

Mr Armstrong
PS/PS(H)

From : J Canavan CA OPU2
Date : 24 July 1992

cc: Mr Malone Lee
Mr Scofield CA-OPU
Dr Rejman HC(M)2

FOLLOW UP TO CBLA VISIT ON 6 JULY

In your minute of 8 July a number of issues were raised about the NEA and the future management of BPL. These are addressed in the submission which Mr Scofield is putting forward to PS(H) today.

PS(H) also asked for more information about plasma pricing and I enclose a note on that.

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Plasma Pricing

1. The RTCs have charged BPL for plasma since April 1989 to recover a share of their overall running costs. The main RTC costs are not directly attributable to product types and it is a matter of judgement how costs should be allocated against the various products.
2. Following consultation with the RTCs and BPL interests it was decided that 30% of RTC average costs should be recovered from plasma charges for 1989/90. However these costs could not be determined very precisely from the rudimentary costing systems then in use in RTCs. The national charges set for the main types of plasma were £35.00 per kilo for plasma recovered from whole blood and £60.00 per kg for apheresed plasma (only plasma is taken from the donor by this process).
3. Since then prices have increased very little to £35.80 for recovered plasma and £65.00 for apheresed plasma through a process of haggling between BPL, NBTS Directorate, and DH if necessary. BPL claim they are still handicapped by the plasma price and the RTCs claim their customers for cellular products are subsidising BPL.

Plasma Prices Elsewhere

4. Spot market prices are not a good measure for comparison with our own plasma prices. The quantity and quality of material is unpredictable and prices vary according to supply and demand, and there could be difficulties over licensing the finished product. A fractionator could not rely on the spot market for all its needs.
5. U S blood product manufacturers have their own apheresis collection centres and also obtain recovered plasma from the Red Cross. The companies do not divulge the commercially sensitive information about their plasma costs but BPL say they are significantly lower than their own.
6. According to the NBTS Directorate our cellular prices are close to the EC average. Information about the plasma prices obtained by other blood services are not readily available but the Directorate believes they are not markedly different from ours.

Impact of Reducing Plasma Charges to BPL

7. If RTCs did not provide plasma to BPL there would be some small saving in apheresis costs but the bulk of the costs recovered from the plasma prices would have to be put on to cellular products. The tables below show the impact of reducing plasma prices by 20% and 50% and loading the costs on to red cells (this is the highest volume product and less likely to provoke an outcry than an increase on some products used for leukaemia treatment). Nevertheless cost shifting could result

8. BPL complains about plasma prices, but their subsidy from the Department ensures that their products can be marketed at competitive prices. The underlying issue for the NBA is how to eliminate the need for any subsidy by tackling costs in both BPL and RTCs.

MODEL 1

Reduce price of recovered plasma by 20% (Weighted average plasma value reduces to £36.00)

New plasma price is £28.64

Therefore, 'lost' revenue to BTS is £2.96m

Load this loss onto red cells

Therefore, new red cell price becomes £28.78

Therefore, an increase in unit red cell price of 6%

MODEL 2

Reduce price of recovered plasma by 50% (Weighted average plasma value reduces to £27.00)

New plasma price is £17.90

Therefore, 'lost' revenue to BTS is £7.39m

Load this onto red cells

Therefore, new red cell price becomes £31.20

Therefore, an increase in unit red cell price of 15%