

September 2021

PSNC Briefing 037/21: PEPS cashflow

The Department of Health and Social Care (DHSC) has given notice of its intention to remove the Pharmacy Earlier Payment Scheme (PEPS) and outlined the transition arrangements that will apply. This was covered in our briefing on the [end to PEPS](#), along with the bringing forward of advance payments and associated Drug Tariff changes.

This briefing sets out the implications of these changes, along with the brought forward advances, for affected contractors. **It is strongly advised that PEPS contractors submit their FP34C using [Manage Your Service \(MYS\)](#) by the 5th of each month (the worked example below assumes FP34C submission will have occurred by the 5th).** Use of paper FP34C or late submissions through MYS from November 2021 (for prescriptions dispensed in October 2021) would delay advance payments for any contractor.

Transition arrangements for existing PEPS contractors

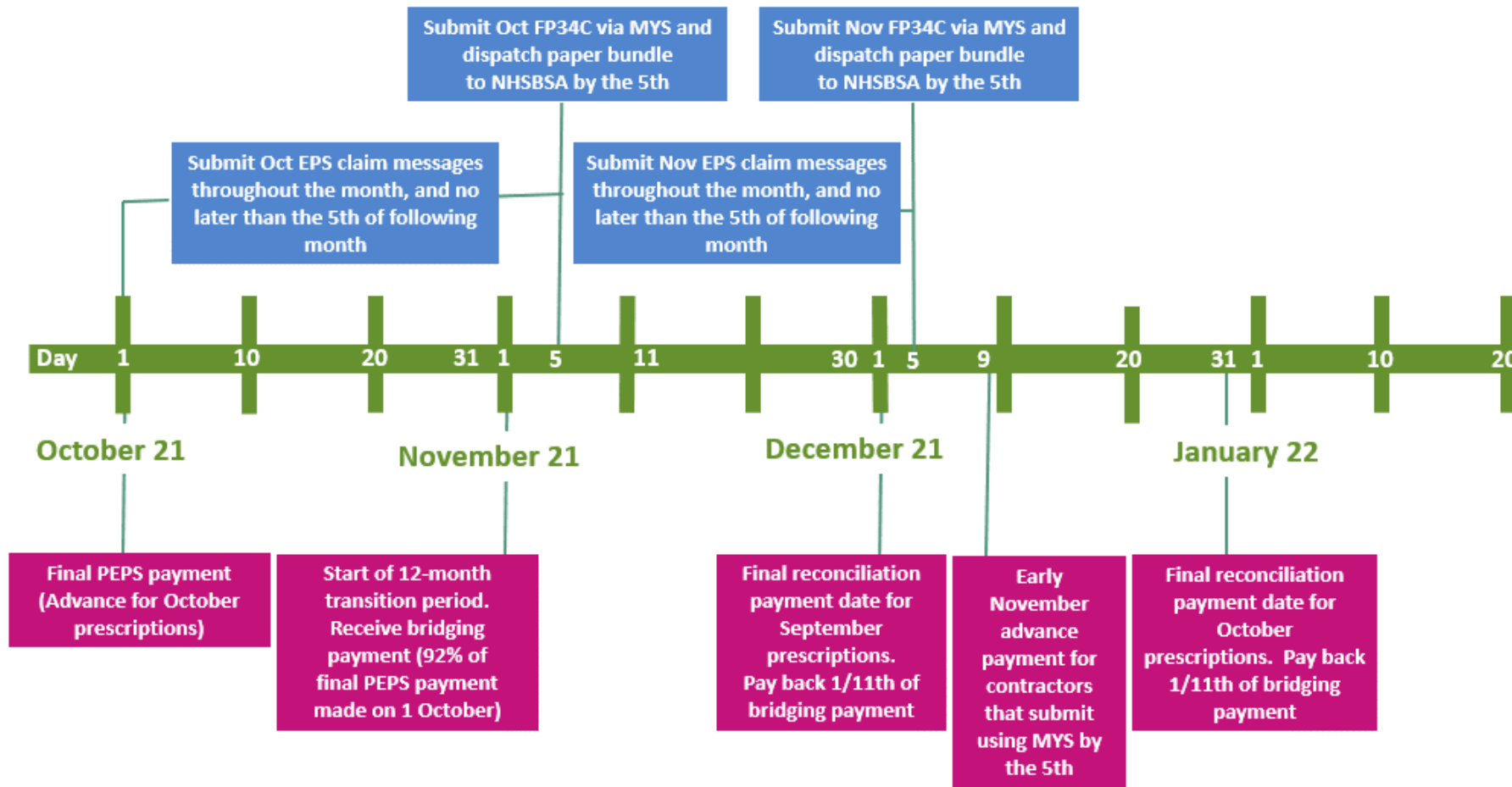
A 12-month transition arrangement is being put in place for PEPS contractors to transfer over to the new advance payment timetable which allows ALL contractors access to advance payments approximately 20 days earlier in comparison to the current payment timetable.

As part of the transition arrangement, pharmacy contractors who are signed up to the PEPS, will receive a one-off payment on 1st November 2021 to bridge the gap between the current PEPS payment timetable and the new early advance payment timetable. The bridging payment will be set at 92% of the PEPS pharmacy contractor's payment which the contractor will have received on 1st October 2021. This bridging payment received on 1st November will be recovered in equal parts over 11 months, i.e. the last recovery will be on 30 September 2022. The 12-month transition period is intended to help ease any cashflow concerns and offer contractors time to review and discuss refinancing options with their banks or other lenders, if required.

Timeline

The timeline below shows the transition away from the PEPS payment timetable. The December 2021 – January 2022 pattern will continue until end of September 2022 when the final element of the bridging payment will be recovered.

Transition away from PEPS payment timetable



Key dates

Key dates for a typical PEPS pharmacy that dispenses NHS items totalling £70,000 each month are as follows:

- **1st October** – Receive the last PEPS payment for prescriptions dispensed during October 2021 (which is based on statistics the NHSBSA has for prescriptions for the contractor) - **£70,000**
- **1st November** – No PEPS payment for prescriptions dispensed during November 2021, but receive a bridging payment based on 92% of the final PEPS payment received in October 2021 - **£64,400k**
- **1st December** – No PEPS payment for prescription dispensed during December 2021. Final reconciliation payment for September prescriptions AND 1/11th of bridging payment deducted (equal deductions over 11 months) - **For a positive reconciliation payment a deduction of £5,855 will be applied. For negative reconciliation payment a deduction will apply from the estimated 100% advance payment received six working days after the reconciliation payment, i.e. on 9th December (see Notes below).**
- **9th December** – Receive earlier advance payment for prescriptions dispensed in November 2021 (for FP34Cs submitted through MYS by 5th) - **£70,000 (assuming monthly items remain stable)**
- **31st December** - *Receive normal advance payment for prescriptions dispensed in November 2021 (for FP34Cs submitted late or via paper route) AND reconciliation payment for October prescriptions and 1/11th of bridging payment deducted - For a positive reconciliation payment a deduction of £5,855 will be applied. For negative reconciliation payment a deduction will apply from the estimated 100% advance payment received six working days after the reconciliation payment, i.e. on 11th Jan 2022 (see Notes below).*

Notes for Reconciliation Payment dates:

- **For positive reconciliation** – pharmacy contractors will be paid the reconciliation payment on the 1st working day of the month two months after they have submitted the appropriate claim form and prescriptions for pricing.
- **For negative reconciliation** – NHSBSA will recover the value of the overestimate from the 100% advance payment paid circa 6 working days later than the positive reconciliation.

Cashflow model

PSNC has set up a model to illustrate cashflows. It is based on the following assumptions:

- Pharmacy dispenses 7,000 items per month with AIV of £10
- Pharmacy does £1000 worth of advanced and enhanced services per month
- Pharmacy received £35,000 in covid advance payments
- Pharmacy submitted claim for £25,000 covid costs

Each month is colour coded to allow tracing of cashflows.

Dispensing month	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22
AIV	£10.00	£10.00	£10.00	£10.00	£10.00	£10.00	£10.00
Items dispensed	7,000	7,000	7,000	7,000	7,000	7,000	7,000
PEPs advance received (around 1st)	£70,000	£70,000					
Bridging payment received (around 1st)			£64,400				
Items submitted for payment / FP34C submitted by 5th	7,000	7,000	7,000	7,000	7,000	7,000	7,000
Early advance received (around 10th)				£70,000	£70,000	£70,000	£70,000
OR Normal advance (around 1st)					£70,000	£70,000	£70,000
Advance recovered (around 1st)	-£70,000	-£70,000	-£70,000	-£70,000	-£70,000	-£70,000	-£70,000
Payment for other services (advanced services, local services, etc)	£1,000	£1,000	£1,000	£1,000	£1,000	£1,000	£1,000
Total value of account	£71,000	£71,000	£71,000	£71,000	£71,000	£71,000	£71,000
FP34 statement / reconciliation payment received for dispensing month (around 1st)	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
Repay 1/11th bridging payment (around 1st)				-£5,855	-£5,855	-£5,855	-£5,855
Covid costs claim received		£25,000					
Covid advance repayment		-£5,833	-£5,833	-£5,833	-£5,833	-£5,833	-£5,833
Total payment received in month if pharmacy gets early advance	£71,000	£90,167	£59,567	£59,312	£59,312	£59,312	£59,312
Total payment received in month if pharmacy gets normal advance	£71,000	£90,167	£59,567	-£10,688	£59,312	£59,312	£59,312

A full version of the model can be downloaded from PSNC's [PEPS page](#).



Further information

For further information please see [PSNC Briefing 032/21](#) which describes the upcoming changes to PEPS and the [DHSC announcement including Drug Tariff determination](#).

PSNC also plans to run a contractor webinar to talk through the payment timetable changes coming in from November 2021. Look out for registration details (or a link to the on-demand version) on our [webinars page](#).

Background

- [19th March 2021: New applications for PEPS suspended](#)
Announcing the suspension of any new contractors wishing to join the scheme.
- [3rd June 2021: Pharmacy Earlier Payment Scheme update](#)
Announcing the ending of the contract between Taulia and the NHSBSA.

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