# Pharmaceutical Services Negotiating Committee

# Funding and Contract Subcommittee Minutes

**Wednesday 5th February 2020 at 10.30**

**Aylesbury room, 14 Hosier Lane, London, EC1A9LQ**

**Items are confidential where marked**

**Members:** David Broome, Peter Cattee (Chairman), Tricia Kennerley, Margaret MacRury, Has Modi, Garry Myers (Vice - Chair), Bharat Patel, Adrian Price, Anil Sharma

**In attendance:** Janice Perkins, Mark Griffiths, Clare Kerr, Faisal Tuddy, Sunil Kochhar, Jas Heer, Prakesh Patel, Richard Bradley (part), Mike Dent, Jack Cresswell, Suraj Shah, Rob Thomas, Michael Digby

1. Welcome from Chair
2. Apologies for absence

No apologies were received.

1. Declarations or conflicts of interest

No conflicts of interest were declared.

1. Minutes of last meeting and matters arising

The minutes of the meeting held on the 27th November 2019 were approved.

**ACTION**

1. Remuneration
   1. Forecast 2019/20 contract sum out-turn

The subcommittee considered the 2019/20 contract sum out-turn forecast. A potential pressure due to the higher than expected item volume is being mitigated by uncertainty on MURs, SSPs and Hep C, so there is no proposal by DHSC to amend the SAF.

Mike shared the low level of SSP payments in October 2019. Potential reasons include whether the product was actually available in the first instance in many cases, endorsement issues, or NHSBSA processing issues. Peter Cattee asked subcommittee attendees to gather feedback from their own businesses to allow investigation. David Broome suggested that electronic endorsements could have been a cause.

* 1. VAT

Mike gave a verbal update. Mike noted that DHSC and HMRC are finding this technically difficult.

1. Reimbursement
   1. Category M January 2020

The subcommittee considered the information provided. Mike queried whether we should try to forecast future Category M changes, although it is not clear how robust this would be. Peter queried whether PSNC had already tried to do this by cross-referencing historic data against known tariff changes. The office will undertake this analysis as a retrospective exercise to assess accuracy of the potential method. The effect of price concessions on any forecast is challenging.

* 1. Quarterly margins survey

The subcommittee considered the information provided. It was queried whether, during discussions with DHSC, in-year margin under-delivery had been talked through given contractors were effectively taking this risk (and as private businesses were subsidising the NHS in the medium term where this occurred).

The mechanism for adjusting the SAF fee was referenced in the discussion.

* 1. Retained margins forecasts

The subcommittee considered the information provided. It was clarified that the first quarterly survey data will be for Q3 2019/20, with adjustments from July 2020.

* 1. Cat C additional margin methodology

The subcommittee considered the information provided.

Discussions are now underway between Simon and Jeannette, flagging the asymmetric risk and that contractors do not have sufficient cashflow to absorb margin shortfalls in the short term. Mike offered to write to Jeannette about methods for balancing margin.

1. CPCF
   1. Reimbursement changes
   2. New funding models
   3. Evaluation and Annual review

Mike provided an update of discussions on the CPCF – this is being covered in the main committee tomorrow but time constraints and the level of detail meant that it was prudent to also discuss this within the smaller FunCon setting too.

Service pricing is an area of particular focus, with discussions on the Hepatitis C service (despite being a relatively small service) being important given the mixture of upfront cost, low patient numbers, disruption to wider pharmacy, and need for both a fair return and overhead allocation. A meeting with DHSC to discuss the principles of the pricing of services is now being set up.

DHSC/NHSE would like to price the service based on marginal labour cost (including validating through time and motion studies), whereas the wider value / economic benefit and overheads should also be considered.

With new funding models, the evolution of the dental contract from a pure activity basis, and learnings from that are on the agenda for the main committee. Equally, the role of Period of Treatment is also being considered.

Preliminary discussions with DHSC have confirmed that a patient identifier exists, but that defining patients based on usage patterns would need to be established. The Department have agreed to have further preliminary explanatory talks later in February.

Reimbursement discussions are now occurring at pace, with Mike / Suraj typically having a 3 hour meeting with DHSC every week. The NT meetings are being extended by an hour each week to provide a working group, and it is proposed that FunCon in turn oversees this (to be ratified by Main Committee). FunCon may need to meet additionally (remotely) if needed between scheduled Committee meetings.

**REPORT**

1. General funding update

The information in the agenda was noted

1. Statistics

The information in the agenda was noted. Concession numbers are creeping up again after a reduction in affected lines, with agreed prices by DHSC becoming more borderline.

1. Any other business

None.