost containment targets. There is more public scrutiny of government proposals but as always, governments are subject to public opinion. Drug costs are a reasonable target, as measures to control drug prices will be generally well received by the medical profession and patients alike. Acceptable measures are generic substitution and control of industry profits. Unpopular actions are the restriction of, or access to, certain expensive new treatments. There is however, ambivalence in government between controlling drug prices and the benefits accruing from R&D investment by pharmaceutical companies. A successful R&D industry, delivers benefits for the country in terms of employment and revenues from exports. Companies need a satisfactory return on investment and if the environment is hostile to enterprise, investment in R&D will be curtailed.

In "The Health of the Nation" *(1)* white paper, it was stated that "the aim of the Department of Health is to improve the health and wellbeing of the nation and secure