

# THE ECONOMIC IMPACT OF OVER-THE-COUNTER PRODUCTS IN THE UK

Report for PAGB, the consumer healthcare  
association

12 JULY 2023



# About Frontier Economics

Frontier Economics is one of the largest economics consultancies in Europe. We employ over 400 people and have worked in over 60 countries. We provide high quality, independent advice to clients across a wide range of sectors and topics. We are entirely employee-owned.

This report was commissioned by PAGB, the consumer healthcare association, and was undertaken independently by Frontier. All views expressed in this document are the views of Frontier Economics.



The Consumer Healthcare Association



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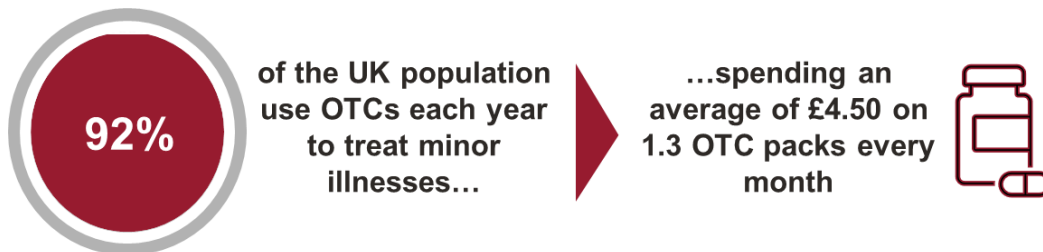
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# Executive Summary

## Introduction

Over-the-counter medicines, devices and food supplements (OTCs) are products that can be bought by consumers without a prescription, at a pharmacy or another retail outlet. These products are safe and effective for self-care and are intended for the treatment of minor ailments, such as headaches, colds, allergies, and indigestion.

OTCs play a vital role for millions of people in managing their own health. 96% of the UK population experiences at least one self-treatable illness every year, with 43% experiencing more than four. 983 million OTC packs were sold in the UK last year, equating to 1,870 every minute. 92% of people used OTCs last year to self-care and treat themselves, with each user spending an average of £4.50 on 1.3 packs of OTCs every month.



However, the value of the UK OTC market, which generates £3.3bn in sales each year, is not limited to helping individuals treat and manage their symptoms. The OTC sector directly, and indirectly, employs thousands of individuals and contributes billions each year in exports to the UK economy. People's ability to effectively self-care by using OTCs also improves the health of the labour force, and reduces workplace absence. Furthermore, OTCs help the NHS avoid the need to prescribe medications and provide professional consultations for self-treatable illnesses.

Frontier Economics were commissioned by PAGB, the consumer healthcare association, to assess the impacts of OTCs in the UK, focusing on two main questions

1. What are the current impacts of OTCs in the UK?
2. What are the potential future impacts of greater OTC usage?

## Current impacts of OTCs

To estimate the current impacts we considered the OTC sector's economic impact, the economic impact due to improved worker health and NHS savings separately. We estimate that, for every £1 currently spent by consumers in the £3.3bn OTC market:

- the OTC sector contributes £1 to the economy in wages and exports;
- the economy saves £5.40 in avoided workplace absences; and

- the NHS saves £1.90 in prescription and appointment costs

Every **£1** spent on OTCs creates **£8.40** economic and social benefit

Each of these impacts from OTC use translates into billions of pounds for the economy and the NHS each year.

### Current annual impacts of the UK OTC sector

**£3.3bn** 

UK OTC sales revenues

**£3.5bn** 

Economic contribution to wages and exports

**£18bn** 

Value of avoided work absence

**£6.4bn** 

NHS prescription and appointment cost savings

Alongside these wider benefits to the economy and NHS, it is important to not lose sight of the fact that OTC use also benefits individuals. When people use OTCs to self-care effectively they experience a quality of life benefit. While this is difficult to quantify, based on previous studies, this **quality of life benefit could be worth close to £15bn per year** to UK consumers. In other words, **for every £1 an individual spends on OTCs, they get approximately £4.50 back in quality of life benefit.**

## Potential future impacts of wider self-care

With wider self-care and OTC use, the UK could potentially unlock more of these benefits in the future. OTC use could increase through two main mechanisms:

1. Greater use of existing OTCs
2. Reclassification of prescription-only medications to OTC status

Increasing self-care can generate further benefits for the NHS and the economy if those who currently rely on NHS treatment switched to using OTCs for self-treatable illnesses. We estimate that each year, at least 25 million GP appointments and 5 million A&E visits are used for self-treatable illnesses. If the individuals using these appointments instead used OTCs to self-treat, it could save the NHS at least £1.7bn per year in costs. Eliminating these appointments could also save the economy an additional £350m per year as employees would not need to take time out from work for unnecessary NHS treatment.

### Potential future NHS savings from greater use of existing OTCs



Use of existing OTCs could also grow if those who do not currently treat their self-treatable illnesses instead used OTCs. 33 million people per year in the UK have at least one self-treatable illness that they ignore and do not treat. If these individuals used OTCs they could improve their quality of life and reduce workplace absence.

The reclassification or “switching” of medications from prescription-only to OTC status could also increase OTC use. This could come through individuals using the reclassified OTC versions of the drug instead of relying on prescriptions. Or alternatively, individuals who do not currently treat their illnesses could use the reclassified OTCs instead. Through both mechanisms, increased OTC use from reclassification could generate further NHS savings and economic benefits.

However, the extent to which reclassifications increase OTC use, and generate these benefits depends on a number of drug-specific factors. These include the level of demand for the drug, the

unit costs of the drug, whether consumers are willing to substitute away from prescriptions and how prescribing practices change with reclassification.

Evidence from past reclassifications suggests that post-switch changes in use and NHS prescribing vary but can be substantial. The current market size for OTCs which were switched early, such as Ibuprofen and Loperamide (reclassified in 1983), illustrate how the use of these drugs can grow and take a substantial burden off the NHS.

Estimating the exact magnitude of the impacts from future reclassifications is difficult due to the drug-specific factors that influence them. However, one thing is clear: future reclassifications of appropriate drugs can potentially lead to more self-care at home, resulting in substantial benefits for the NHS, the economy, and individuals. Taking NHS savings as an example, we estimate that if future reclassifications reduced NHS prescribing levels and spending by just 5%, it could save the NHS £1.4bn per year in prescription and appointment costs.

### Potential future NHS savings from reclassification of prescription-only medications to OTC status



## Conclusions

OTCs are a vitally important part of the UK economy. Each year, the sector contributes **billions in wages and exports** and helps employees **avoid 164 million missed work days**. Furthermore, OTC use **saves the NHS £6.4bn each year in avoided prescription and appointment costs**.

Greater OTC use could unlock even more of these benefits. Eliminating appointments for self-treatable illnesses and enabling greater use of existing OTCs instead **could save the NHS at least £1.7bn per year and reduce workplace absence**. Reclassification of prescription-only medications to OTC status represents another opportunity to widen self-care and stimulate greater OTC use, generating further benefits for the NHS and the economy.

Policymakers should recognise the importance that self-care and OTCs play in the UK today and acknowledge the sizeable benefits that greater OTC usage could bring. Eliminating unnecessary NHS treatment for minor illnesses and enabling greater use of existing OTCs would have a clear impact. Widening access to OTC products via reclassification of suitable candidate drugs is another possible avenue to unlock further potential in the OTC markets that policymakers could consider.

# Introduction

Medicines in the UK tend to fall into the following three categories, depending upon their availability:

- Prescription-only medicines (POM) are only available when they are prescribed by an authorised health professional. For example, you might visit your GP practice and receive a prescription.
- Pharmacy medicines (P) are available to buy directly from a pharmacy, although they must be bought in the presence of a pharmacist.
- General Sales List medicines (GSL) are available to buy from many retail outlets such as supermarkets and corner shops, and from pharmacies. Individuals do not require a prescription, or a pharmacist to be present.

This report is about over-the-counter (OTC) medicines which includes all pharmacy (P) and General Sales List (GSL) medicines, which can be bought directly by individuals to allow them to self-care and treat minor ailments and illnesses, without prescription.<sup>1</sup> The market for OTC medicines, self-care medical devices and food supplements (henceforth referred to as “OTCs”) was £3.3 billion in 2022.<sup>2</sup> Some medicines may be available in more than one of the above categories. And sometimes a medicine may move between these categories, which is known as ‘reclassification’.

**Figure 1** Categories of medicines in the UK



Source: Frontier Economics

Frontier Economics were commissioned by PAGB, the consumer healthcare association, to assess the impact of OTCs in the UK. PAGB represents the manufacturers of branded OTC medicines, self-care medical devices and food supplements in the UK. PAGB has around 50 members, which collectively account for around 90% of the OTC brands in the UK market.

This report explores two questions:

1. What are the current impacts of OTCs in the UK?
2. What are the potential future impacts of greater OTC usage?

<sup>1</sup> When referring to “OTCs” this report includes all OTC medications, devices and supplements that are sold in the UK, and which PAGB members also sell. This excludes other products which could be referred to as OTCs, including vaping products and others.

<sup>2</sup> Nielsen IQ and PAGB member data



## Impact framework

Our analysis of the OTC market in the UK is underpinned by an impact framework. We have developed a logic model – shown in Figure 2 – which describes the impacts of OTC sector firms. It also shows the ‘transmission mechanisms’ through which these impacts are achieved.

The logic model shows:

- the **inputs** required by OTC sector firms: staff and non-staff operating expenditure, and capital expenditure (e.g. to build manufacturing sites);
- the **activities** undertaken by OTC sector firms: import, manufacture, distribution and marketing of OTCs; raising awareness, delivering education and training about OTCs; and activities to support reclassification of medicines;
- the **outputs** of these activities: the availability of OTCs and information about OTCs; direct and indirect employment; and OTC exports;
- the **outcomes** related to these outputs: improved health outcomes, reduced demand for NHS services and contribution to the economy; and
- the **impacts** of OTC sector activity: NHS cash and capacity savings, greater economic activity and reductions in health inequalities.

Based on this logic model, our analysis of the OTC sector has considered three categories of impacts:

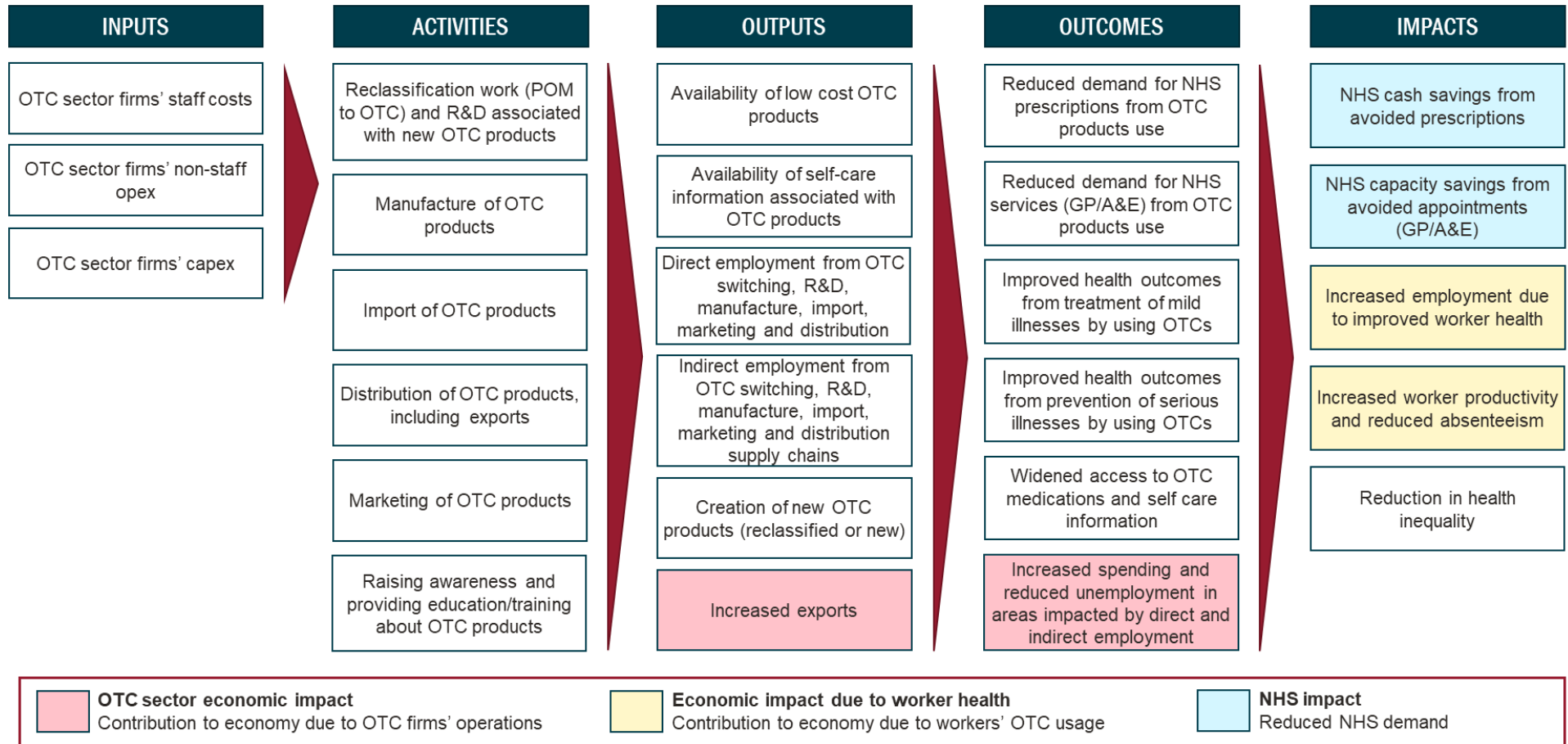
The **OTC sector economic impact** captures economic activity due to OTC sector firms’ operations. This is a benefit to individuals (through opportunities to work, and local prosperity) and contributes to national policy objectives for economic growth.

The **economic impact due to worker health** captures economic activity which occurs due to improved individual health. When individuals use OTCs, their health is improved, helping workers to avoid absenteeism and to be more productive.

The **NHS impact** captures the consequences for the NHS of OTC usage, including: cash savings from avoided prescriptions, due to individuals buying OTCs instead; and capacity savings for avoided appointments, due to individuals managing conditions through self-care instead.

We note that each of these impacts may be driven by different types of OTC products. For example, the OTC sector economic impact is due to all OTC products (i.e. medicines, devices and supplements), whereas the economic impacts due to worker health and NHS impacts are more likely to be just driven by medications and devices.

**Figure 2 Logic model**



Source: Frontier Economics

Note: OTC products include medicines, self-care medical devices and food supplements.

Using the logic model, we revisited our two key questions and developed several sub-questions:

1. What are the current economic impacts of OTCs in the UK?

**OTC sector economic impact**

- How many people are directly and indirectly employed due to OTC firms' operations?
- What does this contribute to the economy?
- What is the value of exports by OTC sector firms?

**Economic impact due to worker health**

- How can OTC use generate economic benefits by improving worker health?
- How much is economic benefit that OTCs generate by improving worker health?
- What quality of life benefits can OTCs provide to users?

**NHS impact**

- How much is currently spent by individuals on OTCs each year that the NHS is not required prescribe?
- What would the NHS have to spend if current OTC users instead sought GP/A&E treatment?
- What costs could be currently avoided due to the prevention of serious illnesses?

2. What is the potential future impact of wider self-care?

**Greater use of existing OTCs**

- How can increased use of existing OTCs impact the economy and the NHS?
- How much absenteeism could be avoided by greater use of existing OTCs?
- How much could the NHS save by eliminating the appointments and prescriptions currently used for minor illnesses?

**Reclassification**

- How can the reclassification of prescription-only medications (POMs) to OTC impact the economy and NHS?
- What can we learn from the impact of previous reclassifications?
- What could the NHS save from future reclassifications?

## OTC sector economic impact

This section describes our analysis of the OTC sector economic impact, considering the following questions:

- How many people are directly and indirectly employed due to OTC firms' operations?
- What does this contribute to the economy?
- What is the value of exports by OTC sector firms?

Our analysis is based on data from a sample of 20 PAGB members, who account for 90% of all PAGB members' OTC sales and 51% of the sales in the OTC sector.<sup>3</sup> The sales of the remainder of the sector is largely made up of non-branded own label supply OTC products (e.g. generic actives bought by consumers) and vaping products. Where we have attributed figures to all PAGB members and the wider OTC sector, data from our sample has been scaled up by the relevant factor based on sales.

## OTC sector employment and earnings

Companies in the OTC sector, including PAGB members, play a vital role in the UK economy. They employ thousands of people, providing jobs and wages. Although these companies may be involved in various sectors, a significant portion of their employees' daily work revolves around OTC products.

PAGB members alone employ over 10,000 people, of which over 5,000 work on OTC related activities, earning £214m per year in wages.<sup>4</sup> After scaling up to the wider sector, this suggests that OTC sector firms:

- employ over 19,000 people;
- of which 10,000 work on OTC related activities;
- earning approximately £377m per year

In addition to the wages they directly pay, OTC sector firms indirectly contribute to wages in other sectors. For instance, they invest substantial amounts in marketing to promote their products, supporting jobs in the marketing sector. Moreover, the wholesale of OTCs by these companies creates a supply chain that employs workers in transportation and distribution sectors.

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<sup>3</sup> Overall, all PAGB members account for 57% of sales in the OTC sector.

<sup>4</sup> Wages are estimated based on 2022 median gross annual wage in the "Wholesale of Pharmaceutical Drugs" sector (£37,7k), as reported by the ONS in the Annual Survey of Hours and Earnings (ASHE).

We estimate this indirect impact by applying ONS multipliers for the compensation of employees to the direct wages that OTC sector firms pay. These ONS multipliers estimate the total wages paid in the economy for every £1 paid in a specific industry. This suggests that for every £1 paid in direct wages to OTC sector employees, between 53p and 71p is paid to non-OTC sector employees.<sup>5</sup> Therefore, for the £376m paid in wages to employees directly working on OTC related activities, between £198m and £267m are paid to employees in other sectors.

**Figure 3 OTC sector firms’ economic contribution through direct and indirect wages**



Source: Frontier Economics based on PAGB member, Nielsen IQ and ONS data

Note: Figures are annual and for the UK

## OTC sector exports

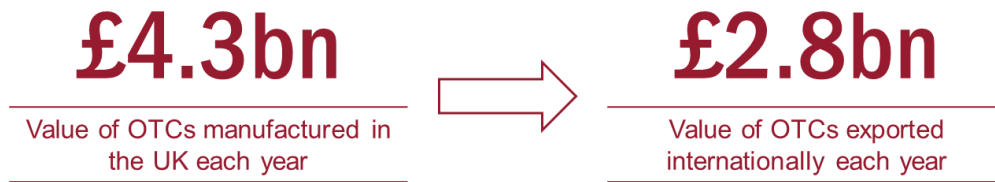
Many OTC sector firms also have their own manufacturing sites in the UK. These sites do not only manufacture products for the domestic OTC market, but also export goods to be sold internationally. These exports represent an additional positive impact to the UK economy.

In 2022, PAGB members manufactured approximately £2.4bn worth of OTCs in the UK, of which £1.6bn were exported. Scaled up to the wider sector, every year OTC sector firms:

- manufacture approximately £4.3bn of OTCs in the UK; and
- export £2.8bn worth of OTCs internationally

<sup>5</sup> Estimated using ONS multipliers for the compensation of employees in the “Wholesale Trade” (1.53) and “Manufacture of Basic Pharmaceutical Products” (1.71) sectors as per ONS Input-Output Analytical Tables

**Figure 4** UK based manufacturing and international exports by OTC sector firms



Source: Frontier Economics based on PAGB member and Nielsen IQ data

Note: Figures are annual and for the UK

## Economic impact due to worker health

This section describes our analysis of the impact of OTCs on workers' health, considering the following questions:

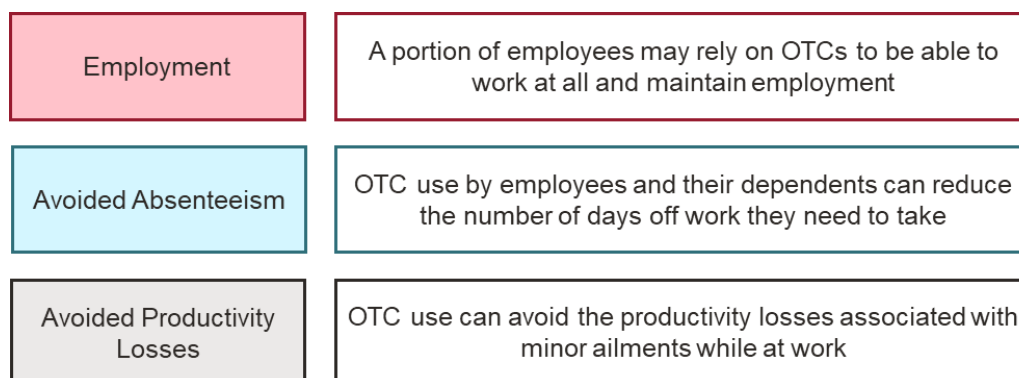
- How can OTC use generate economic benefits by improving worker health?
- How much is economic benefit that OTCs generate by improving worker health?
- What quality of life benefits can OTCs provide to users?

### Framework for worker health impacts

OTC use by employees can generate significant economic benefits by improving worker health. There are three main mechanisms through which this can occur (outlined in Figure 5):

- Employment
- Avoided absenteeism
- Avoided productivity losses

**Figure 5** A framework for worker health impacts



Source: Frontier Economics

PAGB data suggests that the number of UK employees who experience each of these mechanisms is substantial. Of the 33 million people in the UK who are currently employed:

- 7 million use OTCs to self-care and manage or treat chronic conditions.<sup>6</sup> The employees contribute approximately £193bn in annual wages to the UK economy.<sup>7</sup> A portion of these people may rely on OTCs to be able to work at all.

<sup>6</sup> Based on Pureprofile survey data; 5,000 respondents questioned independently; data ahead of publication and commissioned by PAGB; on file

<sup>7</sup> Wages are estimated based on the 2022 UK median gross annual wage (£27.7k) as reported by the ONS in the Annual Survey of Hours and Earnings (ASHE).

- 22 million agree that self-care via OTC use allows them to miss fewer days off work.<sup>8</sup>
- 21 million agree that their dependents' OTC use allows them to miss fewer days off work.<sup>9</sup>

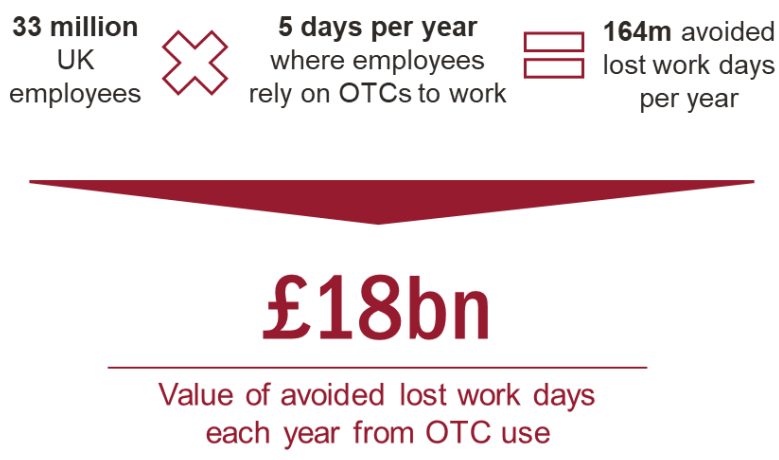
## Economic benefit from improved worker health

The economic benefit from workers' OTC use and associated health impacts can be estimated in the form of avoided lost work hours and wages (i.e. work hours which would have been lost in the absence of OTCs and the associated wages).

UK employees report that, on average, they **rely on OTCs to be able to work for 5 days every year**.<sup>10</sup> Therefore via the utilisation of self-care and OTC products, UK employees avoid approximately:

- 164 million lost work days per year;
- 1.2 billion lost work hours per year; and
- £18bn in lost wages per year.<sup>11</sup>

**Figure 6 Value of avoided lost work days through OTC use**



Source: Frontier Economics based on ONS data and Pureprofile survey data (5,000 respondents questioned independently; data ahead of publication and commissioned by PAGB; on file)

Note: Figures are annual and for the UK

<sup>8</sup> Based on Pureprofile survey data; 5,000 respondents questioned independently; data ahead of publication and commissioned by PAGB; on file

<sup>9</sup> Based on Pureprofile survey data; 5,000 respondents questioned independently; data ahead of publication and commissioned by PAGB; on file

<sup>10</sup> Based on Pureprofile survey data; 5,000 respondents questioned independently; data ahead of publication and commissioned by PAGB; on file

<sup>11</sup> Estimated using Pureprofile survey data (5,000 respondents questioned independently; data ahead of publication and commissioned by PAGB; on file) and ONS data for the UK median gross hourly wage (£14.72) in 2022 as reported in the Annual Survey of Hours and Earnings (ASHE), and total UK employee population in 2022 (33m).



Using self-care and OTC products also helps employees avoid lost work hours by eliminating the need to visit the GP or A&E during work hours for treatment when they are sick. For example, an estimated 25 million employees would seek professional treatment if OTCs were not available.<sup>12</sup> If these employees had one extra GP appointment during work hours every year, it would cost the economy approximately £364m in lost wages.<sup>13</sup>

These economic benefits represent the impacts of the employment and avoided absenteeism effects outlined in Figure 5. OTC use by workers can also generate economic benefit by reducing productivity losses for those experiencing minor illnesses while at work.

Actually estimating the benefit that OTCs can have on productivity losses is difficult due to a lack of existing evidence. However, illustrative examples show that the current impact of OTC use on productivity is likely significant. For example:

- If each UK employee avoided a productivity loss of 1% per year through OTC use, this would save the UK £9.1bn in avoided lost wages.<sup>14</sup>
- If UK employees who currently use OTCs to treat allergies were instead symptomatic, this could cost the UK economy up to £3.8bn in lost wages.<sup>15</sup>

### Benefits to individuals from improved health

Alongside the economic impacts from improved worker health, it is important to note that OTCs also generate significant health and wellbeing benefits for all individual users. Each year in the UK, approximately:

- 64 million people experience at least one self-treatable illness;
- On average, each person experiences 4.2 self-treatable illnesses per year
- 61 million people use OTCs at least once to treat a self-treatable illness;
- 13 million people use OTCs more than 10 times to treat self-treatable illnesses; and

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<sup>12</sup> Estimated using Pureprofile survey data (5,000 respondents questioned independently; data ahead of publication and commissioned by PAGB; on file) and CHPA (2022), "The Power of OTCs to Provide Consumer Value" which suggests that 82% of OTC users would seek professional medical treatment if OTCs were not available.

<sup>13</sup> Each GP appointment is assumed to take 1 hour out of the work day, worth £14.72 in wages as per the UK 2022 median gross hourly wage reported by the ONS in the Annual Survey of Hours and Earnings (ASHE). Note that this £364m may not be entirely additional to the £18bn estimate for avoided lost work days per year.

<sup>14</sup> Assumes that 1% of each UK employee's wages are lost. Estimated using ONS data for the 2022 UK median gross annual wage (£27.7k) as reported in the Annual Survey of Hours and Earnings (ASHE)

<sup>15</sup> Estimated using Pureprofile survey data (5,000 respondents questioned independently; data ahead of publication and commissioned by PAGB; on file), Burton et al. (2001), "The Impact of Allergies and Allergy Treatment on Worker Productivity", and Lamb et al. (2006), "Economic impact of workplace productivity losses due to allergic rhinitis compared with select medical conditions in the United States from an employer perspective." Our analysis assumes that those with symptomatic allergies suffer a 10% productivity loss at work for 52.5 days each year.

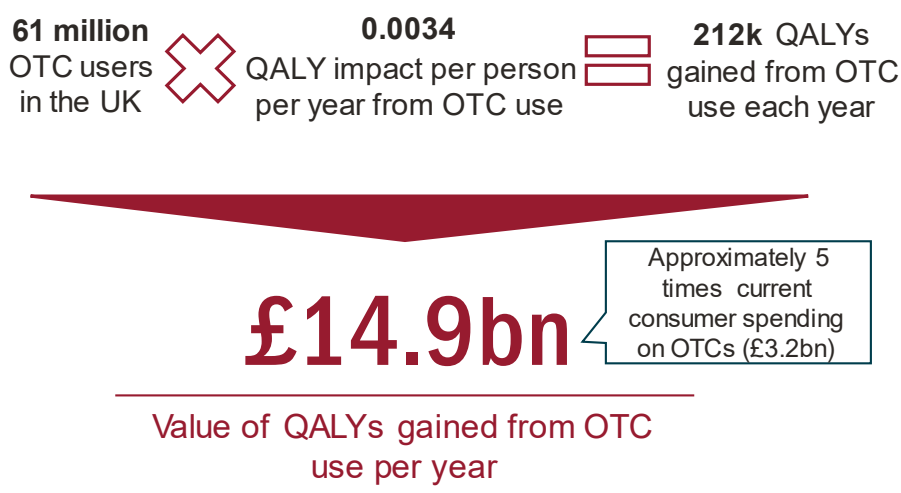
- each OTC user spends an average of £4.50 on 1.3 OTC packs per month.<sup>16</sup>

When these people use OTCs to effectively treat their illnesses, their health improves and they experience a better quality of life.

This benefit can be estimated in the form of quality-adjusted life years (QALYs).<sup>17</sup> A 2022 Global Self-Care Federation report estimated that OTC use and self-care generates 0.0034 QALYs per year per person in high income European countries.<sup>18</sup> Therefore, each year, for the 61 million OTC users in the UK, OTCs generate approximately:

- 212,000 QALYs; and
- £14.9bn in wellbeing value.<sup>19</sup>

**Figure 7 Wellbeing impact from OTC use**



Source: Frontier Economics based on Global Self-Care Federation, HM Treasury and Pureprofile survey data (5,000 respondents questioned independently; data ahead of publication and commissioned by PAGB; on file)

Note: Figures are annual and for the UK

<sup>16</sup> All figures based on Pureprofile survey data (5,000 respondents questioned independently; data ahead of publication and commissioned by PAGB; on file) and Nielsen IQ data.

<sup>17</sup> QALYs measure an individual's health-related quality of life. 1 QALY is equal to 1 year of life in perfect health, whereas 0.5 QALYs is equivalent to 6 months in perfect health, or 1 year with quality of life which is significantly impaired. QALYs are a standard, best-practice measure used in health economics and across government in evaluation of policy.

<sup>18</sup> Global Self-Care Federation (2022), "Assessment of the Economic and Social Impact of Self-Care Globally"

<sup>19</sup> Assumes a QALY value of £70,000 as per HM Treasury's [Green Book](#) (2022)

## NHS impact

This section describes our analysis of the impact of OTCs on the NHS, considering the following questions:

- How much is currently spent by individuals on OTCs each year that the NHS is not required prescribe?
- What would the NHS have to spend if current OTC users instead sought GP/A&E treatment?
- What costs could be currently avoided due to the prevention of serious illnesses?

### NHS cash savings from avoided prescriptions

The OTC market in the UK is substantial. In 2022, some 983 million units were sold, with £3.3 billion spent by UK customers.<sup>20</sup> For comparison, there were 1.37 billion items prescribed in the community by the NHS in 2021-22, costing the NHS £12.2 billion.<sup>21</sup>

**Figure 8 The OTC market and NHS prescriptions compared**

	<b>Quantity</b>	<b>Value</b>
<b>OTCs</b>	<b>983 million</b> OTC units sold per year	<b>£3.3 billion</b> Spent by customers on OTCs per year
	<b>1.37 billion</b> Prescription items dispensed in the community per year	<b>£12.2 billion</b> Spent by the NHS on community prescriptions per year

*Source: OTC market figures based on Nielsen IQ and PAGB member data. NHS England, Public Health Scotland, Welsh Government and Northern Ireland Statistics and Research Agency prescription data for 2021-22. This excludes prescriptions made in hospitals.*

*Note: Figures are for the whole of the UK, 2021-22 for NHS and 2022 for OTCs*

<sup>20</sup> Nielsen IQ and PAGB member data

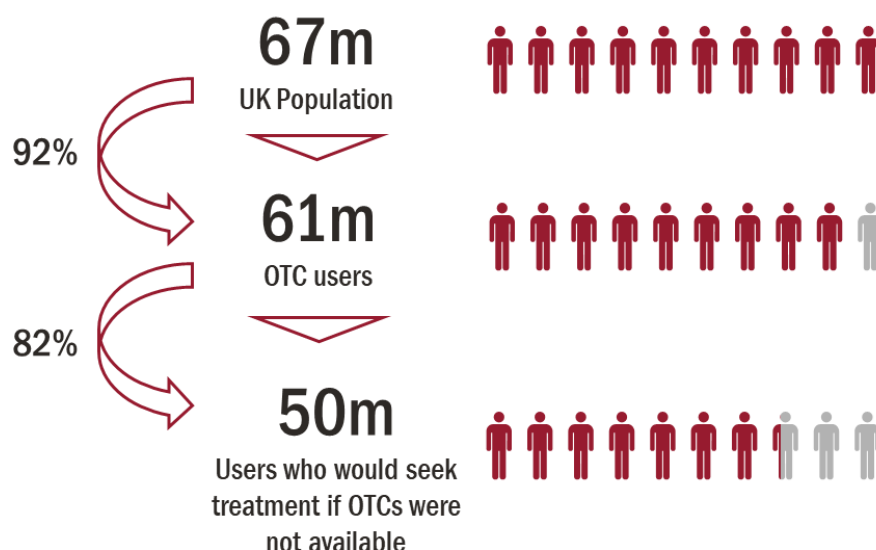
<sup>21</sup> NHS England, Public Health Scotland, Welsh Government and Northern Ireland Statistics and Research Agency prescription data for 2021-22. This excludes prescriptions made in hospitals.

The purchase of OTCs represents a significant benefit to the NHS. If people were not able or willing to purchase OTCs, in many cases they would instead rely upon the NHS. If the NHS was required to prescribe all of the OTCs currently purchased, this could lead to:

- a 72% increase in the number of community prescriptions it dispenses; and
- a 27% increase in the NHS spend on community prescriptions, per year.<sup>22</sup>

However, we would expect that only a portion of current OTC users would seek treatment and a prescription from the NHS if they were not able to purchase OTCs. UK survey data shows that 92% of the population used OTCs in the last year.<sup>23</sup> Evidence from a 2022 US survey suggests that around 82% of OTC users would seek professional healthcare if OTCs were not available.<sup>24</sup>

**Figure 9** Number of OTC users and users who would seek treatment if OTCs were not available



Source: Frontier Economics based on ONS data, CHPA data and Pureprofile survey data (5,000 respondents questioned independently; data ahead of publication and commissioned by PAGB; on file)

Therefore, the NHS may only be required to prescribe 82% of the OTCs currently purchased if OTCs were not available, costing **£2.7 billion** and leading to:

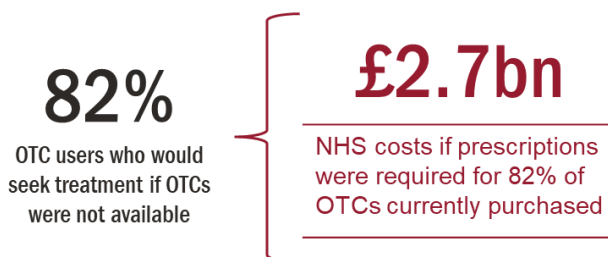
- a 59% increase in the number of community prescriptions it dispenses; and
- a 22% increase in the NHS spend on community prescriptions, per year.

<sup>22</sup> This ignores any potential bulk-purchasing discounts which could be secured.

<sup>23</sup> Pureprofile survey data (5,000 respondents questioned independently; data ahead of publication and commissioned by PAGB; on file)

<sup>24</sup> CHPA (2022), "The Power of OTCs to Provide Consumer Value"

**Figure 10 NHS cash savings from avoided prescriptions**



Source: Frontier Economics based on 2022 Nielsen IQ, PAGB member and CHPA data,  
Note: Figures are annual and for the UK

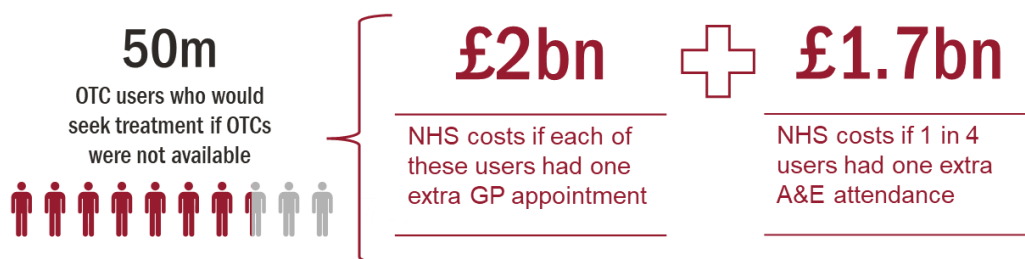
### NHS capacity savings from avoided appointments

OTCs also generate NHS capacity savings from avoided appointments. If OTC users sought GP or A&E treatment instead of using OTCs, this would generate significant NHS costs.

We consider an OTC user who would typically not seek treatment, and instead self-cares at home using OTCs. If OTCs were not available, they may instead seek treatment. If each such OTC user had one extra GP appointment, and one-in-four had an extra visit to A&E each year this would lead to:

- an additional 50 million GP appointments, at a 'cost' to the NHS of £2bn;<sup>25</sup> and
- an additional 12.6 million A&E attendances, at a 'cost' to the NHS of £1.7bn per year.<sup>26,27</sup>

**Figure 11 NHS capacity savings from avoided appointments**



Source: Frontier Economics based on ONS, CHPA, PSSRU, NHS data and Pureprofile survey data (5,000 respondents questioned independently; data ahead of publication and commissioned by PAGB; on file)

Note: Figures are annual and for the UK

<sup>25</sup> Assumes a cost of £39 per GP appointment based on PSSRU Unit Costs (2021)

<sup>26</sup> Assumes a cost of £138 per A&E attendance. Based on the average attendance cost of all A&E visits involving up to a Category 1 Investigation with Category 1-2 Treatment. NHS National Costs Collection Data (2021/22)

<sup>27</sup> These 'costs' represent an estimate of the resources required by the NHS to meet these demands, rather than financial costs which would be borne by the NHS.

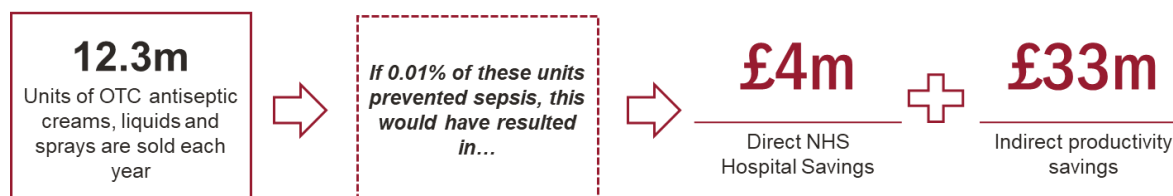
## Prevention of serious illnesses

OTCs may also help prevent serious illnesses in a smaller number of cases. By effectively treating an ailment with an OTC at an earlier stage, a person may prevent a serious illness from developing, which in turn could generate an NHS saving and economic benefit.

Estimating the extent to which OTCs actually prevent serious illnesses is difficult, but illustrative examples can show that the impacts could be substantial. For example, take the example of OTC antiseptic use potentially preventing cases of sepsis. Approximately 12.3 million units of OTC antiseptic creams, liquids and sprays are sold each year in the UK.<sup>28</sup> These OTCs may avoid infections before they can spread, and in some cases may avoid very serious consequences. If just 1 in 10,000 of these units prevented a case of sepsis each year this would have resulted in:

- 1,229 sepsis cases prevented,
- £4m in direct NHS hospital cost savings,<sup>29</sup> and
- £33m in indirect economic savings through reduced absenteeism and avoided productivity losses.<sup>30</sup>

**Figure 12 Potential impact from OTC antiseptic use preventing sepsis**



Source: Frontier Economics based on Nielsen IQ, NHS and York Health Economic Consortium data

Note: Figures are annual and for the UK

<sup>28</sup> Nielsen IQ

<sup>29</sup> Based on an average unit cost per sepsis case of £3,287 in England (HRGs WJO6A to WJO6J). NHS National Cost Collection data (2020/21)

<sup>30</sup> Based on the ratio between sepsis related hospital costs and indirect productivity costs reported by York Health Economic Consortium (2017), "The Cost of Sepsis Care in the UK".

## Potential future impacts of wider self-care

This section describes our analysis of the potential future impacts of widening self-care via greater OTC usage. To do this, we consider two mechanisms through which there could be greater OTC use. The first is greater use of existing OTCs, where consumption of medications which already have OTC status increases. The second is widening access through the reclassification of medications which are currently prescription-only (POMs) to OTC status. Within these two mechanisms we consider the following questions:

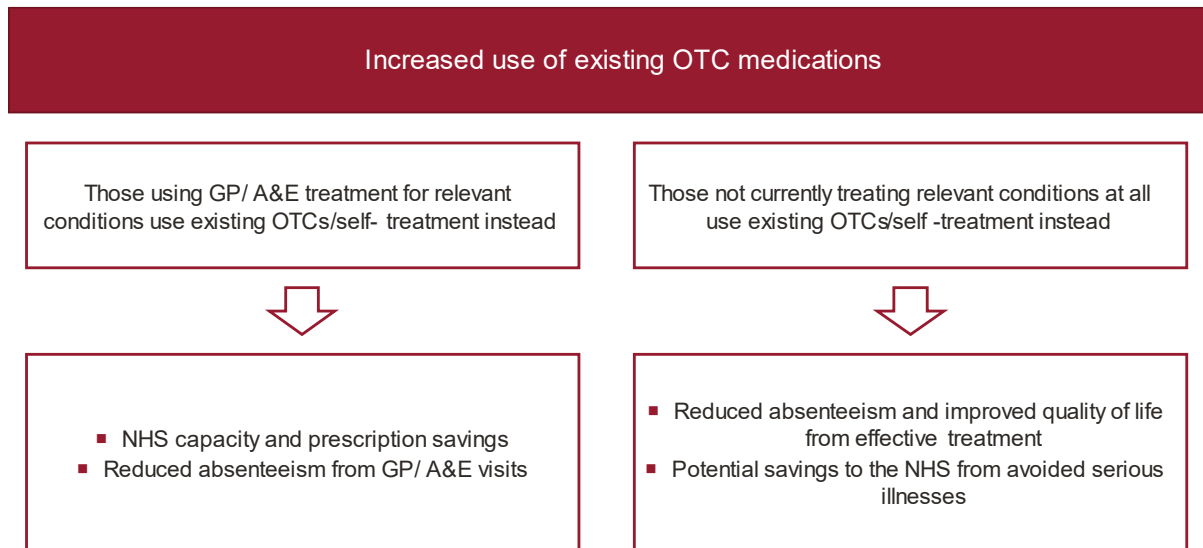
- Greater use of existing OTCs
  - How can increased use of existing OTCs impact the economy and the NHS?
  - How much absenteeism could be avoided by greater use of existing OTCs?
  - How much could the NHS save by eliminating the appointments and prescriptions currently used for minor illnesses?
- Widening access to OTC medicines via reclassification of POMs to OTC status
  - How can the reclassification of POMs to OTC impact the economy and NHS?
  - What can we learn from the impact of previous reclassifications?
  - How much could the NHS save from future reclassifications?

### Greater use of existing OTCs

There are two main ways the use of existing OTCs could increase, each potentially bringing significant benefits:

- Those who currently rely on NHS treatment could start to self-care and use existing OTCs.
- Those who do not currently treat their illnesses at all could also begin to self-care instead and use existing OTCs to treat themselves.

**Figure 13 Potential impacts of increased use of existing OTC medications**



Source: Frontier Economics

## Switching from NHS treatment to OTCs

For those who currently rely on NHS treatment, self-caring using existing OTCs could generate significant benefits:

- NHS savings as less GP appointments and prescriptions are required.
- Economic benefits as workers spend less time away from work seeking treatment.

A significant number of GP appointments and A&E visits are currently used for illnesses which are self-treatable, either with OTCs or other appropriate self-care. We estimate that between 25 to 48 million GP appointments and 5 to 10 million A&E visits are used for such illnesses each year.<sup>31,32</sup> If all of these appointments and visits were substituted for OTCs and self-care, the NHS could save between £1.7bn and £3.2bn each year.<sup>33</sup>

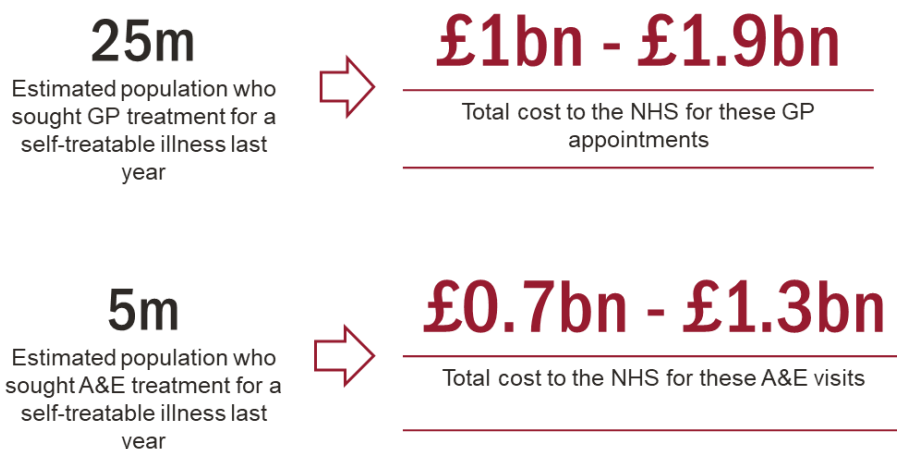
<sup>31</sup> Based on Pureprofile survey data (5,000 respondents questioned independently; data ahead of publication and commissioned by PAGB; on file)

<sup>32</sup> This is similar to a PSNC estimate for the number of GP appointments for common ailments that could be moved to community pharmacies (40m). See Pulse Today (2022), "[Walk-in pharmacy service could save 40 million GP appointments a year, say negotiators](#)" (last accessed 22/06/23)

<sup>33</sup> Assumes a £39 GP appointment cost and £138 A&E visit cost as outlined in footnotes 25 and 26



**Figure 14** Current NHS spending on appointments for self-treatable illnesses



Source: Frontier Economics based on PSSRU data, NHS data and Pureprofile survey data (5,000 respondents questioned independently; data ahead of publication and commissioned by PAGB; on file)

Note: Figures are annual and for the UK

Eliminating these appointments would also benefit the economy, as employees who seek NHS treatment for minor illnesses would no longer need to take time out of work to visit their GP or A&E. Approximately 46% of the GP appointments and 58% of A&E visits for self-treatable illnesses are for people who are employed.<sup>34</sup> If we assume that just half of these appointments and visits are made during work hours, substituting them for OTCs or self-care could save the UK economy up to £350m in lost wages.<sup>35</sup>

The NHS could potentially make further savings by eliminating current prescriptions of OTC medications for self-treatable illnesses. In 2018, the NHS changed its policy to prevent these types of prescriptions being written. However, prior to this, in the year up to June 2017, the NHS spent £569m on prescriptions for medications that were available OTC.<sup>36</sup> NHS estimates at the time suggested that £100m to £190m of these prescriptions were for self-treatable conditions and could be avoided.<sup>37</sup> Given the change in policy in 2018, we would not expect there still to be £100m-190m worth of potential savings from eliminating this type of prescription, but there still may be some avoidable prescriptions being made nonetheless.

<sup>34</sup> Pureprofile survey data (5,000 respondents questioned independently; data ahead of publication and commissioned by PAGB; on file)

<sup>35</sup> Assumes 1 hour out of work for a GP appointment, 4.5 hours for an A&E visit and an hourly wage of £14.72 as per the 2022 median hourly gross wage as reported by the ONS in the Annual Survey of Hours and Earnings (ASHE).

<sup>36</sup> NHS England (2018), "[OTC Public FAQs](#)" (last accessed 22/06/23)

<sup>37</sup> NHS England (2018), "[OTC Public FAQs](#)" (last accessed 22/06/23). NHS England (2017), "[Prescription curbs to free up hundreds of millions of pounds for frontline care](#)" (last accessed 22/06/23). NHS England (2018), "[Prescribing of over the counter medicines is changing](#)" (last accessed 22/06/23).

## Using OTCs instead of not treating illnesses at all

For those who do not currently treat their illnesses at all, using OTCs to self-treat instead could bring:

- economic benefits as workers reduce the number of sick days they need following effective OTC treatment
- quality of life improvements to the individual from effective treatment

Approximately 33 million people in the UK had at least one self-treatable illness in the last year that they did not treat at all, including not engaging in any form of self-care.<sup>38</sup> If these individuals instead used OTCs to treat their illnesses they could improve their quality of life and reduce the number of sick days that they take. While quantifying these benefits is difficult, given we do not know the severity of the wide range of illnesses they did not treat, the value could be substantial.<sup>39</sup>

## Reclassification

Medicines in the UK tend to fall into the following three categories, depending upon their availability:

- Prescription-only medicines (POM) are only available when they are prescribed by an authorised health professional.
- Pharmacy medicines (P) are available to buy directly from a pharmacy, although they must be bought in the presence of a pharmacist.
- General Sales List medicines (GSL) are available to buy, without a prescription, from many retail outlets such as supermarkets and corner shops, and from pharmacies.

Sometimes a medicine may move between these categories, which is known as 'reclassification' or 'switching'. Reclassifying medications which are currently POM to OTC status could increase OTC use in two main ways. Firstly, those who currently rely on NHS prescriptions for treatment could instead use reclassified OTC medications. Secondly, those who do not currently treat their relevant illnesses at all could instead use reclassified OTCs to self-treat.

Widening access and increasing the use of OTCs as a result of reclassification could potentially bring significant benefit, including:

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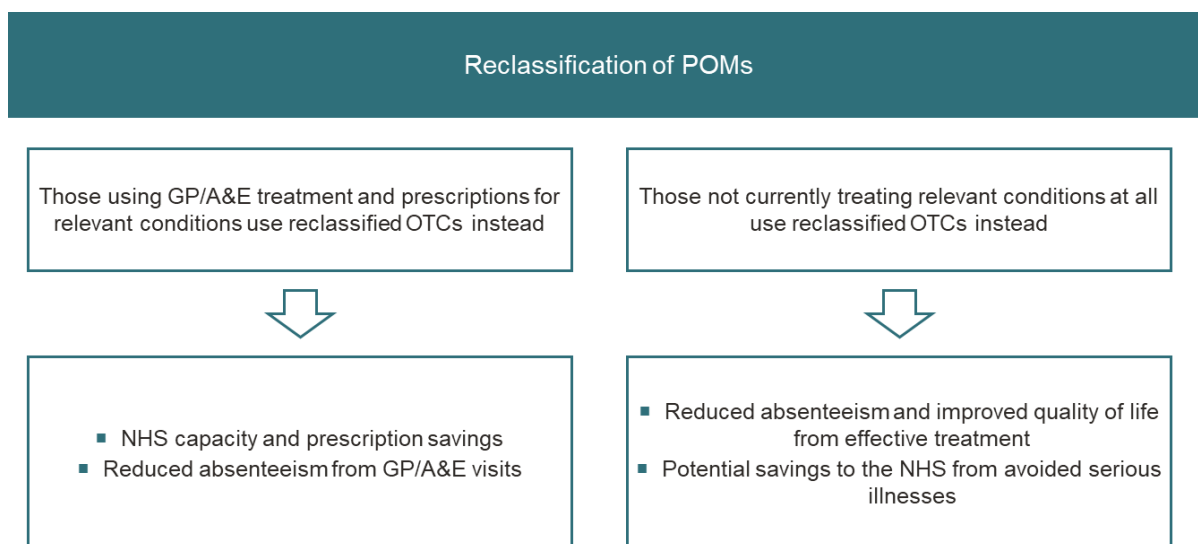
<sup>38</sup> Estimated using Pureprofile survey data (5,000 respondents questioned independently; data ahead of publication and commissioned by PAGB; on file)

<sup>39</sup> Note the magnitude of the current quality-of-life impact outlined in the *Benefits to individuals from improved health* section

- Economic benefits from reduced absenteeism as those who switch from POMs to OTCs no longer need to go to appointments, and those who do not currently treat themselves, use reclassified OTCs and avoid sick days
- NHS savings from avoided prescriptions and associated appointments, as some people switch to buying OTCs. There could be further NHS savings if increased use helps people avoid serious illnesses
- Individual benefits if reclassification means that those who do not currently treat their illnesses instead use reclassified OTCs effectively, generating a quality of life benefit.

These potential impacts are outlined further in Figure 15 below.

**Figure 15 Potential impacts of reclassification POMs to OTCs**



Source: Frontier Economics

While reclassification of POMs to OTC could bring benefits, the actual magnitude of these benefits will vary across medications and depend on a number of drug-specific factors. These factors include medication demand, prescription substitutability, prescription practices and unit costs, which are detailed further in Figure 16.

**Figure 16 Medication-specific factors influencing the impact of reclassification**



**Demand** – Medications with higher demand are more likely have increased use when they are reclassified and access improves



**Prescription Substitutability** – Where consumers are more willing and able to substitute a GP appointment and prescription for an OTC purchase there will be greater NHS savings and reduced absenteeism



**Prescription Practices** – Where there is guidance to not prescribe a new OTC medication (e.g. due to NHS guidance for OTCs used for a minor ailment), reclassification is likely to yield more NHS savings



**Units Costs** – Linked to demand and substitutability above, where the cost of a reclassified OTC medication is high it is less likely to have increased use and where the cost is higher than an equivalent prescription it will be less likely to yield NHS savings

Source: Frontier Economics

## Evidence from past reclassifications

Evidence from past reclassifications confirms that the impacts of a switch depend on medication specific factors. Figure 17 highlights three past reclassifications (Simvastatin, Chloramphenicol and Sildenafil) and the associated post-switch changes in use and NHS prescribing. While the direct causal impacts of reclassification on use and prescribing can be difficult to estimate, these examples show that there is variation depending on the drug.

Figure 17 Examples of past reclassifications and their impact on use and NHS prescriptions

Medication	Use	Switch	Year	Evidence of increased use post-switch?	Evidence of reduction in NHS prescriptions and/or appts?
Simvastatin	Statin	POM to P	2004	Yes	Yes – reduction in NHS prescriptions
Chloramphenicol	Eyes drops/ ointment	POM to P	2005 – Eye Drops 2007 – Eye Ointment	Yes	Mixed – some evidence of reduced prescriptions in England but other studies found no statistically significant change
Sildenafil	Erectile Dysfunction	POM to P	2017	Yes	Mixed – prescriptions continued to increase immediately post-reclassification but recent NHS data suggests a levelling off

Sources: **Simvastatin**: (1) Sood et al. (2012), “Behind-the-Counter Statins: A Silver Bullet for Reducing Costs and Increasing Access”, (2) Fillon et al. (2007), “The impact of over-the-counter simvastatin on the number of statin prescriptions in the United Kingdom”. **Chloramphenicol** : (1) Walker and Hinchliffe (2010), “Prescribing and sale of ophthalmic chloramphenicol following reclassification to over-the-counter availability”, (2) Davis et al (2009), “Relative impact of clinical evidence and over-the-counter prescribing on topical antibiotic use for acute infective conjunctivitis”, (3) Du et al. (2013), “An investigation of prescription and over-the-counter supply of ophthalmic chloramphenicol in Wales in the 5 years following reclassification”. **Sildenafil**: (1) IRI via Chemist and Druggist (2018), “[Viagra Connect sales soar following pharmacy launch](#)” (last accessed 22/06/23) (2) Bell et al. (2021), “Prescribing patterns and costs associated with erectile dysfunction drugs in England: a time trend analysis”, (3) NHS England, Prescription Cost Analysis 2021/22

Simvastatin, a low-dose statin that was reclassified in 2004, showed signs of increased use and indications that NHS prescribing fell for the drug post reclassification.<sup>40</sup> Reclassifying Chloramphenicol also appeared to stimulate significant growth in its use. However, there was mixed evidence that reclassification had an effect on NHS prescribing. Some studies showed reduced prescriptions in England, but others found no statistically significant change.<sup>41</sup>

Sildenafil represents a more recent example and highlights the multiple factors that can influence the impact of reclassification (as outlined in Figure 16). Viagra Connect (containing 50mg of Sildenafil) was reclassified from POM to P in November 2017.<sup>42</sup> In the first 12 weeks after the drug was launched in pharmacies (April 2018), IRI reported there had been £4.3m worth of pharmacy sales and overall use of the drug increased.<sup>43</sup>

While this showed there was substantial demand for the drug, relatively high unit costs and a perceived lack of prescription substitutability were raised as reasons why NHS prescriptions for Sildenafil continued to increase immediately post-reclassification (albeit at a slower rate).<sup>44</sup> At the time of reclassification, the OTC version of the drug cost £20 for four tablets, whereas the equivalent prescription only cost £9, discouraging users from switching to Viagra Connect. This, combined with a perceived lack of privacy and long-term monitoring when accessing the medication in a pharmacy versus a GP setting, may explain why the reclassification did not initially reduce NHS prescribing.<sup>45</sup>

However, the factors which influence the impact of reclassifying a drug, such as Sildenafil, may change over time. More recent data shows that the quantity of Sildenafil 50mg tablets prescribed by the NHS has stayed steady over the last two years (see Figure 18). During this period, prescribing patterns may have been affected by the coronavirus pandemic. However, it is also possible that the factors that previously discouraged Sildenafil users from switching away from NHS prescriptions are becoming less influential over time, leading to changes in consumer behaviour.

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<sup>40</sup> Sood et al. (2012), "Behind-the-Counter Statins: A Silver Bullet for Reducing Costs and Increasing Access", and Fillon et al. (2007), "The impact of over-the-counter simvastatin on the number of statin prescriptions in the United Kingdom"

<sup>41</sup> Walker and Hinchliffe (2010), "Prescribing and sale of ophthalmic chloramphenicol following reclassification to over-the-counter availability", Davis et al (2009), "Relative impact of clinical evidence and over-the-counter prescribing on topical antibiotic use for acute infective conjunctivitis", and Du et al. (2013), "An investigation of prescription and over-the-counter supply of ophthalmic chloramphenicol in Wales in the 5 years following reclassification".

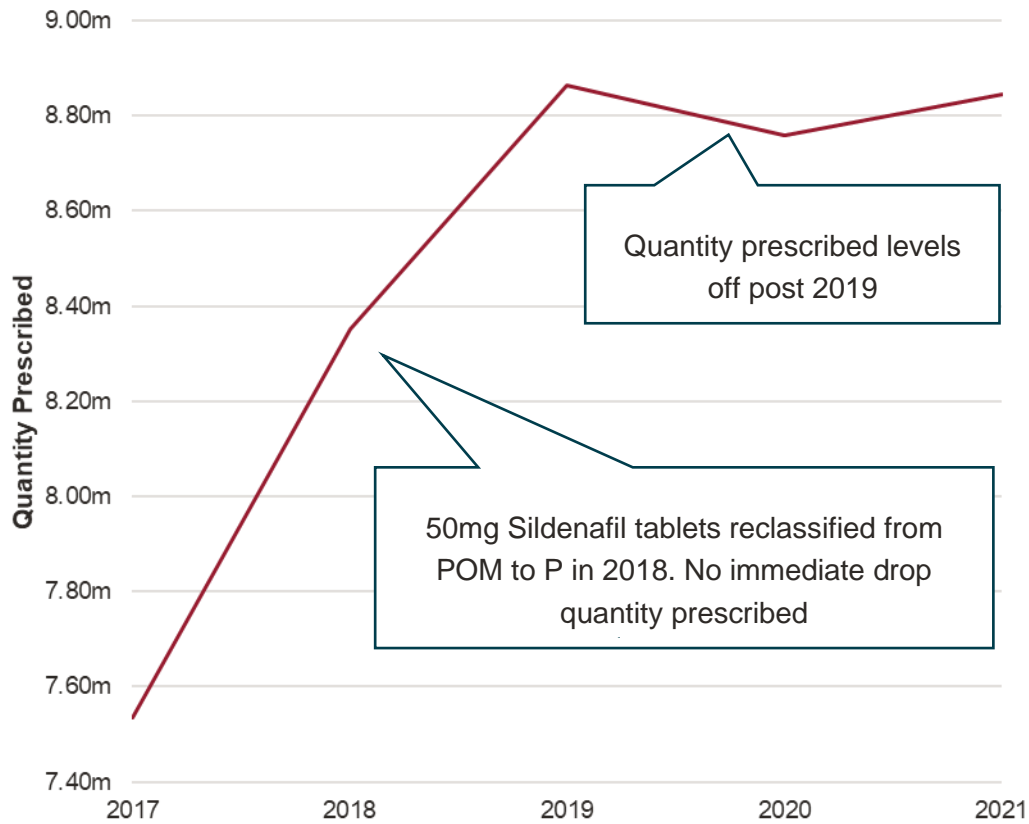
<sup>42</sup> Medicines and Healthcare products Regulatory Agency (2017)

<sup>43</sup> IRI via Chemist and Druggist (2018) "[Viagra Connect sales soar following pharmacy launch](#)". (last accessed 22/06/23)

<sup>44</sup> Bell et al. (2021), "Prescribing patterns and costs associated with erectile dysfunction drugs in England: a time trend analysis"

<sup>45</sup> Bell et al. (2021), "Prescribing patterns and costs associated with erectile dysfunction drugs in England: a time trend analysis"

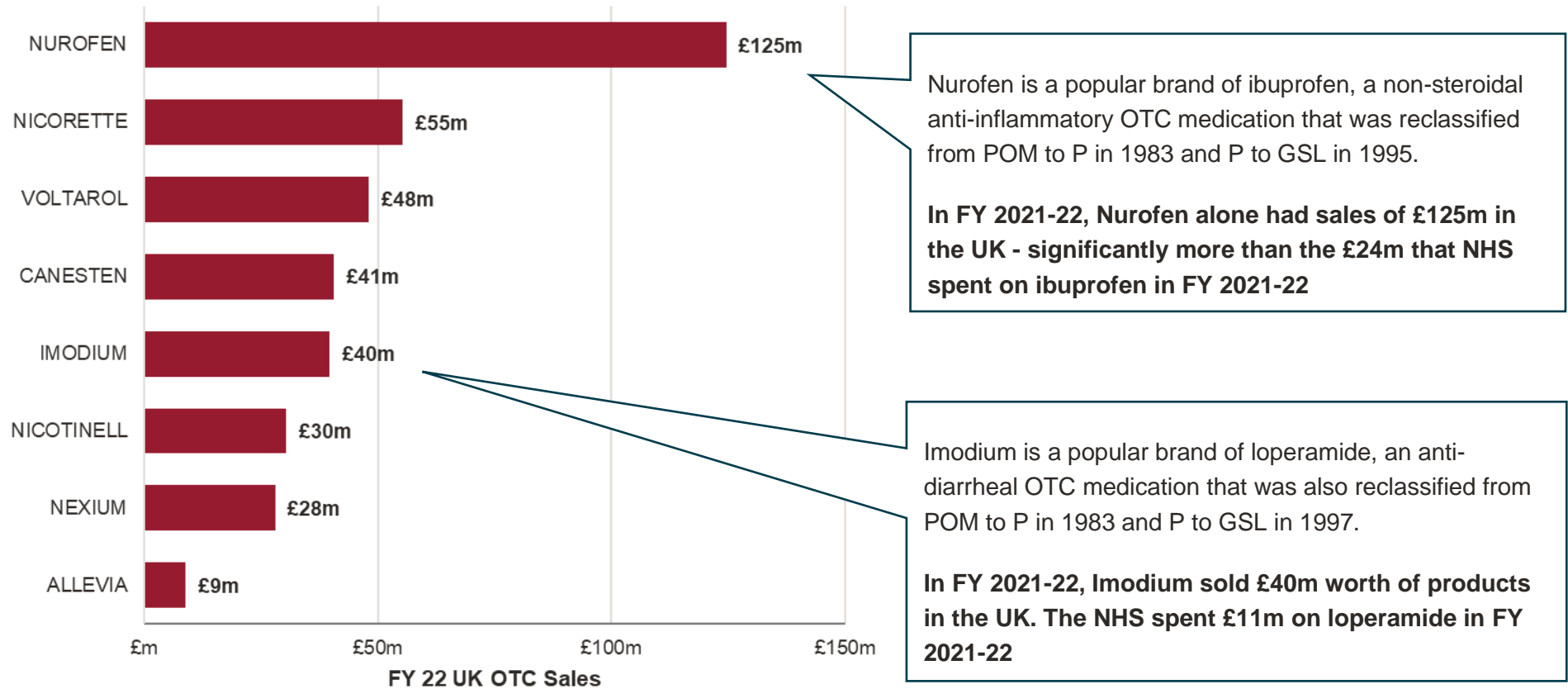
**Figure 18 NHS prescriptions of Sildenafil 50mg tablets in England**



Source: Frontier Economics using NHS England Prescription Cost Analysis (2017-2021)

While reclassification can have varying degrees of benefits depending on the drug, the current markets for over-the-counter (OTC) drugs that were switched early demonstrate the significant impact that reclassification can have. Figure 19 shows the OTC sales for brands selling reclassified drugs in the financial year 2021-22. Nurofen and Imodium are brands which sell two drugs which were reclassified in 1983: Ibuprofen and Loperamide. The current OTC markets for these two brands significantly outweigh NHS spending on the same drugs. In 2021-22, Nurofen had sales of £125m in the UK, whereas the NHS spent £24m on ibuprofen in 2021-22. Similarly, Imodium sold £40m worth of OTC products, whereas the NHS spent just £11m on loperamide in 2021-22. Along with clearly showing how reclassification can avoid NHS prescription costs, this also highlights the effects of increased access and use that can come with switches.

Figure 19 Financial year 2021-22 OTC sales for brands selling reclassified drugs



Source: Frontier Economics using Nielsen IQ and NHS England, Public Health Scotland, Welsh Government and Northern Ireland Statistics and Research Agency prescription data. Prescription data excludes prescriptions made in hospitals.

Note: Data is for the UK in FY 2021-22



## Potential future impacts of reclassification

As previously discussed, it is clear that reclassification of POMs to OTCs can widen access and increase the use of OTCs, which in turn can generate NHS savings and economic benefits. However, the extent of these benefits depends on specific factors related to the drug. Therefore, accurately predicting future benefits from reclassification is challenging.

To determine the potential benefits of future reclassifications, a comprehensive analysis would need to be conducted on specific drugs being considered for switch. This analysis would evaluate the extent to which reclassifying these drugs would lead to a shift away from NHS prescriptions, as well as the economic benefits arising from improved worker health and enhanced quality of life.

Such a detailed analysis is beyond the scope of this report. However, a 2015 Italian study estimated that approximately 10% of the Italian prescription drug market, in terms of expenditure, could be switched based on drugs that had already been reclassified in other European countries.<sup>46</sup> According to the study, reclassifying these selected drugs could potentially save €844 million in Italian public expenditure on drugs and generate economic and societal benefits ranging from €1 billion to €2.1 billion.<sup>47</sup>

Despite the difficulties in accurately estimating potential impacts from further reclassification, simple “what-if” analysis can give an indication of the “size of the prize”. Taking NHS savings as an example:

- The NHS prescribed 1.4bn items in the community at a cost of £12.2bn in 2021/22 in the UK.<sup>48</sup>
- If POM to OTC reclassifications reduced the amount of prescriptions and associated costs by just 5%, this could yield £611m in savings from avoided prescriptions.<sup>49</sup>
- Based on the average number of prescription items per GP appointment, reducing prescribing by 5% would also save the NHS £772m in avoided GP appointments.<sup>50</sup>

This analysis suggests that for every 5% of total NHS prescribing and spending that could be switched to OTCs, the NHS could save £1.4bn. Along with these savings we would expect the

<sup>46</sup> Otto et al. (2018), “The Economic Impact of a Switch From Prescription-Only to Non-prescription Drugs in Italy”

<sup>47</sup> We note that the caution should be applied when assuming these figures automatically translate to the UK market.

<sup>48</sup> NHS England, Public Health Scotland, Welsh Government and Northern Ireland Statistics and Research Agency prescription data for 2021-22. This excludes prescriptions made in hospitals.

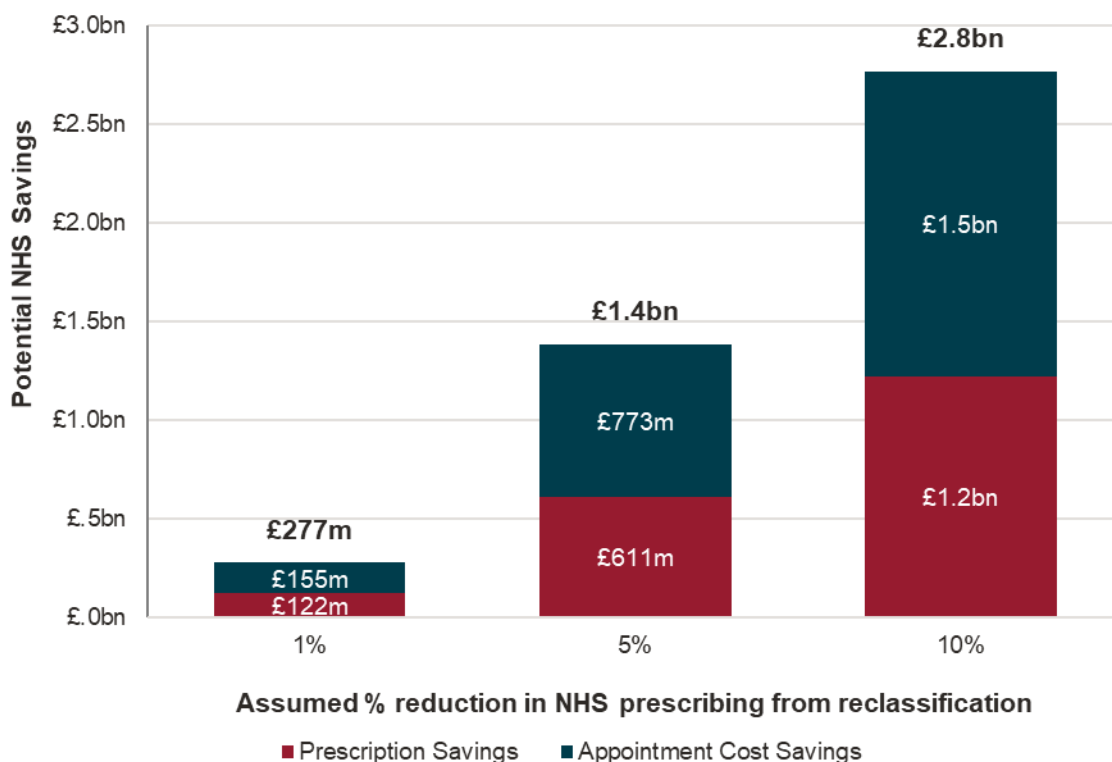
<sup>49</sup> Calculated by taking 5% of £12.2bn of current NHS community prescription costs in the UK.

<sup>50</sup> Calculated by assuming the NHS avoids 5% of total prescription items in the UK (69mn) and that there are 0.29 GP appointments per prescription item (based on NHS England data). Therefore the NHS would avoid 19.8m GP appointments. These appointments are worth approximately £772m, based on a £39 per GP appointment as per PSSRU Unit Costs (2021).

increase in OTC use to generate further economic benefits from improved worker health, reduced absenteeism and potentially the avoidance of serious illnesses.

However, we note that this is just as illustrative example. 5% may not be an accurate figure for the actual potential “switchable” market in the UK and some drugs, even when reclassified, may not generate as much NHS savings as others due to the factors outlined in previous sections. Figure 20 shows how the NHS savings could change depending on what percentage reduction in prescribing and costs is assumed.

**Figure 20 Potential NHS savings from further reclassifications**



Source: Frontier Economics based on NHS data

The above “what-if” analysis can also be repeated for specific types of drugs that could be considered candidates for reclassification. Female sex hormones and hormone replacement therapy drugs are one such example:

- The NHS prescribed an estimated 7m items of female sex hormones and their modulators in 2021/22, at a cost of £96m.<sup>51</sup>

<sup>51</sup> NHS England, Public Health Scotland, Welsh Government and Northern Ireland Statistics and Research Agency prescription data for 2021-22

- If reclassifications reduced NHS prescribing for this group of drugs by 8%, as was estimated for the reclassification of Lovima (a progesterone only contraceptive pill), this could save the NHS £7.6m in avoided prescription costs and £6.3m in avoided GP appointment costs.<sup>52</sup>

While the exact magnitude of the impacts remains uncertain, one thing is clear: future reclassifications of appropriate drugs can lead to greater usage in an OTC setting, resulting in substantial benefits for the NHS, the economy, and individuals. Illustrative analyses and evidence from past reclassifications demonstrate that the potential gains from reclassification can be significant, potentially saving the NHS and the economy billions of pounds.

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<sup>52</sup> Lovima, a progesterone only contraceptive pill (Desogestrel) was reclassified from POM to P in 2021. Maxwellia (Lovima's developer) suggested that that NHS prescriptions for Desogestrel fell 8% following the reclassification – see Maxwellia (2023) "[Contraception in pharmacy. Why wait?](#)" (last accessed 23/06/22). We note that this observation may not be causally driven.

## Conclusions

The OTC sector is an important component of the UK economy. Each year OTCs allow 61 million people in the UK to self-care, manage their own health and wellbeing and treat their minor illnesses. However, the benefits of OTCs are not limited to just helping these individuals treat their and manage their symptoms. The OTC sector and OTC use also generates significant benefits to the wider economy and the NHS.

We estimate that the OTC sector itself contributes £3.5bn to the economy each year. Over £2.8bn of this is from exporting products manufactured in the UK with the remaining ~£600m stemming from the wages that the OTC sector is responsible for.

Self-care via OTC use also generates further economic benefits by improving worker health. For example, a portion of employees may rely on OTCs to be able to work at all. While for others, OTC use allows them avoid days off work and improves their productivity. On average, employees in the UK rely on OTCs to work on 5 days every year. For the 33 million employees in the UK, this generates a value of £18bn per year.

OTCs and self-care also take a significant burden off the NHS. When people use OTC medicines to self-care, they are not going to the GP or A&E for treatment and prescriptions. We estimate that every year OTCs help the NHS save £6.4bn in avoided prescription and appointment costs.

Greater OTC use, either through increase usage of existing OTCs or reclassification, could unlock even more of these benefits. Eliminating appointments for self-treatable illnesses and enabling use of existing OTCs instead could save the NHS at least £1.7bn per year and reduce workplace absence. Reclassification of prescription-only medications to OTC status represents another opportunity to widen self-care and stimulate greater OTC use, potentially generating further benefits for the NHS and the economy. Past reclassifications and illustrative analysis shows that switching drugs could reduce the burden on the NHS, while increasing access to medications and enabling self-care.

Policymakers should recognise the importance that self-care and OTCs play in the UK today and acknowledge the sizeable benefits that self-care via greater OTC usage could bring. Eliminating unnecessary NHS treatment for minor illnesses and instead enabling greater use of existing OTCs and self-care would have a clear impact. Widening access to OTC products via reclassification of suitable candidate drugs is another avenue to unlock further potential in the OTC markets that policymakers should consider.



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