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25 February 1981

HEPATITIS TESTING OF BLOOD DONORS

I am replying to your letter of 11 February to Bill Scott-Moncrieff about the Radioimmunoassay (RIA) test developed by the Blood Products Laboratory (BPL).

We certainly accept that this test is a useful development and will be available to the NHS at a price of 20p per test from 1 March 1981 - we gave RMOs notice of this date at their meeting with the Department on 8 January. There has been considerable debate about the precise date of introduction, involving the position of Wellcome Reagents Ltd, and it might be useful if I set out the position.

After BPL had developed its test, which it had intended to issue to RTCs at cost, Wellcome Reagents Ltd informed the Department that the company was on the verge of marketing an RIA test (at a projected price per test of 35p) and had invested a considerable sum in new plant. Whilst the company expected to face competition from other commercial suppliers, it felt that the BPL test represented unfair competition since BPL's price was, in effect, "subsidised" by the Laboratory's central funding. Wellcome Reagents Ltd considered it essential to be able to compete realistically in the home (ie NBTS) market, using it as a base from which to launch its export drive.

In public purchasing policy Ministers have made it clear that the needs of British industry need to be taken into account in the longer term interests of the NHS and the country as a whole. Given that production of a diagnostic test was outside the run of activities for which BPL is funded, it was decided that special ad hoc arrangements were necessary for the RIA test. These were that

a. BPL's test would not be made available until 1 March 198 (when Wellcome expected to be ready to launch its test) or earlier if Wellcome entered the market before then; and

b. a charge of 20p per test would be made. This included a notional profit.

K Punt Esq FCA FHA IPFA (continued)

The precise costing of the RIA test (and hence obviously the notional profit) depends on the assumed volume of production, and it is only at very high volumes indeed that the assessed cost approaches the figure of 6.74p mentioned by Dr Wagstaff. 10p-12p per test might be more realistic at present. Equally we have no intention of allowing BPL to benefit at the expense of health authorities. Once the "market" for the test has been established, by 1982-83, we will review BPL's actual costs and likely income. The balance will be transferred from the BPL subhead to the main health authority revenue subhead, thus returning the 'profit' to health authority use.

On the broader issue you raise, we would not, as a matter of general policy, wish to end existing NHS production when it makes financial sense on a properly costed basis.

I hope this letter reassures you that the NHS will very shortly be benefitting from this useful test.

Yours sincerely

GRO-C

P J FLETCHER

cc Mr Harley HS2 ✓
Mr J F Sharpe HSSB
Mr Brechin