



Dear Contractor

4 September 2008

**NHS Funding: 2008/09**

I am writing to inform you directly about the funding arrangements that PSNC has agreed with the Department of Health for the current financial year. This has been a lengthy negotiation over a complex set of issues, hence our wish to inform you directly.

PSNC has come in for criticism from some contractors over the financial position contractors have experienced in recent months. We are acutely aware of the financial hardship that contractors have faced. PSNC members are contractors themselves and they have been facing exactly the pressures that you have been facing.

We have robustly represented contractors' concerns to the Department of Health during our negotiations. We have done so through an approach that is based on working with the DH to achieve the right outcome, rather than declaring war on them. In recent months, and indeed over the years, we have developed a collaborative relationship with the Department, one in which they see PSNC as both a credible and a forceful advocate for community pharmacy. This means that when we raise serious concerns and press hard for changes to funding – as we have in recent months – we are listened to and taken seriously.

We have not been able to conduct our negotiations in public. By their nature, such negotiations have to be conducted patiently behind closed doors. One consequence of this is that it can cause an information vacuum, which is liable to be filled by inaccurate comment and speculation. That has been a feature of recent months. Throughout, however, our objective has been to deliver an uplift in funding that eases the financial pressures faced by contractors right now.

The Minister, Dawn Primarolo, has listened to our case that over the last couple of years, as surplus purchase profit income has been identified and removed, it has become apparent that the contract funding is inadequate to support pharmacy contractors, and makes investment to deliver new, clinically-based services impossible. We have emphasised our commitment to delivering the White Paper aims, but that there is an urgent need for additional funds. We need to have funding that provides a basis for stable and fair funding arrangements in the years to come. Nothing less would be acceptable to us, or to you.

Against that background, details of the funding arrangements that have been agreed between PSNC and the Department for the remainder of this financial year are as follows:

The practice payment will increase from 34.5p per item to 70.9p per item from October 1st 2008. In addition, from October 2008 to March 2009 inclusive, a supplementary payment of 30.2p per item will be added, bringing the practice payment for the period to 101.1p per item.

Category M reimbursement prices will be adjusted to reflect the results of the last margins survey, and this will result in reductions of reimbursement prices averaging 16p per item.

This represents for a pharmacy contractor dispensing 6,000 items a month, increased monthly income of c. £3,000 for the rest of the financial year 2008-09.

PSNC believes this is a necessary and welcome uplift in funding for the current year, and for the interim period pending the completion of a new cost of service inquiry. We expect the cost of service inquiry to provide a platform for stable and fair funding in the future.

Full information will be provided in the September edition of Community Pharmacy News which we will issue as soon as possible. The details will also be available on our website [www.psn.org.uk](http://www.psn.org.uk).

The government has demonstrated its commitment to invest in and develop the community pharmacy service by agreeing to the additional funding. Beyond this, we expect future funding to reflect the development of new NHS pharmacy services as proposed in the pharmacy White Paper. Work will commence on that in due course as part of our negotiation with NHS Employers over implementation of the new White Paper services. We will provide you with as much information as we can during those important negotiations.

Implementation of the new services proposed in the pharmacy White Paper will require, as well as funding, a commitment by pharmacy contractors to change and develop their services and in some cases the premises and facilities, so we can offer the extended range of high quality services. PSNC is committed to ensuring that community pharmacy makes those changes and we will be working with the Department of Health, with NHS Employers and with you to bring the new services to fruition.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Sue Sharpe', written in a cursive style.

**Sue Sharpe**  
**Chief Executive**