

Arrangement on pharmaceutical pricing between the United States and the United Kingdom

Context and industry landscape

The 2025 US trade announcements shaped global responses, with the UK government highlighting pharmaceuticals as a key growth area. A US-UK pharmaceutical pricing agreement was announced in December 2025. Details were only fully published in April 2026, confirming the arrangements

United Kingdom

- The pharmaceutical industry had agreed a “**Voluntary Pricing scheme for Access and Growth**” capping growth of innovative medicine at **4% per year** via rebates to drug prices. The rebate rate escalated dramatically from longer-term averages of **less than 14% to 25%**, causing **significant industry alarm and objection**.
- NHS spending on **innovative medicines** had fallen from **around 14% to 9% of the health budget** over the preceding decade. The UK Prime Minister brought forward a review of VPAG from "autumn" to "by summer," raising expectations of a change in pricing.


United States of America

- Trump’s May 2025 **MFN executive order** benchmarked US drug prices to the lowest in comparable OECD nations. By Dec 2025, 14 manufacturers had struck MFN deals.
- On 2 Apr 2026, the US imposed **100% Section 232 tariffs** on patented pharma (0% for firms with MFN/onshoring deals).
- The **US-UK agreement** (in principle Dec 2025; **full text published 2 Apr 2026**) makes UK pharma exports **tariff-free until Jan 2029**, in exchange for higher NHS pricing and VPAG reform.


Details of the US-UK Arrangement on Pharmaceutical Pricing

The Arrangement on pharmaceutical pricing, published on 2 April 2026, builds on December's agreement in principle as part of the US-UK Economic Prosperity Deal. It formalises headline commitments into a detailed framework aiming to expand access to vital drugs, safeguard the medicines supply chain, and drive investment into the UK life sciences sector.


UK investment in Medicines

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- **Binding spending milestones to reverse a decade of underinvestment:** new medicines spend as a share of GDP to double from **0.3% to 0.6% by end-2036**, reaching at least 0.35% by end-2028 and 0.40% by end-2030.
 - NHS budget share spent on medicines to rise from **10% to 12% by 2036**.
 - **Net price paid for new medicines to increase by 25%**. Applies to medicines launched after the Arrangement takes effect. Net price defined as average NHS price net of discounts, rebates, and concessions


NICE appraisal changes

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- **NICE cost-effectiveness threshold raised by £5,000** from £20,000-£30,000 to **£25,000–£35,000 per QALY**, the first change in 26 years and tied explicitly to the delivery of the 25% net price uplift
 - **EQ-5D-5L valuation set to be introduced** alongside the threshold change.
 - These deliver the **25% net price uplift** and are expected to **increase approvals by 3–5 medicines per year**.

VPAG Repayment Cap, non-erosion safeguards and replacement

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- **Repayment rate capped at 15% for 2026–2028**, down from a recent high of 25% which suppressed real-terms pharmaceutical expenditure.
 - **Anti-circumvention safeguards** prevent the cap being undermined via additional discounts, rebates, clawbacks, taxes, or fees.
 - **Statutory Scheme** to be updated to ensure broad commercial equivalence with VPAG on repayment rates.
 - **Non-erosion protections ensure the 25% price uplift is not offset** by increased access barriers, utilisation controls, or concession demands.
 - **Total effective rebate for new medicines capped at 16%** across all portfolio-wide programmes.
 - **Investment Programme capped at 1% for three years**, excluded from the 15% calculation.
 - **Industry-government working group consulting on VPAG replacement:** *option development from Jan 2026; pilot options agreed Jun 2026; pilots launch Sep 2026; initial results assessed Sep 2027; terms finalised Jun 2028; implementation Jan 2029.*

US trade, tariffs, MFN provisions, supply chains and monitoring

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- **No Section 232 tariffs on UK pharma** (patented and non-patented) 1 Jan 2026 – 19 Jan 2029, subject to UK companies adhering to MFN/tariff agreements.
 - **No Section 301 tariffs on UK pharma or medtech** 1 Dec 2025 – 19 Jan 2029. Both periods extendable.
 - **MFN launch protections:** Medicaid MFN will not anchor on UK’s lowest price. **CMMI models** will not uniquely disadvantage UK.
 - **US-UK Supply Chains Partnership** for crisis management, shortages, and reducing reliance on non-market economies for APIs.
 - **Medical device reciprocal recognition** to be expeditiously negotiated, incl. post-marketing info exchange and approval alignment.
 - **Annual ministerial review** of progress including company behaviour on UK medicine launches.

Key impact and opportunities for the UK and Life Sciences

- 1 Faster patient access** via higher NICE thresholds and binding NHS spending milestones
- 2 VPAG replacement** designed with industry: outcome-based payments, differential QALY thresholds
- 3 UK launch protection** – MFN won’t anchor on UK price; annual ministerial review
- 4 Supply chain partnership** and medical device reciprocal recognition commitments