



LIFE SCIENCES

INDUSTRY INSIGHTS

UK Political Landscape

Introduction

On the precipice of the pharma industry entering formal Voluntary Pricing and Access Scheme (VPAS) negotiations with the UK Government, H/Advisors Cicero have spoken to senior executives from across the health sector to understand their priorities and plans.

The outlook for the UK's life sciences sector has visibly dimmed in recent months and years. Industry news stories continue to emerge on reduced UK investment; AstraZeneca made a splash with their decision to build a new factory in Ireland instead of the north of England and Novartis recently covered the media with its scrapped plans to conduct a major clinical trial in the UK. These real-life examples have given credence to trade association warnings that post-Brexit, the UK needs to invest and reform to turnaround the status quo.

The narrative for why the UK should be seen as a global leader in life sciences cannot be maintained by words alone. Global businesses make investment decisions based on the regulatory landscape and potential return on investment. The pharma industry, in particular, makes long-term investment decisions as the development of innovative medicines can take over 10 years and invariably cost millions. As such, warnings from industry around the attractiveness of the sector should be heeded with caution by decision makers in Westminster.

The UK Government has acted in the first quarter of 2023 announcing ambitions, backed by funding, to bring innovative treatments to UK patients faster and establish an international recognition framework. Within weeks there was a further announcement that new measures would be introduced to streamline clinical trial approvals in the UK, one of the major concerns of the leaders we interviewed.

Whilst these are welcome developments for industry, they have taken place in view of a looming black cloud. The NHS medicines levy has soared because of rising demand since the COVID-19 pandemic. **It is a source of frustration and concern as industry is currently paying more than a quarter of its revenues back to Government.** With investment and reimbursement viewed as two sides of the same coin, the outcome of these negotiations is set to influence the UK's life sciences sector and its development for years to come.

Our research suggests that senior executives have more confidence in the Labour Party to increase investment in the life sciences sector than the Conservatives. But with a general election over a year away, there is still space for the current Government to re-energise an industry always cited as a priority for economic growth.



Methodology & Data Analysis

H/Advisors Cicero conducted an online survey of 312 UK senior stakeholders across three audiences: NHS leaders, and industry leaders in pharma and consumer health, between February and March 2023. We also surveyed equivalent audiences across the US and Ireland for comparison purposes.

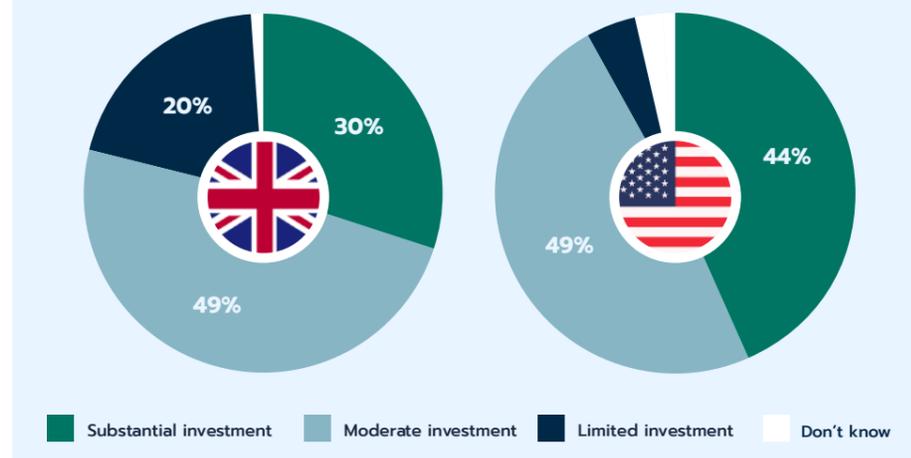


Insights

Recent months have seen the volume of public voices rising across the life sciences industry expressing concern about the impact of the UK regulatory environment on research & development (R&D) and innovation in the country. These concerns are clearly reflected in the findings of our research. The majority of UK healthcare leaders seem to think a Labour government would be more effective in addressing the issues that have led to the current - comparatively bleak - industry outlook.

Shrinking appetites for UK-based investment in R&D

Q. Please indicate your organisation's planned level of investment in Research & Development in your country in the next 5 years.



The UK's fading appeal for the pharmaceutical sector can be seen markedly in investment appetites, with only 30% of leaders in pharma and consumer health stating that their organisation is planning substantial investment in research & development in the UK in the next 5 years.

In the US, the proportion of companies planning a substantial R&D investment is significantly higher, at 44%.

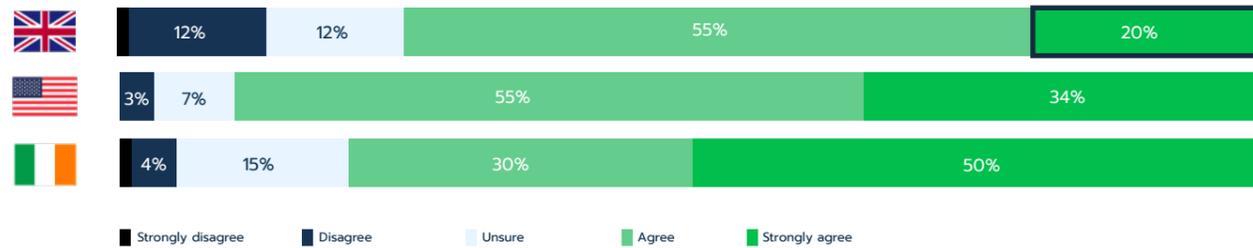
Innovation barriers

The diminishing investment appetite is feeding into a perceived unwelcomeness towards the consumer and pharma industries. When asked if there is an "innovation-friendly environment in their country", a quarter (25%) of leaders in the UK either disagreed or were unsure, whilst only one in five strongly agreed. Comparably, leaders in both the US and Ireland are far more optimistic towards innovation in their market than those in the UK.

Price regulations are undoubtedly a significant factor in influencing investment decisions. When asked about the key barriers to innovation in their industry, price regulations were cited by industry leaders as one of the top three barriers, alongside the cost of new technology and the slow integration of innovative products into existing systems. For some in industry, the UK is currently seen as a market which is both difficult to enter, then difficult to launch nationally across.



There is an innovation-friendly environment in my country.



Q. What do you see as the biggest barriers to innovation in your industry?



The ongoing and long-term Brexit impact

The majority (57%) of senior stakeholders across the healthcare ecosystem believe that Brexit has had a negative impact on investment in their sector. Those in pharma and life sciences (61%)

are more likely to have perceived a decline in investment following the country's departure from the European Union than those working in consumer health.

57%

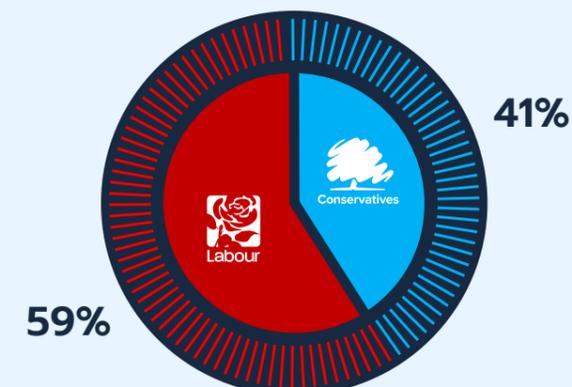
of UK leaders say Brexit has had a negative impact on investment in life sciences and consumer health industry

Who can turn this around?

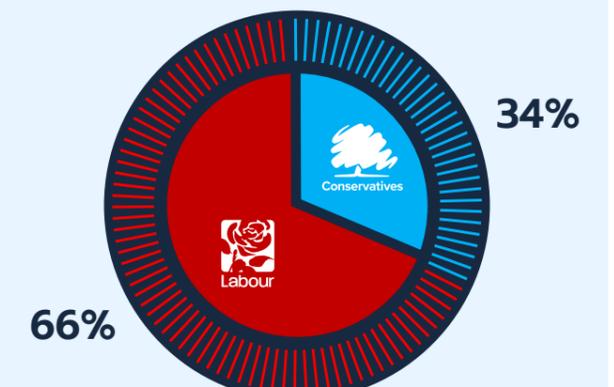
Our findings reveal that the majority of healthcare leaders (59%) believe that the Labour Party would be best placed to turn around declining investment in UK life sciences and consumer health - if they were to win majority at the next general election. It is those working within the pharma and life sciences sector, who are most likely to be pro-Labour, with over 3-in-5 (62%) believing Labour are more likely to be able to turn around declining investment.

Beyond just industry though, the leaders we surveyed also felt that Labour would be best placed to improve the current state of the NHS. In total, two-thirds (66%) said they'd favour a Labour Government to improve the NHS. Interestingly, with seven-in-ten (69%) industry leaders holding this pro-Labour view of improving the NHS, they were more likely to support this than current leaders in the NHS and senior health roles within the public sector (58%).

Q. Which political party do you believe is most likely to turn around declining investment in the UK life sciences and consumer health sector?



Q. Which political party do you believe is most likely to improve the state of the NHS if they were to win a majority at the next general election?



What needs to change?

Industry leaders' responses and the sentiments captured in our survey outline a clear wish list for strengthening the UK offer to pharmaceutical and life sciences companies. 88% of pharma leaders believe that increasing industry clinical activity in the UK is important to make the country a globally competitive environment for life sciences.

In addition, the large majority of healthcare leaders also agree that incentives for manufacturing (81%), allowing capital expenditure to qualify for R&D tax credits (77%) and reforming the VPAS so it is less punitive (72%) are important in order to reinvigorate the sector.

Q. In your opinion, how important are each of the following for the next Government to make the UK a globally competitive environment for life sciences and consumer health?

[% saying important + very important]



Against the backdrop of ongoing economic uncertainty and a volatile business climate, the pharmaceutical sector's worries in relation to the UK's shrinking R&D market share and declining clinical trial activity are increasingly manifesting

in firms pulling out of the VPAS mechanism and warning that without reform action from the country's leadership, a weakened life sciences industry could lead to a significant decline in UK patients' access to innovative treatments.

In Industry's own words and actions...



"With investment across research, development, manufacturing and commercialisation, the UK Life Sciences environment is critical for Ipsen. However, with an increasingly difficult environment, I have major concerns about our ability to invest in the UK in the future, and, importantly, our ability to bring innovative medicines to UK patients."

Guy Oliver, UK General Manager, Ipsen on LinkedIn in March 2023



Novartis' decision to scrap UK-based trial for inclisiran in partnership with the NHS "after a careful evaluation of several factors that drive investment decisions in research and development activities and plans for inclisiran in the UK."

Featured in the FT in March 2023



"[On VPAS]... the challenge is that, while biosimilar medicines are part of the solution in terms of putting the health service on a sustainable financial footing, the industry is now effectively being taxed as if it were part of the problem. The outcome: one top biosimilar player is threatening to leave the UK and others are questioning whether they can make a reasonable return on the three-figure million investments and 7-9 years that it typically takes to develop and manufacture complex biosimilars."

Richard Saynor, CEO, Sandoz on LinkedIn in March 2023

What does this mean for the Conservatives?

Growing up in a pharmacy is said to have shaped Rishi Sunak's political beliefs so it isn't a surprise that healthcare features in his top five policy priorities. Early objectives include pushing through a "Pharmacy First" scheme, launching a new NHS strategy to tackle major conditions and diseases, and actioning the next steps in the medical technology strategy.

Cutting NHS waiting lists is also a priority but lately this debate has been framed as a staff retention challenge dominated by pay issues. The solution is a short-term percentage increase but that debate completely ignores the gap in longer term funding. While there will be a role for Treasury to plug funding gaps – especially as the pace of capital projects slows as inflation rises – the other funding solution is an independent sector one. This partnership is critical to unlocking growth, as was evident during the pandemic where the ingenuity and innovation of the UK health sector led the world, yet the lessons learned seem to have been forgotten.

In part, this is driven by strikes across the sector and the cost of living crisis. But this is short-term thinking and ignores that life sciences investment delivers economic and public health gains. Investment into

R&D and manufacturing creates jobs, pays people a wage in a highly skilled career, and helps grow the overall economy. Whilst this area should be a key driver for the new Department for Science, Innovation and Technology, the reorganisation of Whitehall departments is cumbersome, and plans to deliver on policy may struggle to pick up steam before the next general election.

There were glimmers of optimism in recent weeks as Government announced new ambitions and support for the MRHA and plans for legislative changes to existing clinical trial regulation. Whilst both steps are welcome, the approach is piecemeal. There needs to be a cohesive cross Government strategy that looks at long term resource and capital funding settlements and commits to 10+ year strategies. This is essential if the UK is to diagnose and prevent diseases quicker but is also critical if we are to retain our status as a science superpower.

by Sonia Khan

What does this mean for Labour?

Keir Starmer has announced his five missions for a Better Britain, which will form the basis of the next general election manifesto. Mission three is to build an NHS fit for the future by reforming health and care services to speed up treatment, harnessing life sciences and technology to reduce preventable illness and cutting health inequalities.

Labour recognises the importance of supporting life sciences and attracting more investment to the UK but is in the early stages of policy development. Labour has ruled out re-joining the single market and customs union, but wants to restore the UK's reputation as a reliable international trading partner and to create a stable environment for long-term investment.

Labour is developing the policies to realise the Party's vision, ahead of the National Policy Forum meeting in late July. The Labour Party Conference in October is likely to be the last policy-making conference before the general election, making the next six months critical in Labour's policy-making process.

The sector will be looking out for whether Labour will commit to match, or increase, the support the current Government has announced for life

sciences investment. Labour's industrial strategy aims to innovate through higher education, the public and private sector working together to generate growth and deliver more high-skill jobs throughout the UK.

Pharma is interested in how a future Labour Government might treat commitments in the Life Sciences Vision. The sector is keen to talk about the types of regulatory reform that could be pursued to make the UK a more attractive place to invest. Supporting the life sciences sector is part of Labour's broad economic plan to drive the economy and secure the highest sustained growth in the G7. As such, the party has already committed to spending 3% of GDP on R&D on growth areas.

Shadow Secretary of State for Health and Social Care Wes Streeting MP has spoken publicly about plans to increase clinical trials in the UK, a welcome commitment for the senior executives we interviewed. Separately, Labour has signalled support for reform of the planning system, which could include changes to make it easier to build new laboratories and research facilities.

by Alice Perry



About us



Sonia Khan

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Sonia is an Associate Director at H/Advisors Cicero, having previously been a Special Adviser to the former Chancellor, Sajid Javid MP, and his predecessor, Philip Hammond.

She served as a Campaign Manager at 10 Downing Street under David Cameron, where she worked on Government economy campaigns, including the National Living Wage. She also worked as Press Secretary at the Department for International Trade and served as a Press Officer at the Home Office and Department for Work and Pensions.



Alice Perry

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Alice is an Associate Director at H/Advisors Cicero. She was a Labour Councillor for 11 years and represented Local Government on Labour's National Executive Committee, chairing the organisation in 2021-2022.

Alice was a member of Labour's National Policy Forum for over 10 years. She was involved in drafting three general election manifestos and has a deep understanding of Labour's policy making processes. She spent over a decade at the London School of Hygiene and Tropical Medicine, winning five industry awards for outstanding marketing and engagement campaigns.



Sarah Bosworth

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Sarah is an Account Director at H/Advisors Cicero, delivering Campaigns and research on behalf of healthcare clients. Her healthcare experience includes developing campaign content and messaging, specifically aimed at a policymaker and influencer audience, on behalf of consumer health, pharmaceutical and medical devices companies.

Sarah is based in London and currently manages a number of UK-based and global accounts. Recent clients have included Reckitt, BD, Novartis, Fresenius Kabi and Servier.



Emma Turnbull

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Emma is a healthcare public affairs and market access consultant, working with clients across the sector. She is outcomes-focused, leading work with patient charities and external agencies to create and deliver integrated campaigns.

Before joining H/Advisors, Emma worked for a global healthcare company overseeing government relations for five businesses. She has also worked agency side managing a range of corporate, pharmaceutical, and med-tech accounts.