Funding and Statistics

August 2021

PSNC Briefing 026/21: Community Pharmacy Funding in 2021/22

This briefing describes how community pharmacy funding will be distributed during 2021/22 and gives background information on how community pharmacy funding works. More briefings on specific areas will follow as further details about the various elements of the 2021/22 Community Pharmacy Contractual Framework (CPCF) are finalised.

Introduction

In July 2019, PSNC, NHS England and NHS Improvement (NHSE&I) and the Department of Health and Social Care (DHSC) agreed a five-year deal for community pharmacies, guaranteeing funding levels until 2023/24. The deal secures pharmacy funding and sets out a clear vision for the expansion of clinical service delivery over the next five years. 2021/22 is the third year of this CPCF agreement.

This document provides useful information for community pharmacy contractors on funding for 2021/22. In particular, it describes the changes that will take place and when, as well as giving an overview of key elements of funding. More details will follow on each element when available, as will **Indicative Income Tables**.

This briefing is broken down into the following sections:

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A. 2021/22 Funding Distribution

1) Changes for 2021/22

The overall funding envelope (known as the 'contract sum') for 2021/22 will remain the same as it was last year, at £2.592 billion. Below describes how the key elements will differ.

Dispensing fees: The Single Activity Fee (SAF) increases by 2p to £1.29 from August 2021 to March 2022.

Transitional Payments: These will now continue into 2021/22, with an additional £10 million allocated to these payments. From 1st October 2021, part will be based on dispensing volume (as it was last year) and the other part will be based on service delivery (subject to meeting minimum requirements).

Pharmacy Access Scheme (PhAS): A revised scheme will start in early 2022. Eligibility will be reassessed based on the volume and distance criteria specified in the Drug Tariff. Payments will change to be set in bands based on a bell curve of dispensing volume, with a maximum payment set a £17,500 per year. The total budget allocation will not exceed £20 million per year.

Pharmacy Quality Scheme (PQS): Although the criteria of the scheme have changed, the budget allocation remains at £75 million.

New Medicine Service (NMS): This service is expanding into more therapeutic areas and will include a 'catch-up' provision. The monthly NMS cap will rise from 0.5% to 1% of dispensed items; the maximum payment per NMS will remain the same.

New clinical services (Hypertension Case-Finding and Smoking Cessation): Funding will be allocated to the services being introduced as they are launched during the year. Additionally, there will be incentive payments funded from outside the CPCF envelope, which will be triggered when certain activity thresholds are reached.

Establishment Payment: This payment was removed at the end of March 2021. The budget allocated for the Establishment Payment was returned to the contract sum and will now be distributed as part of payments for other elements of the CPCF.

Medicines Use Reviews (MURs): This service was decommissioned at the end of March 2021. The budget allocated for MURs was returned to the contract sum and will now be distributed as fees for other services.

Medicine margin: To make up for shortfall in previous years, £12.2 million will be added to medicine margin in the next financial quarter (October to December 2021).

Retained margin: Stays at £800m.

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2) CPCF Timeline 2021/22

Timeline for CPCF 2021/22

Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr

August 2021
Single Activity Fee (SAF) increases to £1.29

September 2021
- Pharmacy Quality Scheme (PQS) begins
- New Medicine Service (NMS) expands to include additional therapeutic areas and a 'catch-up' NMS is introduced

October 2021
- Hypertension Case Finding Advanced Service introduced
- Transitional Payments change to be based on both dispensing volume and service delivery
- £12.2 million added to medicine margin this quarter

January 2022
- Smoking Cessation Advanced Service introduced
- Revised Pharmacy Access Scheme (PhAS) starts

February 2022
PQS declaration period

Ongoing
- Implementation of the GP referral pathway to the Community Pharmacist Consultation Service (CPCS) and the Discharge Medicines Service (DMS)
- Further work to develop CPCS referral routes from Emergency Departments and Urgent Treatment Centres
- Seeking legislation changes to enable original pack dispensing and wider use of hub and spoke dispensing to improve efficiencies

Note: This is an expected timeline and some dates could change, subject to negotiation.

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3) Transitional Payments

The five-year CPCF deal introduced Transitional Payments to recognise pressures in relation to the engagement with local Primary Care Networks (PCNs), implementing new working practices and staff training to support new services, as well as ongoing change. These payments were planned to last for two years and were due to cease at the end of 2020/21. However, as the COVID-19 pandemic disrupted plans for service introduction and legislative changes that would have supported pharmacies to make further dispensing efficiencies, PSNC successfully negotiated for Transitional Payments to continue in 2021/22. The payments for this additional year are being made to support engagement with PCNs and Integrated Care Systems (ICS), digital transformation and dispensing efficiencies.

From 1st October 2021, they will be partly based on dispensing volume (as was the case previously) and partly on service delivery. However, to be eligible for the service delivery element, contractors must have claimed for the NMS at least once and have been actively registered for the Community Pharmacist Consultation Service (CPCS) in the previous month. Details of the new payment bands will be announced as possible, with full details due to be published in the Drug Tariff.

Contractors should note that the Transitional Payments will be reduced in future as new services are implemented and funding is re-allocated from them to provide the necessary budget for the fees associated with those new services. This means that, as more services are introduced, the funding available will be diverted away from Transitional Payments accordingly, to ensure the agreed budget is delivered.

4) Reimbursement reforms

As part of the five-year deal on the CPCF, DHSC agreed to look at improving reimbursement arrangements. A public consultation on reforms to reimbursement ended in September 2019. Following delays caused by the ongoing pandemic, the 2021/22 agreement contains a commitment to progress discussions on and implement reforms to reimbursement. The proposed reforms include:

- Changes to the way Category A prices are set;
- Changes to how medicine margin is distributed in Category M drugs;
- Changes to how Category C prices are set for drugs with multiple suppliers;
- Inclusion of non-medicinal products in the Drug Tariff;
- Changes to the way prices of drugs in non-Part VIIIA are set;
- Changes to arrangements for reimbursement and procurement of ‘specials’;
- Changes to reimbursement of generically prescribed drugs and appliances dispensed as ‘specials’; and
- Changes to the deduction scale.

The proposals are far reaching, complex and interlinked. PSNC has been talking to the DHSC about many of these proposals for a number of years. The proposals do not impact the agreed funding envelope and should help to smooth delivery of retained margin. They could, however, have an impact on individual pharmacies depending on their dispensing mix. PSNC’s intention is to work through the potential consequences of any changes and the impact they could have on contractors with the intention to ensure they will deliver smoother cash flow and fairer distribution of margin for contractors.

Read PSNC’s response to the consultation on community pharmacy reimbursement reforms

PSNC, DHSC and NHSE&I will begin to discuss the detail and mechanics of these proposals in greater detail in 2021/22.

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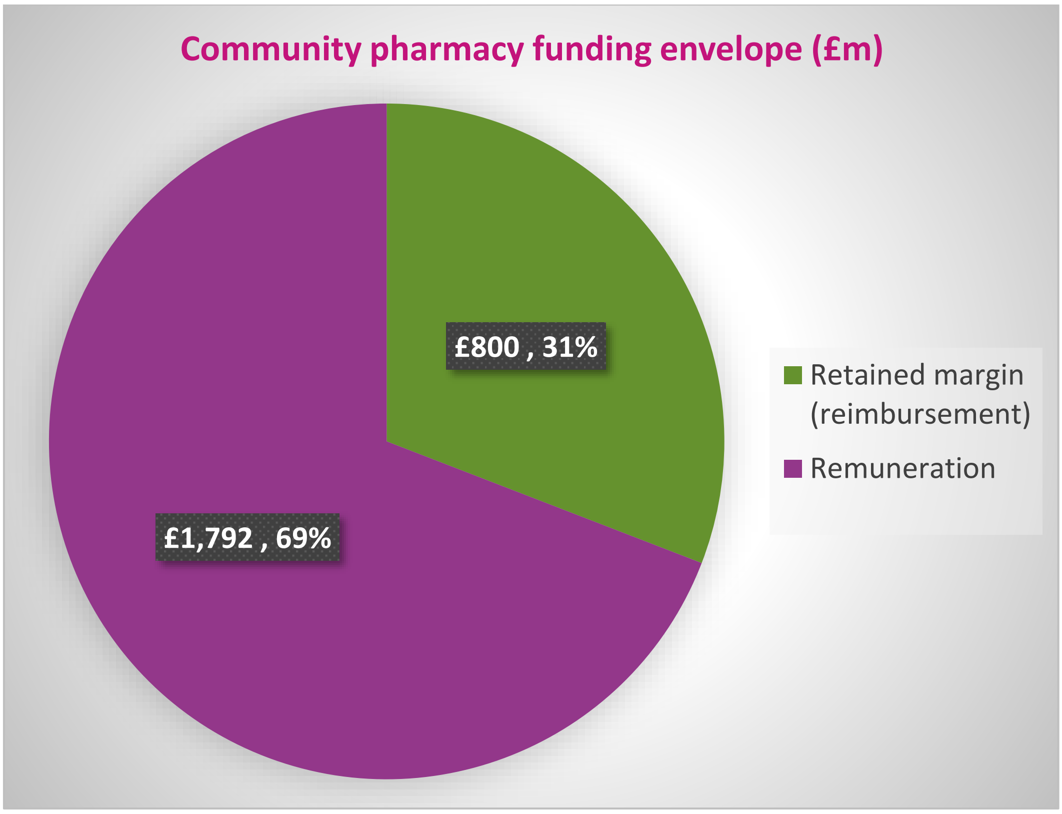
B. Community Pharmacy Funding Overview

1) A breakdown of the contract sum

National NHS community pharmacy funding (the 'contract sum') comprises two key elements – fees (remuneration) and retained margin (part of reimbursement) which can be defined as follows:



Remuneration: This is the fees and allowances paid to pharmacies for the professional services they provide.

Reimbursement: This reimburses the cost of the medicines that pharmacies supply to patients. Pharmacies first have to purchase these medicines, usually from medicines wholesalers, and they are then reimbursed for them by the NHS, generally according to the Drug Tariff, which sets out prices for many medicines and a 'discount deduction' scale.

The difference between reimbursement and purchase price constitutes 'retained margin' which pharmacies are allowed to keep as part of their agreed funding subject to a collective agreed total (currently £800m).

2) Remuneration

The 'fees' or 'remuneration' element of funding covers a number of services and their associated fees. All pharmacies, whether they are distance selling pharmacies or located within local communities, are paid according to the same Community Pharmacy Contractual Framework (CPCF) – this is the framework which sets out all of the services that they must provide for the NHS – and with the same fees. These include:

Single Activity Fee (SAF): The SAF is a payment made per prescription item dispensed. This fee is paid to pharmacies each time they dispense a prescription item to a patient. Prescription volumes and associated fee levels are kept under constant review by DHSC and PSNC to ensure the full delivery of funding agreed under the CPCF.

Establishment Payment: No longer payable. This fixed payment, subject to a volume (of prescription items dispensed) threshold, was phased out at the end of 2020/21 in accordance with the five-year deal.

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Transitional Payments (TP): Banded payments based on dispensing volume and clinical service activity. Minimum requirements must be achieved in order to receive the full payment.

Services: In addition to the core Essential services, there are a growing number of other services within the CPCF. As of August 2021, there are the following:

- New Medicine Service (NMS);
- Community Pharmacist Consultation Service (CPCS);
- Discharge Medicines Service (DMS);
- Flu Vaccination Service;
- Hepatitis C testing service;
- COVID-19 lateral flow device distribution service;
- Pandemic Delivery Service (currently commissioned until 30th September 2021);
- Appliance Use Reviews (AURs); and
- Stoma Appliance Customisation (SAC).

Note, the Medicines Use Review (MUR) service was decommissioned at the end of March 2021.

Community pharmacies can choose to provide any of these services as long as they meet the requirements set out in the Secretary of State Directions, with the exception of the DMS which is a mandatory Essential Service. Note, funding for the Flu Vaccination Service comes from NHS England's Section 7A public health budget, and funding for the COVID-19 pandemic related services comes from other public health budgets.

2A-2F Fees: This refers to Part IIIA of the Drug Tariff, where a number of professional fees are described. These are payments to cover the dispensing of unlicensed medicines, certain appliances, oral liquid methadone, Serious Shortage Protocols, Schedule 2 and 3 Controlled Drugs, and expensive items.

Pharmacy Quality Scheme (PQS): This scheme makes payments to community pharmacies that are meeting Gateway and Quality criteria. Payments are made to eligible pharmacies depending on how many of the Quality criteria they have met (the number of 'points' earned).

Some of the details of the 2021/22 scheme were released ahead of other Year Three arrangements, with many elements focussed on priorities supporting recovery from COVID-19. The NHSE&I guidance, which will be published as soon as possible, will give contractors more detailed information on the scheme and the declaration period will be in February 2022.

Find out more at: **psnc.org.uk/PQS**

Pharmacy Access Scheme (PhAS): PhAS is a scheme with the stated aim of ensuring that a baseline level of patient access to NHS community pharmacy services is protected. Qualifying pharmacies receive an additional payment. A revised version of the scheme will start from February 2022, with updated eligibility assessments and payments. Find out more at: **psnc.org.uk/PhAS**

All fees and allowances are funded from NHSE&I budgets.

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3) Delivery of Retained (or 'Purchase') Margin

Purchase margin is the margin made when pharmacies are able to purchase medicines for NHS patients at prices below those at which the NHS reimburses them for those medicines. This is also known as 'retained margin' and it is measured annually with a 'Margins Survey' jointly conducted by DHSC, the NHS and PSNC.

Monitoring the value of the purchase margin being delivered to pharmacies is complex: in each financial period PSNC and DHSC agree a figure based on the results of the Margins Survey. This survey examines prices paid for a representative sample of medicines by a number of independent community pharmacies, and analyses prices and wholesaler discounts gathered from invoices collected from pharmacies to estimate how much margin has been made during the year.

The Margins Survey is carried out retrospectively and results from the survey are used to inform changes to the Drug Tariff, in order to ensure the correct delivery of margin to the community pharmacy sector.

Further information is available at: **psnc.org.uk/categorym**

If you have queries on this PSNC Briefing or you require more information, please contact **info@psnc.org.uk**.

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