

June 2021

## **Appendix for PSNC Briefing 016/21: COVID-19 Costs Agreement – Frequently Asked Questions for Contractors**

Although we are still working through some details and further information about how community pharmacy contractors can claim back their costs related to COVID-19, there are a number of questions about the process, and the deal, that we can answer. These are set out below.

### **The Costs Deal and its Agreement**

#### **Q1. Why has PSNC agreed this deal?**

After delays of more than a year, it is critical that community pharmacy contractors have an opportunity to recoup their COVID-19 costs – this deal gives all contractors in England that opportunity.

PSNC has been pressing for community pharmacies' COVID-related costs to be covered since the pandemic first began to impact on health services in England in March 2020. We rejected an offer on this last summer as it was too constrained and would not have covered contractors' full costs. Since then we have been working to get a better offer. This work has included lobbying (both in public via Parliament and the national media, and privately through conversations with the Minister and Secretary of State for Health); the provision of evidenced arguments and business cases (using data from our monthly contractor costs surveys); and coordinated public affairs work with the LPCs and other national pharmacy organisations. That work has led to this considerably improved offer.

Although PSNC is concerned about the additional workload being asked of contractors to make their claims, we believe this deal gives all contractors a fair chance to claim for their COVID costs. The removal of a funding cap; inclusion of non-staff costs; abandonment of the proposal to write off claims against retail grants; and extension of the period of costs to be covered all make the offer better than Government's initial position.

HM Government made clear to PSNC that this was its final offer, so although we have pushed back on some elements, PSNC's clear view is that no better deal would have been available and that it was in the best interests of all contractors to accept this.

#### **Q2. Did everyone on the PSNC Committee agree this deal?**

The overwhelming majority of the PSNC Committee voted to agree this deal. There was consensus across PSNC's independent and multiple representatives that this was the best possible deal for the sector.

#### **Q3. Why has PSNC not kept pushing for a full write-off of the loans?**

As set out in Question 1 above, despite PSNC and other pharmacy bodies arguing strongly for contractors' COVID loans simply to be written off against their costs, this notion was flatly rejected by HM Treasury. The Treasury has insisted both that the Advance Payments be paid back, and that any COVID costs are covered via a claims-based system (Treasury also required GPs to claim for their extra costs). The deal agreed, which is a considerable improvement on previous offers, gives contractors a fair opportunity to claim their COVID costs back.

#### **Q4. Why are all the details of the claims process and £370m payback not yet available?**

The details of the advance payment payback will be finalised after the Department of Health and Social Care (DHSC) has received and processed contractors' cost claims. This is because discussion will be informed by the quantum of the claims which will give PSNC and DHSC more of an idea of the likely impact of the paybacks on contractor cashflow.

While we are producing some further information on the claims process, we wanted to announce the deal as soon as possible to contractors once it had been agreed by the PSNC Committee. This gives contractors the maximum time possible to start thinking about their claims and the evidence that they may need to gather to support them. Make sure you receive our latest information by signing up to our emails at: [psnc.org.uk/email](mailto:psnc.org.uk/email)

#### **Q5. How is this deal better than the deal offered last summer?**

The Government has improved its offer in a number of ways:

- HM Government has removed the restrictive upper limit on the amount of claims it will pay for, as it had originally proposed to impose a cap of £120m;
- Contractors can now claim costs incurred from March 2020 to March 2021 ie a 13-month period (the original offer had to be to cover costs for just three months);
- Contractors can now claim for a wider range of costs, including for non-staff costs which had been excluded from the original offer;
- Contractors' costs will now not be written off against the retail grants claimed by some pharmacies as Treasury had previously insisted; and
- Multiple contractors can now make a single claim per business (the original offer had sought a separate claim per branch, which could have considerably constrained costs).

#### **Q6. The cost of medicines was significantly inflated during the first months of the pandemic, but this is not covered by any of the announced claim categories. How will this extra cost be reimbursed?**

We are aware that the cost of medicines spiked significantly in the early months of the pandemic, and this was reflected in the Margin Survey results and analysis covering the period. The Margin Survey is a continually ongoing process which measures the delivery of retained buying margin at the independent pharmacy level, and this process informs changes to the Drug Tariff on a quarterly basis. The increased costs of medicines due to COVID-19 were captured by the Margin Survey, and subsequently resulted in adjustments to the Drug Tariff aiming to ensure full delivery of agreed margin.

As this process of measuring margin and adjusting the Drug Tariff as necessary is its own separate and independent workstream, the increase in cost of medicines at the start of the COVID-19 pandemic is not included as a claim category in the announced costs agreement.

## **The Claims Process**

#### **Q7. What can we claim for?**

Contractors can claim for specific categories of COVID-19 related costs incurred between 1st March 2020 and 31st March 2021 for the delivery of NHS pharmaceutical services. DHSC has set out four categories of COVID-related costs that can be claimed for as follows:

1. Additional staff costs due to COVID-19;
2. Costs incurred to make premises COVID-19 secure;
3. IT and communication costs to support home working and virtual patient contact due to Covid-19; and
4. Notified closures for infection control purposes (maximum 14 days).

This has been set out in a Drug Tariff determination and PSNC is working to produce further information to help contractors with their claims.

### **Q8. Is anything excluded from the claims?**

The Drug Tariff determination will set out the full exclusion, but DHSC have flagged these to us as follows. Contractors may not claim for:

- Additional staff costs to cover non-COVID related absences
- Staff costs related to deferred annual leave
- Staff costs for Bank Holiday openings (as additional funding was received for these)
- PPE and hand sanitiser (as this has been funded separately)
- Costs up to £300 for making premises COVID-secure (as this funding was provided)
- Closures not notified to NHS England and NHS Improvement (NHSE&I)
- Closures not for the purpose of infections control
- Closures for business reasons
- Closures exceeding 14 days

### **Q9. How are claims submitted and how long do we have to do this?**

All claims must be submitted to the NHS Business Services Authority (NHSBSA) between 5th July and 15th August 2021 by completing and returning an agreed claim form. We are working with DHSC to finalise this form.

As set out in the Drug Tariff determination, each claim must also:

- a) Confirm that it is for COVID-19 related costs in the four categories available, incurred between 1 March 2020 and 31 March 2021 for the delivery of NHS pharmaceutical services.
- b) Specify the amount claimed in each category of costs (categories 1 to 3) and the evidence available to support the claim.
- c) Confirm that the documentation to evidence the value of the claim will be made available to the NHS BSA on request within 5 working days upon receiving a request from the NHSBSA.

### **Q10. What evidence will we need to submit with our claims?**

DHSC has not set out detailed evidence requirement so contractors will need to give this some careful thought. Contractors should have as much robust evidence as possible to support their claims. The Drug Tariff determination lists some of the types of evidence that contractors might choose to provide as: invoices for locums, staff overtime payments, invoices/receipts for premises adjustments. But this is not an exclusive list. PSNC is working on some further information on this to help contractors to make their claims. Make sure you receive our latest information by signing up to our emails at: [psnc.org.uk/email](mailto:psnc.org.uk/email) (Noting that contractors will also be asked to confirm that the relevant documentation will be made available to the NHSBSA on request – see question above.)

### **Q11. Will we be paid for the time taken to make our claims?**

Contractors will not be able to claim for the time taken to work on their COVID costs claims. HM Treasury was not prepared to offer contractors any COVID costs without a claims process being in place, and the claims process agreed is similar to that undertaken by other healthcare providers. Whilst more time consuming than PSNC would have liked, HM Treasury says that it needs the sector to demonstrate exactly what costs were incurred so that it can show it is spending public monies appropriately. PSNC also pushed for a longer claim period and gained some extra time for contractors to do this, but we needed to balance this against the need for contractors to have their claims processed and settled before the Advance Payment repayments start.

### **Q12. Will PSNC help contractors make their claims?**

We are working with DHSC to finalise the claim form for contractors to use as well as developing some further information to help contractors to make their claims. Make sure you receive our latest information by signing up to our emails at: [psnc.org.uk/email](mailto:psnc.org.uk/email)

**Q13. I am part of a multiple – should I claim or will my head office?**

As branches often don't have access to all the data or share costs across the business, PSNC argued for multiples to be able to submit single combined claims. Head offices will be able to complete the form and submit a claim as one business.

**Q14. What happens if I don't have appropriate evidence for my claim?**

The Government's claims process requires contractors to specify the nature of evidence that they have for claims being made. Contractors need to think carefully about what evidence they can offer and be ready to provide as much as possible. Documentation to evidence the claims may be requested by NHSBSA and should be given to them within five days. PSNC is working on some further information on this to help contractors to make their claims. Make sure you receive our latest information by signing up to our emails at: [psnc.org.uk/email](mailto:psnc.org.uk/email)

**Q15. What happens if I don't make a claim?**

The Advance Payments will be recovered from community pharmacy contractors. Any contractors who do not make a claim for COVID costs will need to pay back their portion of the Advance Payments and they will not receive any additional payment for their COVID costs. PSNC strongly encourages as many contractors as possible will make a claim for the costs they have incurred in responding to the pandemic.

**Q16. Closures: can we claim income protection for closures?**

Contractors can make claims for closures where closures were for infection control purposes (maximum 14 days) and were agreed by NHSE&I. As set out in the Drug Tariff determination, where a claim is made for this, contractors will need to confirm the closure was notified to/agreed by NHSE&I, the dates and the number of days the pharmacy was closed following notification/agreement and the name of the NHS authority that was notified of the closure. If confirmed by NHSE&I that the closure was notified and is in scope, contractors will be paid their average daily fees in 2019/20 plus their average daily number of dispensed items in 2019/20 multiplied by £0.77 to reflect medicine margin for each day they were closed between 1st March 2020 and 31st March 2021 for a maximum of 14 days.

**Q17. Will DHSC verify our claims?**

Whilst it is unlikely that DHSC will have time to verify every claim, it has informed us that any outliers will be scrutinised. Contractors need to have robust evidence to support their claims.

**Q18. When will we find out about our claims?**

Payment claims will be made on 1st October 2021 following processing by DHSC in September. DHSC have a tight timeline for reviewing and processing claims, but this rapid turnaround will ensure contractors are paid their claimed costs before the Advance Payment repayments begin.

**Q19. Will all claims be paid?**

All claims that meet the requirements set out in the Drug Tariff determination and can be verified by NHSBSA (if required) will be paid. As ever, PSNC will scrutinise this process for any contractors concerned about their claims and payments.

**Q20. What is the funding cap?**

HM Government has not placed any specific funding cap on payment claims. This is a significant improvement on their original offer which had placed a limited cap on payments of £120m. HM Treasury has indicated it will need to review the total costs of claims made, particularly if there is a significant difference between that figure and the £370m given in Advance Payments, but in practice we do not expect any limit to be put on contractors claims provided these all meet the requirements of the Drug Tariff and can be robustly evidenced.

**Q21. Can you estimate what my payments from NHSBSA will look like when I make a claim?**

Payments for claims will be made to contractors in a single payment on 1st October. We won't be able to estimate the payments likely to be made until contractors' claims have been made and processed by DHSC, but we expect that

all claims that meet the requirements set out in the Drug Tariff determination and are robustly evidenced will be paid in full.

## Paying back the £370m Advance Payments

### **Q21. How much will the loan repayments be and how will we make those?**

HM Treasury has insisted that community pharmacies repay the Advance Payments that they received in 2020, and that this is done by the end of 2021/22. DHSC's intention is to take the loan repayments through account adjustments by the NHSBSA, spread equally across six months (October 2021 to March 2022). This means that each contractor will pay back whatever loan amount they received, via six equal deductions. Each contractor will receive a separate recovery letter specifying the recovered payments.

PSNC pushed DHSC to ensure that repayments would not start until after the claims process had finished and subsequent payments had been made, but we will have further discussions with them about the loan repayments and cashflow once contractors' cost claims have been processed.

### **Q22. What does this mean for my cashflow?**

Contractors will receive payment for their COVID costs on 1st October. The full cashflow implications of this payment and the loan repayments will not become clear until contractors have made their claims and these have been processed by DHSC. PSNC will have further discussions with DHSC at that point.

### **Q23. If my costs claim is higher than my loan repayment, do I still have to repay the loan?**

Government have been clear that the loans will need to be repaid, and that this will happen via six monthly deductions from contractors' accounts from October 2021 to March 2022. Contractors will however receive their COVID-19 costs payments on 1st October, i.e. before these deductions happen. PSNC will have further discussions with DHSC on the point and on cashflow once contractors have made their claims and these have been processed by DHSC.

### **Q24. Is PSNC pushing for a longer loan payback period?**

PSNC had been pushing for the loans to simply be written off against COVID-19 costs. Now that we have this deal and dependent on contractors' claims over the summer, we will make further representations to Government about cashflow. The full cashflow implications of this payment and the loan repayments will not become clear until contractors have made their claims and these have been processed by DHSC. PSNC will have further discussions with DHSC at that point.

### **Q25. I use the Pharmacy Early Payment Scheme – will I get some cashflow relief if this ends?**

PSNC is concerned about DHSC's intention to end the PEP Scheme and has raised this topic with them. DHSC have committed to discussing this further with us and we will update contractors as soon as we can.

### **Q26. What if I have just bought a pharmacy: will I have to pay back the previous owner's advance payments?**

PSNC has raised this question with DHSC and in cases of a change of ownership, where the pharmacy F-code has been retained by the current owner, the recovered payments will reflect the advance payments received by the previous owner.

## Wider Negotiations

### **Q27. What does all this mean for the Year 3 negotiations?**

At the outset of negotiations on Year 3 of the five-year Community Pharmacy Contractual Framework (CPCF) deal, PSNC made clear to HM Government and the NHS that there could be **no agreement on Year 3 without a resolution of COVID costs**. The Committee is pleased that, with this deal on COVID costs reached, negotiations on Year Three can now progress further. The Year 3 discussions are covering all service, funding and other arrangements for

pharmacies in 2021/22, in line with the five-year CPCF deal, taking into account the progress to date, which has been impacted by the COVID-19 pandemic.

**Q28. When will we hear the outcome of the Year 3 negotiations?**

The negotiations on Year 3 began later than planned due to the volume of urgent COVID-19 work which was being prioritised by HM Government. Discussions have now been ongoing since the end of April, and we will conclude them as soon as we can. Make sure you receive our latest information by signing up to our emails at: [psnc.org.uk/email](https://psnc.org.uk/email)

**Q29. Is PSNC still pressing for a wider funding uplift?**

Our Year 3 negotiations continue and, as part of that, we have asked DHSC and NHSE&I to review the funding, resources and capacity in community pharmacy to deliver the services that patients and the country need and which they want to see rolled out.

If you have queries on this PSNC Briefing or you require more information, please contact [info@psnc.org.uk](mailto:info@psnc.org.uk).