United Kingdom: Greater Transparency through an Independent Institute

Concept

The United Kingdom funds primary healthcare services almost entirely through general tax revenues and social security contributions. To use the limited funds as efficiently as possible, the **National Institute for Health Care and Excellence** (**NICE**) was established in 1999. This independent institute develops national guidelines and recommendations for assessing healthcare services – including drugs, therapies, medical procedures, and preventive measures.

NICE's evaluation of medical services considers not only clinical effectiveness but also cost-effectiveness. The basis is the concept of *quality-adjusted life years* (QALY), which combines life expectancy and quality of life into a single metric. One QALY equals one year in perfect health.

Example: With current therapy, a person is expected to live another 5 years with a quality of life of 0.6 ⇒ 5×0.6 = 3 QALYs. If a new drug increases the quality of life to 0.8, this results in 4 QALYs, i. e., a gain of 1 QALY compared to the current treatment.

This method allows a quantitative assessment of healthcare services. At NICE, a treatment is generally considered cost-effective if it falls below £20,000–£30,000 per QALY gained; for severe illnesses, the threshold may be higher.

This sober approach repeatedly sparks heated debate, but it is a direct consequence of the strictly limited budget of the British healthcare system: every service approved reduces funding available for others.

Experience and outcomes

Primary healthcare is intended to be free of charge for all residents of the United Kingdom – the goal of the National Health Service (NHS), founded in 1948. Funding for the NHS is allocated through the political process and flows via the Department of Health budget. About 81 percent of total healthcare expenditures in the United Kingdom come from public spending.

NICE assessments can help prevent non-cost-effective treatments from being approved for the publicly funded NHS or replace them with better strategies. This aims to achieve the highest possible quality of care with the financial resources set by policymakers. Experience shows that the evaluations stimulate public debate on the costs and benefits of healthcare

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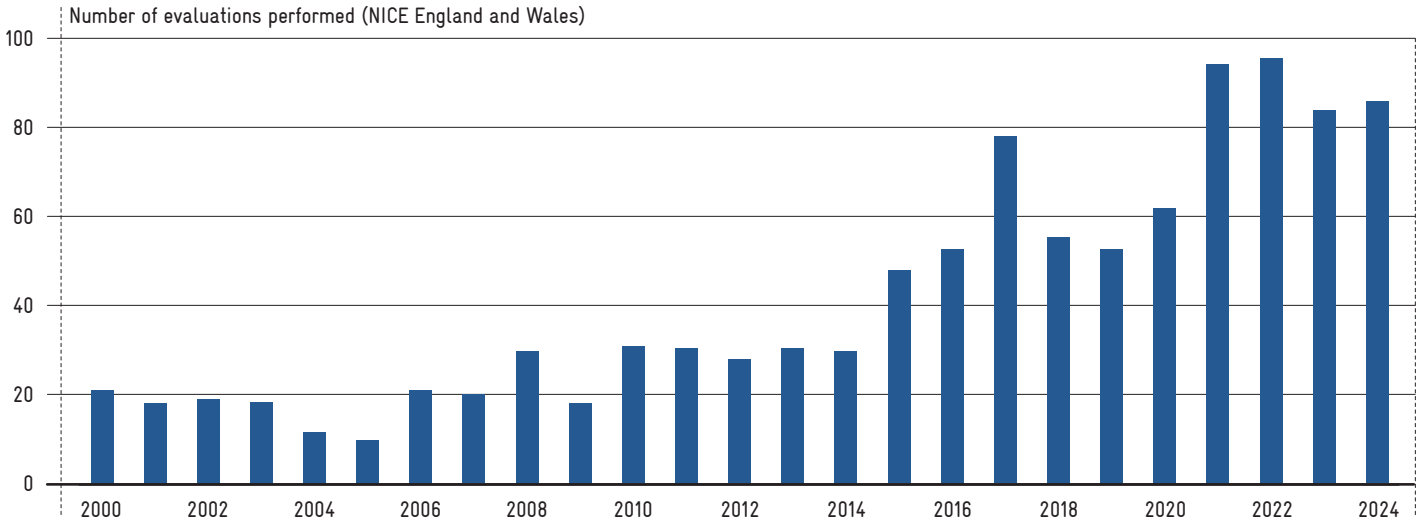
Medical progress requires more cost-benefit analyses

NICE is increasingly under pressure: over the past two decades, the number of evaluations conducted by NICE has quadrupled. This is a result of medical advances, which bring about many new – and often expensive – treatment methods.



Source: The Economist (2025), NICE (National Institute for Health and Care Excellence)

services. For example, NICE recently classified two new Alzheimer's drugs – Kisunla and Leqembi – as not cost-effective.

In recent years, NICE's task has not become easier: medical progress has led to more evaluations than ever before **(see figure)**. Clear cost-benefit analyses, such as those provided by NICE, become even more important with increasingly expensive medical innovations. Indirectly, NICE recommendations affect the NHS's financial situation, which is already under significant strain. Staff shortages and long waiting lists regularly make headlines.

And what about Switzerland?

Between 2009 and 2022, Switzerland had the Swiss Medical Board (SMB), which conducted Health Technology Assessments (HTA) of medical interventions to evaluate their cost-effectiveness. With the help of an independent panel of experts, the SMB formulated recommendations for policymakers, healthcare professionals, and other providers. In this respect, the SMB functioned similarly to NICE in the United Kingdom. The recommendations sometimes sparked public debate – for example, mammography screening for women over 50, which the SMB classified as not cost-effective.

Today, the Federal Office of Public Health (FOPH) commissions HTAs to evaluate the efficiency of existing or new medical services. These HTAs are reviewed by an extraparliamentary commission, and the Federal Department of Home Affairs (FDHA) or the FOPH then decides whether a new or existing service meets the criteria of mandatory health insurance (MHI). These criteria are effectiveness, appropriateness, and efficiency. In principle, only services that meet these criteria can be included in the MHI benefits catalog.

In contrast to the United Kingdom, however, Switzerland does not use QALY-based thresholds, and the evaluations of extraparliamentary commissions are not made public. As a result, the FOPH process appears less transparent, and there is a lack of broad public debate about efficient resource allocation in the healthcare system. Given rising healthcare costs, this pressure is likely to increase in the future.

Conclusion

■ Budget restriction
The NHS's global budget requires cost-benefit evaluations of individual healthcare services.

■ Transparency
The independent NICE institute creates transparency regarding the added value of medical services using QALYs *(quality-adjusted life years)*. Treatments are generally considered cost-effective if they fall below £20,000–£30,000 per QALY.

■ Public debate
This transparent approach regularly sparks public debates about how cost-effective a drug must be in order to be included in the public healthcare system.

Find out more

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