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Prime Minister -  
agree Ms. Fowler's proposals, subject  
to Policy Unit comments?  
Duty Clerk  
AT  
15/2/85.

Yes

PRIME MINISTER

DRUGS

Norman Fowler has fought a good campaign to save money on the exorbitant drugs bill against outrageous drug industry propaganda. We broadly agree with the proposals in his letter to Viscount Whitelaw.

We had originally hoped to save £100 million from limited list prescribing. The savings have fallen to £70 million because expert advice is that more brand-name drugs than expected are needed for a distinct medical reason. Challenging this expert advice would be unwise - some little old ladies are going to claim that the new drugs upset their bowels as it is. But the Chief Secretary will need to be satisfied that the DHSS expenditure figures will not be breached.

Although Norman Fowler does not mention it in his letter, I understand that in his Statement on Wednesday he wants to assure the drugs industry that we will not extend the limited list further. There is a political case for doing so as the drugs industry's real fear all along has been that this is the thin end of the wedge. But we have defended the proposals on general arguments of principle and we must not appear to undermine them now by restricting their application. Moreover, we need to avoid hostages to fortune which we may come to regret later. We might want to save more from the £1½ billion drugs budget which is still the soft underbelly of NHS expenditure. If there is to be any assurance at all, it needs to be drafted with great caution.

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I therefore recommend that you agree to Norman Fowler's proposals, subject to:

- ✓ - Treasury agreement on the expenditure implications;
- ✓ - avoiding or limiting any assurance of no further extension of the limited list.

*David Willetts*

DAVID WILLETTS

15 February, 1985

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