

August 2022

## **PSNC Briefing 023/22: How the price concession system operates**

PSNC's Dispensing and Supply Team has created this briefing to help explain to pharmacy teams how the price concession system works. The briefing describes the process for the granting of price concessions as well as answering some common questions received by PSNC from community pharmacy contractors and their teams.

### **Introduction**

There has been a sustained high number of medicines granted price concessions each month so far in 2022 – with over 100 concessions granted in some months – and this trend shows no signs of abating. PSNC has become increasingly concerned about the sustained pressures on medicines supply and the very serious impact that this is having on community pharmacy teams and their patients.

The team at PSNC are aware that many pharmacies now find themselves in a critical situation trying to source medicines in a timely manner and facing significant financial risk due to greater uncertainty around expected reimbursement prices for a large number of medicines. In particular, we know that some concessions being imposed by the Department of Health and Social Care (DHSC) do not match the prices available to the majority of contractors throughout the month. Therefore, we are asking all contractors to continue to [report pricing issues to us](#) on a regular basis to help us to demonstrate the scale of the problems.

Unfortunately, PSNC is unable to resolve this issue on its own, but we have escalated the situation and the sector's concerns with DHSC. We are seeking an improved price concession procedure to streamline processes, as well as recognition (and mitigation) of the impact this is having on pharmacy teams.

PSNC's work to raise this in the wider policy environment also continues following previous national media work and briefing of MPs. We are also working with the other pharmacy organisations to continue to raise the wider workload pressures, and subsequent increasing patient abuse, on the sector.

### **What is a price concession?**

When community pharmacies cannot source a drug at or below the reimbursement price as set out in the Drug Tariff, the Department of Health and Social Care (DHSC) can introduce a concessionary price at the request of PSNC. A price concession can be requested for any drugs listed in Part VIIIA, Part VIIIB and Part VIIID of the Drug Tariff. For any drugs granted concessionary prices, contractors are automatically reimbursed at the new prices for that month. Note, price concessions are automatically applied to prescriptions submitted for the month in which they are granted.

### **How does PSNC apply for price concessions?**

Each month, PSNC receives a considerable number of contractor reports (submitted via an online reporting form, by email or telephone) and system-generated reports showing actual purchases of generics made by community pharmacies above the Drug Tariff listed price. PSNC also monitors monthly price lists and price change notifications shared by various suppliers. The reports received help PSNC investigate and determine whether it is appropriate to

submit a request for a price concession. At the start of each month, an initial application is submitted to DHSC for any generic drugs reported to PSNC that are unavailable at or below the Drug Tariff price for that month. Further price concession requests for other generic drugs unavailable at Tariff-listed prices are submitted throughout the month.

## Setting a price concession

Upon receiving PSNC's initial request, DHSC conducts its own research into the market, by gathering volume and price information of drugs from manufacturers, wholesalers and importers, through its data-gathering powers afforded by the Information and Disclosure Regulations 2018 (Information Regulations)<sup>1</sup>. For setting concessionary prices, the regulations require suppliers, within two working days, to provide volume and price information to support the process for setting concessionary prices in England.

Following their initial investigation, DHSC may then decide to grant an initial concessionary price or grant no price concession at all. DHSC include a margin uplift for drugs granted a concessionary price.

## Arriving at a decision

PSNC compares DHSC's initial proposed price, where offered, against the reported contractor purchase prices, latest wholesaler prices and any further market data gathered after the initial application. PSNC uses this data to determine a minimum acceptable price below which a concessionary price cannot be agreed to. Where PSNC does not accept a price proposal, we will approach DHSC and seek to negotiate a more acceptable price for contractors.

Care is taken to ensure that the prices requested by PSNC are fair and reasonable based on the available purchase data and wholesaler selling-out prices across the country. If inflated prices are requested by the PSNC, there is a risk of over-delivery of margin which would be subsequently clawed back by DHSC through Category M adjustments. For this reason, we urge contractors to only report actual purchase prices rather than the highest available prices from various wholesalers. DHSC will consider PSNC's revised price proposals, and any new requests submitted throughout the month. DHSC will review its initial price offering against PSNC's requested prices and the data they have access to. DHSC may then decide to:

- agree a concessionary price that matches PSNC's initial request, or
- offer a lower concessionary price to PSNC's initial request; or
- grant no price concession at all.

Any drugs which PSNC is unable to agree prices for are subject to further discussion with DHSC. If PSNC and DHSC are still unable to come to an agreement on the final price, DHSC, following Ministerial approval, will impose a price they feel is reflective of the market data they have access to. DHSC often cites that the reason behind its decision is due to their research indicating that a considerable amount of stock has been available at or below the proposed concessionary price at some point during the month in question.

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<sup>1</sup> The regulations, which came into effect on 1st July 2018, are intended to provide the DHSC with greater transparency and powers to scrutinise and control the price of drugs. The primary focus of the Information Regulations is to require suppliers to provide information on costs and stockholding to improve the robustness of the arrangements for setting reimbursement prices for community pharmacies and to assure the DHSC that the supply chain provides value for money to the NHS and taxpayer to the benefit of patients. With wholesalers also subject to the same data requirements, DHSC has greater transparency and access to timeous data around stock availability and wholesaler selling out prices to apply downward pressure on suppliers to maintain better control over generic drug prices. The Information Regulations are also used by DHSC when reviewing product discontinuations and shortages.

PSNC is mindful of the need to finalise price concessions as early as possible in the month so that contractors have certainty over what they will be reimbursed. However, there is a fine balance between agreeing to a price too early in the month versus holding out to secure a better price later in the month particularly in a market where prices are increasing.

Price concessions are published on [PSNC's website](#) as soon as they are finalised with DHSC. Contractors can sign up to receive [email alerts](#) as soon as any price concession announcements are made. A flow chart which illustrates how price concession negotiations progress throughout the month can be found on the final page of this briefing.

## Improving the system

PSNC understands the difficult challenges faced by contractors when the final prices granted or imposed by DHSC fall below the purchase prices they have paid. This can have a disproportionate effect particularly on those pharmacies dispensing large volumes of any affected lines.

Principles for a fair system were identified by the PSNC Committee in 2018 and are used as the basis for challenging DHSC to ensure that the system is responsive to price rises so that contractors are not left to carry unreasonable costs on behalf of the NHS. PSNC believes that a price concession system should satisfy the following principles:

- DHSC needs to satisfy itself that requests submitted by PSNC are genuine and reasonable.
- DHSC needs to validate PSNC's requests using appropriate data and consequently there will be a period of uncertainty for contractors, during which they will have no certainty of final reimbursement price for that month.
- There may need to be a retrospective adjustment of some sort.
- PSNC cannot accept that, where a problem is shown to exist, there isn't eventual recompense.
- The market is managed at an independent level in the margins survey and PSNC would expect the price concessions system to operate at a similar level.

Contractors should continue to use PSNC's [online reporting form](#) to share details of drugs unavailable at Drug Tariff-listed prices. As stock levels and prices can vary across the country, we rely on these contractor reports which help feed into our market surveillance and inform our discussions with DHSC. The reports help us to demonstrate the scale of the problems to DHSC and support escalations on particular lines, as needed.

In certain circumstances, DHSC may request wholesaler invoices showing actual purchase prices as evidence to help PSNC make further representations to the Department for an improved concessionary price. Contractors can email in copies of wholesaler invoices to [concessions@psnc.org.uk](mailto:concessions@psnc.org.uk).

## Margins survey

As part of the [margins survey](#) each year, an exercise is conducted to calculate the financial impact of concession lines on contractors throughout the year. Data is gathered for all items which have been on concession and the financial impact of these lines is calculated and accounted for in the final margins survey result. The calculation also considers any discount deduction ('clawback') applied to reimbursement of concession lines and any wholesaler surcharges paid by contractors.

If an independent contractor selected in the survey sample purchased a drug at price higher than the final concessionary price, this will be picked up by the margins survey. This is then factored into the overall retained margin survey result and is off set against any excess margin made on other sampled drugs. On the contrary, if the concessionary price is higher than the contractor's actual purchase price, any margin earned will count towards the community pharmacy's overall retained margin allowance of £800m per year.

## Frequently Asked Questions

### **Q. Why can't price concessions be published early each month?**

**A.** PSNC need to make a fresh concession application for price concessions at the start of each month. DHSC then undertake their own checks by looking at sales data to reach a proposal. The price concession updates are announced as soon as prices are agreed. In some cases, there is a need for ongoing negotiation between PSNC and DHSC particularly on drugs where we remain far apart on prices; this can take time. The final monthly update is often released late in the month as these include new drug applications submitted mid-month and any drugs where PSNC and DHSC have been unable to agree prices, resulting in these being imposed.

PSNC would like to see changes to the arrangements that would allow contractors to have certainty over what they will be reimbursed much earlier in the month; but this must be balanced with the need to negotiate with DHSC where the initial proposed price of a drug is deemed unacceptable by the PSNC.

### **Q. If a price concession is granted in one month and is still a problem the following month, why can't the price just roll over?**

**A.** Price concessions are automatically applied to prescriptions submitted for the month in which they are granted. Because of market fluctuations in stock levels and prices it would not be appropriate to roll over price concessions from one month to the next. PSNC regularly monitors the market through contractor reports and information received via wholesalers. It is also important to note that the DHSC may not act on something unless contractors have reported the issue to PSNC.

### **Q. Are drugs granted concessionary subject to discount deduction?**

**A.** Discount deduction applies unless the drug meets the Individual or Group items Discount Not Deducted (DND) criteria.

### **Q. Why does the price concession for a drug not reflect the price I'm having to purchase it at?**

**A.** PSNC and DHSC negotiate price concessions and try to agree to a price that both parties feel is reflective of market availability. Whilst this may not be the price that you have purchased at, PSNC would only agree to a price that we can see most contractors have access to.

The reason why price concessions may not always reflect prices that contractors pay is because concessions are set monthly and apply to prescriptions dispensed for the full month. Drug prices can change throughout the month and due to such volatility, concessionary prices are set to cover what is available to most contractors for most occasions. They are not intended to reflect prices available to all contractors on all occasions.

We do often see prices for drugs vary quite significantly between different mainline wholesalers and also via short-line wholesalers, and therefore we advise contractors to check with multiple suppliers before ordering to make sure they are purchasing at the best possible price. We are aware that some contractors use cascade purchasing systems to help with shopping around for the best prices in the market.

### **Q. Can I refuse to dispense a generic drug that I cannot obtain at or below Drug Tariff price?**

**A.** No; it is against a pharmacy's NHS Terms of Service to refuse to dispense a drug on cost grounds. If a generic drug is unavailable at the Drug Tariff price, there are some practical steps that contractors and their teams can take to help manage the situation:

1. Try contacting a range of different wholesalers and suppliers to locate stock available at or lower than Drug Tariff price.
2. Report issues where the product can only be obtained at a price higher than the Drug Tariff listed price using PSNC's [online form](#).

3. Check for any known supply issues in the [Medicines Supply Tool](#) hosted on the Specialist Pharmacy Service (SPS) website (any new shortages can be reported to PSNC [here](#)). Access to the Medicines Supply Tool requires [registration](#) with an NHS email address.
4. Report any new medicine shortages not listed on the SPS website using [PSNC's online reporting form](#).
5. Check for any current [Serious Shortage Protocols \(SSPs\)](#) that may allow alternatives to be given without needing to go back to the prescriber.
6. Provide affected patients with a copy of this [medicines supply factsheet](#).
7. Liaise with the GP to see if an alternative treatment can be provided. In cases where only a branded equivalent is available, contractors may request a prescription for the brand to ensure reimbursement is in accordance with the product supplied.

If you or your staff face verbal abuse from patients due to medicine supply issues, please don't feel like you have to tolerate it. The pharmacy regulations say that if a contractor or their staff (or other people at the premises) are threatened with violence, a contractor may refuse to dispense a prescription. This also applies if the person threatens to commit a criminal offence. Obviously, refusal is also an option if any of those threats are carried out.

We are aware of the following resources which may be helpful, and others may be available from other pharmacy support organisations.

- [NHS materials and guidance for use by primary care staff](#)
- [Security advice for pharmacies during the pandemic \(summary\)](#)
- [Security advice for pharmacies during the pandemic](#)
- [Key contacts for police services](#)

PSNC will keep pushing for other measures to help pharmacy contractors and their teams.

**Q. What endorsement do I need to put on a prescription that has a price concession drug on it?**

**A.** No endorsement is required. All drugs granted a price concession are automatically picked up during pricing by the NHS Business Services Authority (NHSBSA).

Historically, the 'NCSO' (No Cheaper Stock Obtainable) endorsement was used to claim for price concessions but due to large number of endorsing errors, PSNC found that many contractors were not being paid in accordance with their endorsements. It was therefore agreed to move to the current price concessions system where concessionary prices are applied automatically to all prescriptions submitted for that month.

**Q. How do I report supply issues to PSNC?**

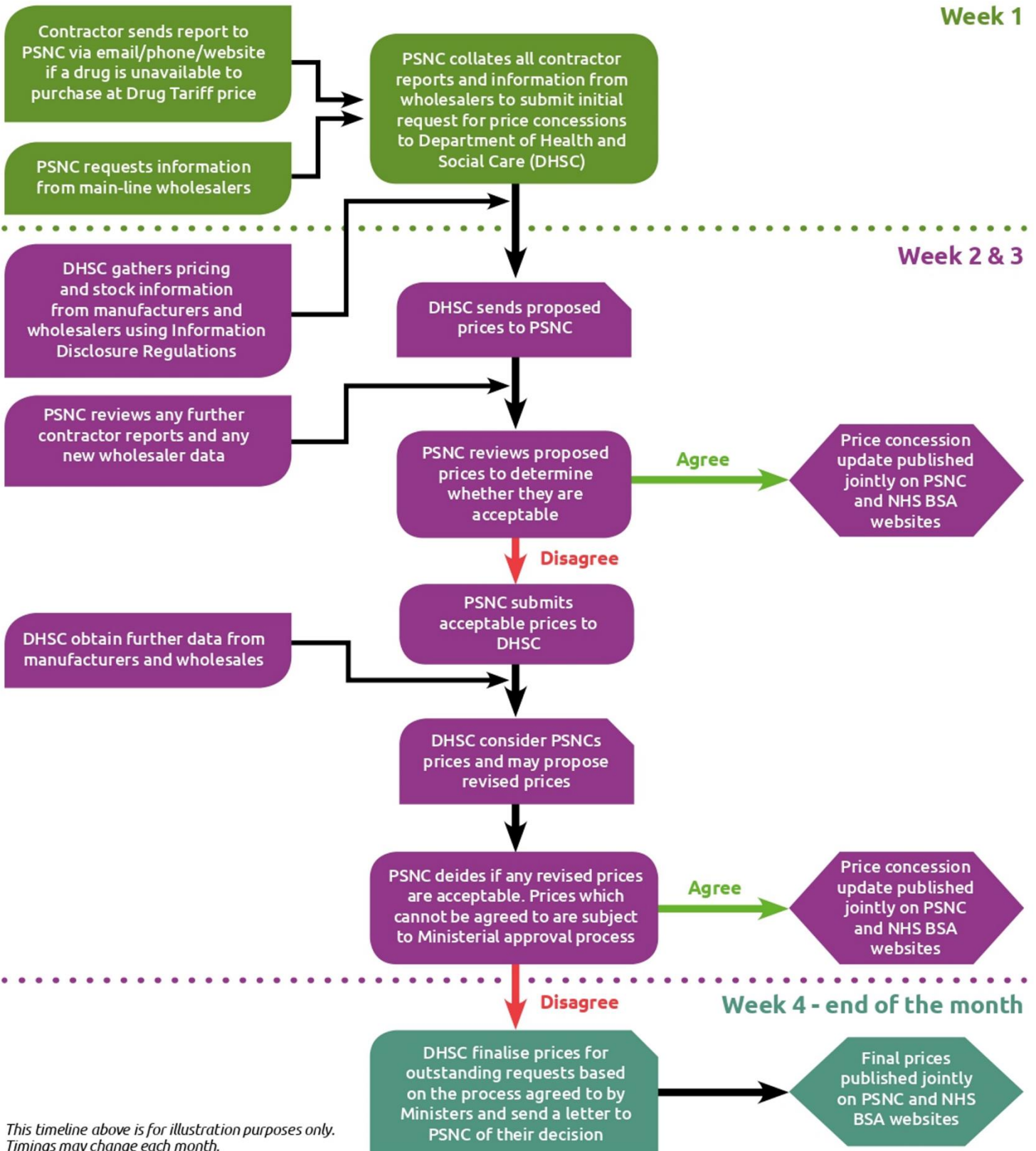
**A.** Please get in touch with us to report any supply issues by using PSNC's [online reporting form](#). Alternatively, you can report any concerns about drug availability at Drug Tariff-listed prices by emailing [concessions@psnc.org.uk](mailto:concessions@psnc.org.uk). In certain circumstances, DHSC may request wholesaler invoices as evidence in support of a request for a price concession. Invoices can be sent to PSNC using the same email address above. All wholesaler invoices are anonymised before they are submitted to DHSC.

**If you have any queries on this PSNC Briefing or you require more information, please contact PSNC's Dispensing and Supply Team by emailing [info@psnc.org.uk](mailto:info@psnc.org.uk) or calling 0203 1220 810.**

# Monthly price concession flow chart

This factsheet shows how price concessions are set on a monthly basis.

Learn more about the process at: [psnc.org.uk/concessionsbriefing](https://psnc.org.uk/concessionsbriefing)



*This timeline above is for illustration purposes only. Timings may change each month.*