

HTS 3.

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POLICY / COMMERCIAL - IN CONFIDENCE

**HEPATITIS C VIRUS SCREENING KITS FOR BLOOD TRANSFUSION -
OPPORTUNITIES FOR NATIONAL PRICING NEGOTIATION**

~~Andrzej~~ / John

Summary

We should now seek a strong negotiating position for provision of HCV Screening tests at far less than the £2.65 per test previously paid (ACVSB Trial costs), and should define a strategy which will result in projected cost at or near £1 per test. PD commercial colleagues have offered to lead negotiations.

Background

You will be aware that Dr Gunson would like PD/MDD to take the lead in negotiations with suppliers should a decision favouring screening of the blood supply for HCV Ab be made. In preparation for such a decision, I feel the need to lay some foundations.

1. The accompanying "flyer", indicating a cartel of Ortho and Wellcome, has gone to all RTCs, who have been invited to a "roadshow" where they will be shown the benefits of a joint supply programme from this cartel. I intend going to one of the presentations (North London RTC, Jan 28th).

2. Given Harold Gunson's hopes for central procurement, I suggest we get his people to preempt any individual contracting which RTC Directors may be led into by the Ortho/Wellcome initiative. Can you please lead on this, by FAX.

3. I feel that the Ortho/Wellcome collaboration may give some leads in price negotiation, ie;

- a) the distribution costs will be reduced.
- b) the marketing costs will be reduced.
- c) only one backup system will be required.
- d) Ortho may well licence Wellcome to do all production.

(I think that making assumption (d) is risky, from our point of view. However, with the advent of "2nd generation" kits from Ortho, to adopt such a strategy would make sense.)

4. As an indication to cost of an additional viral screening test, notwithstanding any development costs or other factors, I feel that we should refer to historical precedents.

I believe that NBTS currently are spending £0.50 per test for HIV and HBSAg - I think that these are combined from Wellcome, and the cost is for both. We therefore should be aiming at this ballpark for any further tests, but perhaps taking note of previous cost profiles, standardised by the Retail Price Index for the relevant years, for HBSAg and HIV tests. (This information should be available from NBTS, I am trying to obtain it from Roger Moores' people.)

5. We should be trying to get a handle on the prices which the rest of Europe are paying. (You will recall my note from Clinica, Feb 7th '90, suggesting a blood-bank cost projection of \$1.85.)

6. Given that Wellcome seem to have capitulated, I feel that renewed efforts should be made in the Japanese industry market, to engender competition - do you have any leads?

7. I feel that we should exploit the insensitivity of these tests, as a predictor of "infectivity", as defined by PCR. Notwithstanding the difficult assumptions which this calls for, especially given our lack of knowledge - my point being that nobody really knows what we are looking at nor what the downstream cost consequences are, given the weakness of the economic advisors cost-benefit analysis. One of these will certainly be a high rate of negative "Supplimentary/Confirmatory" tests, and we should look to reduction of the costs of screening as a consequence.

8. Finally, what is the position as regards both the Provinces and the MOD? I am not aware of any precedent with HBSAg and HIV, so a steer on this is necessary.

9. If you have no objection, I propose to have PD open preliminary negotiations before the end of next week.

GRO-C

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Enc.