

What is the Price Change Mechanism?

This factsheet explains how changes to prices are applied to generic and proprietary drugs ordered on NHS prescriptions.

The price of certain drugs may fluctuate from month to month and the 'Price Change Mechanism' was introduced to ensure that community pharmacy teams are appropriately reimbursed for the drugs they dispense.

This agreed mechanism was put in place to increase or decrease the reimbursement prices of drugs to catch up with any changes to market prices. The timing of any price change of a drug determines when the change to its reimbursement price comes into effect – which differs depending on whether the drug is a proprietary or generic product.

The difference in timing of changes to reimbursement prices is intended to take into account factors such as assumed stock levels; for example, certain products which are standard fast-moving lines may be readily stocked by most pharmacies.

Why does the Drug Tariff price not always reflect my actual reimbursement price?

The prices published in the monthly Drug Tariff are indicative and may not always reflect the actual reimbursement prices for certain drugs dispensed by contractors for that month. This is because the Drug Tariff is not a live document and as such does not reflect the latest price changes.

The Drug Tariff states: *'While every effort is made to ensure that each monthly publication of the Drug Tariff includes all amendments made by the Secretary of State and the Welsh Ministers to the price applicable to the relevant period, the need to observe printing deadlines sometimes defeats those efforts. Any omitted amendments will be effective from the date on which they came into force, even if publication of the details is unavoidably delayed.'*

The Drug Tariff for the following month is normally prepared by the 15th of the current calendar month and is ready for publication



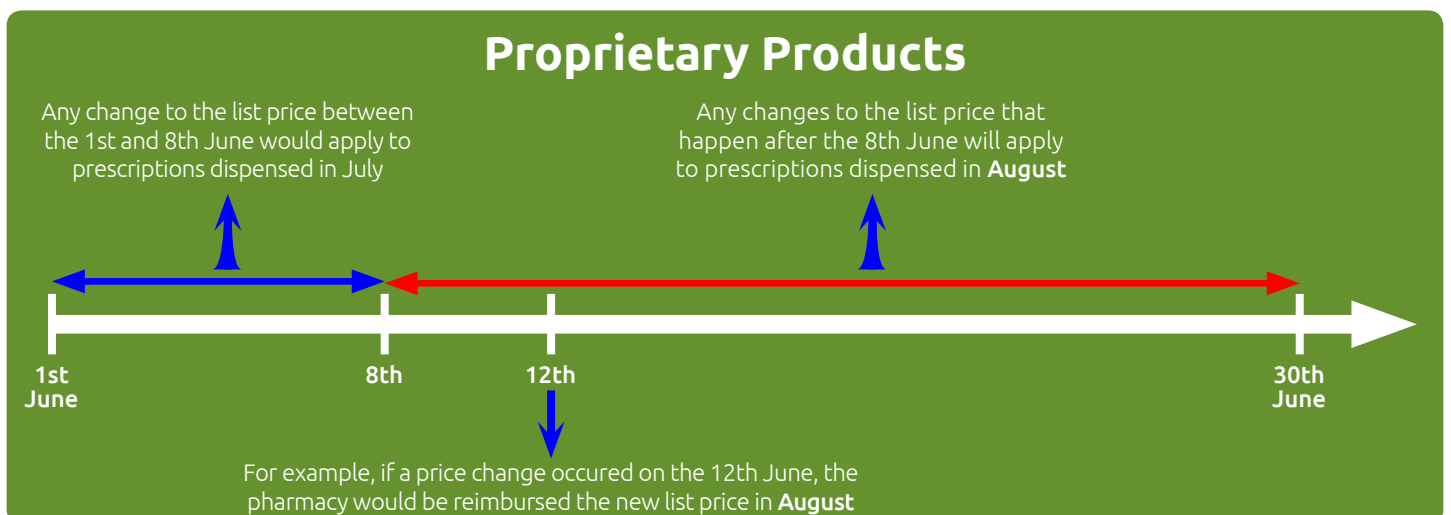
three working days before the 1st of following month. For example, the June 2019 Drug Tariff would be prepared around 15th May and is ready for publishing by 29th May.

Due to time constraints involved in the preparation and publication of the Drug Tariff, the Price Change Mechanism enables the NHS Business Service Authority (NHSBSA) to better manage any price changes for inclusion in the Drug Tariff. Pharmacies are reimbursed at the price notified to NHSBSA (after applying the price change timetable) and not at the Drug Tariff listed-price where there is a difference between the two.

How the Price Change Mechanism works for: Proprietary products

For proprietary preparations, including those listed in Part VIII A products where the price is based on a proprietary product (mainly Category C products*), **a price change up to and including the 8th of the month takes effect for prescriptions dispensed in the following month.**

A price change after the 8th of the month will be applied for reimbursement purposes to prescriptions dispensed one month later.



For example, if the manufacturer's list price for a proprietary product changed on 6th June, the new reimbursement price would apply to prescriptions dispensed in July. If a manufacturer's list price changed on 15th June, the new reimbursement price would apply to prescriptions dispensed in August.

**Part VIII A Category C includes drugs that are not readily available as a generic. The price is based on a particular proprietary product, manufacturer or sometimes supplier*

Generic products (excluding Category M)

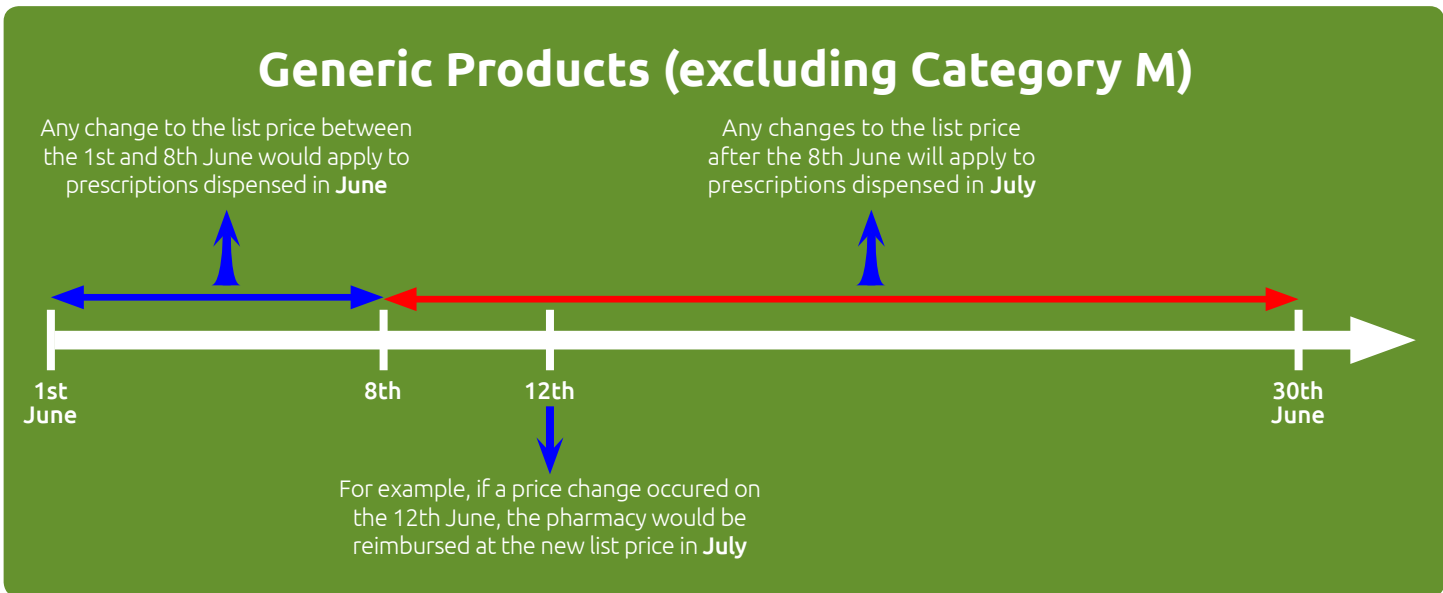
For non-proprietary or generic products (mainly Category A* products and excluding those listed as Category M), the reimbursement price change takes place one month earlier than proprietary products. Where price is based on a generic product **a price change up to and including the 8th of the month takes effect for prescriptions dispensed in that same month. Any price change after the 8th takes place in the following month.**

For example, if the manufacturer's list price of a Category A drug changed on 6th June, the new reimbursement price would apply to prescriptions submitted for payment with June submission. However, as the Drug Tariff (including the electronic version) for June would already have been published at the end of May, any price change would only be reflected in the July Drug Tariff.



If a list price for a Category A drug changed on 20th June, the new reimbursement price would apply to prescriptions submitted for payment with July submission. However, the new reimbursement price would be reflected in the August Drug Tariff as it would have missed the cut-off date for entry to the July Drug Tariff.

**Part VIII A Category A are generic drugs which are readily available. The price for Category A products is based on a weighted average of the list prices from 2 wholesalers and 2 generic manufacturers.*



Category M products

Drugs listed as Category M* in the Drug Tariff are not affected by the Price Change Mechanism.

Category M prices are provided by the Department of Health and Social Care (DHSC) each quarter. As DHSC are aware of the price change timetable and the publication deadlines, the prices are received and incorporated in the Drug Tariff prior to the 15th of the month. If contractors are unable to purchase a Category M drug at the Drug Tariff listed price, these should be reported to the PSNC Dispensing and Supply Team using our online feedback form (psnc.org.uk/feedback). PSNC will investigate the extent of the problem and, where necessary apply for a price concession.

**Part VIII A Category M are drugs which are readily available.*

More information on Category M price changes is available here: psnc.org.uk/categorym

For more information on price concessions, see our page: psnc.org.uk/priceconcessions

Non-Drug Tariff lines

Price changes for drugs not listed in the Drug Tariff also follow the Price Change Mechanism timeline set out above for both generic and proprietary products.