



Department for
Science, Innovation
& Technology

Dame Chi Onwurah MP
Science, Innovation and Technology
Committee
House of Commons, Palace of
Westminster
London SW1A 0AA

30 January 2026

Dear Chi,

Thank you for your letter of 19 January, I have been asked to provide further detail on the UK-US life sciences deal on behalf of DSIT Secretary of State.

DHSC, NHS England and NICE produced a joint analysis to estimate the cost impact.

The deal commits HM Government to implement two changes to NICE methods: 1) an increase of NICE's standard threshold range to £25,000 to £35,000 per Quality Adjusted Life Year (QALY) and 2) the introduction of the EQ5D-5L value set for estimating QALYs. These changes are for new medicines only. NICE's analysis estimated the expected price impacts for new medicine launches based on an analysis of previous recommendations, including assumptions around the increase in the number of positive recommendations as a result of the changes. NHS England applied these assumptions to a generalised projection of spend on new medicines and new indications over the next three years. The analysis makes several assumptions including that the profile of spend associated with medicines expected to launch in future will follow the same average growth profile as has been observed historically. You have asked whether the analysis includes tax returns and revenues related to company investments. It does not include these income streams which should become clearer over the next year.

Furthermore, under the deal, the Voluntary Scheme for Branded Medicines Pricing, Access and Growth (VPAG) will be amended such that it does not recoup these additional costs. This will preserve the intended increase to medicine prices, to ensure patients have access to the latest innovative and most effective medicines, and that important new medicines get launched in the UK early.

The deal also committed to implement a 15% ceiling on the VPAG headline payment percentage for 2026–2028. This ceiling only results in additional cost if the rate produced by the standard VPAG formula would otherwise exceed 15%. In 2026, the ceiling was not triggered, as the formula generated a rate of 14.5%. A process to review any future VPAG scheme will start this year.

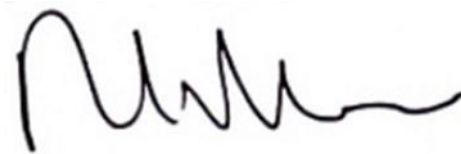
Overall, the combined analysis is that the deal commitments will cost around £1bn in England over the remaining three-years of the spending review. The final costs of these changes will depend on future growth in spending on medicines, which in turn depends on factors including the medicines NICE approves as well as the NHS uptake of these products. This is not something we can accurately model at this time as it will depend on which drugs come to market and which are approved for use in the NHS accordingly.

This deal will be funded by allocations made to DHSC at the Spending Review, where front-line services will remain protected through the record funding secured. This is a vital investment that

builds on the strength of our NHS and world-leading life sciences sector to increase access to life saving medicines across the NHS.

Future funding will be settled at the next Spending Review. The Government is committed to accelerating spend on innovative medicines over the next 10 years to bring it back to historical levels. The cost of this depends on assumptions about future growth in underlying medicines spend, the NHS budget and GDP.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'N. Vallance', written in a cursive style.

Lord Vallance of Balham KCB
Minister for Science, Innovation, Research and Nuclear
Department for Science, Innovation & Technology