



# Price concessions webinar

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# Objectives

## **The key objectives of this webinar are to:**

- explain the current pressures in the market
- dispel any myths around the price concession processes
- discuss improvements to the current system
- answer your questions

## **The following topics fall outside the scope of this webinar:**

- wider funding pressures and other CPCF concerns and developments
- changes to discount deduction arrangements



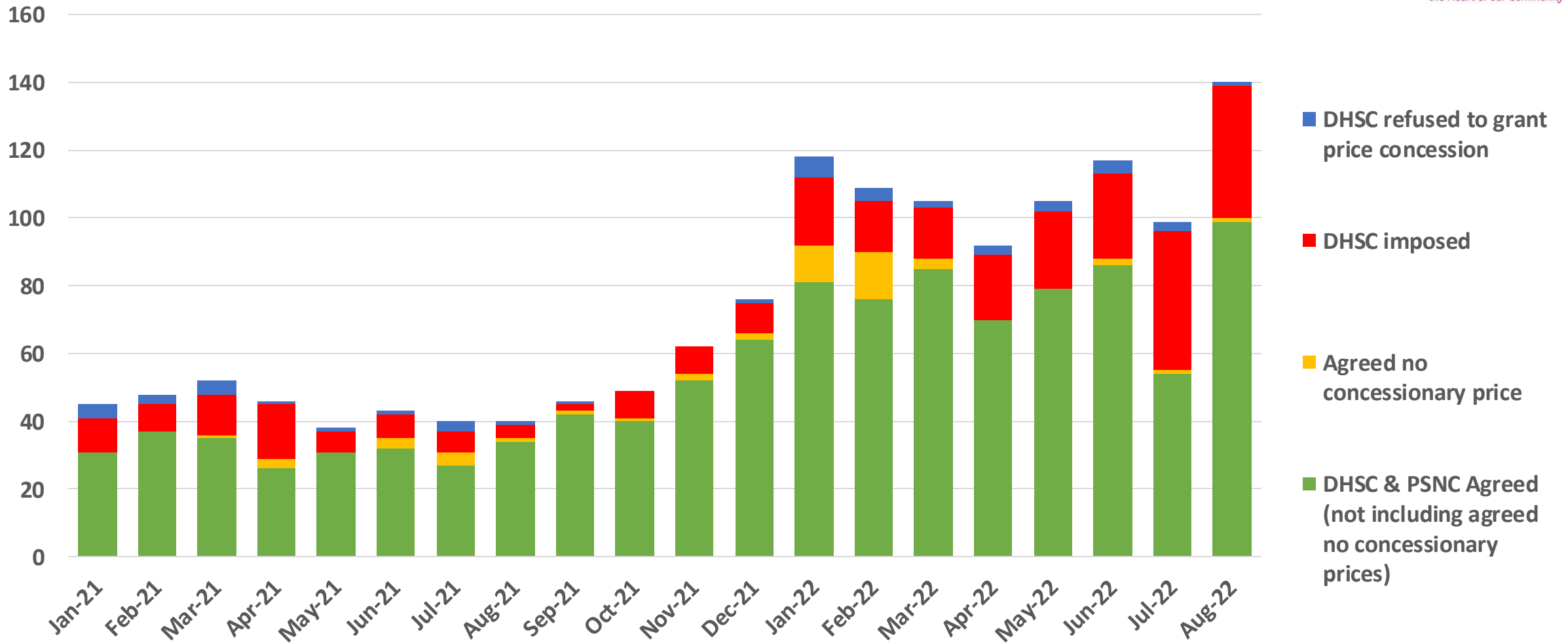


# What is a price concession?

- A price concession is a **discretionary, temporary adjustment** to the reimbursement price for a Part VIII A generic medicine (or a Tariff special), above the Drug Tariff-listed price for that month
- DHSC sets the price after **consultation** with PSNC
- The price concession is only applicable to prescriptions dispensed and submitted for payment for the month in which it is granted
- Contractors are automatically reimbursed this price. **No additional endorsements are required** - 'NCSO' endorsement not in use since April 2013



# Number of concessions agreed, imposed or not granted (Jan 21 – Aug 22)



# Why has the level of concessions increased in 2022?



- **The price concessions system is NOT coping in the current environment**
- PSNC believes that reimbursement prices have not kept pace with market prices for several months due to extraordinary factors such as:
  - **Macroeconomic effects** of COVID-19/Brexit/Ukraine war and depletion of any contingency stockpiles
  - **Rising inflationary pressures** affecting manufacturing, utilities and distribution costs
  - **High demand** for stock of certain medicines affected by **supply disruptions** is driving up their prices
  - **Drug Tariff prices have been suppressed** for a prolonged period to manage **margin over-delivery**
  - **Tariff prices are set quarterly using lagged data** – therefore any price shocks will not be accounted for in the reimbursement prices





# Application for a price concession

- At the start of each month, PSNC compiles a list of medicines to make a request for a price concession based on:
  - reports submitted by pharmacy teams via **PSNC's online reporting tool**
  - automated reports of purchases over Tariff prices generated by **ordering systems /buying portals**
  - **wholesaler systems, supplier price lists and price change notifications**
- New reports are received throughout the month and further price concession applications are submitted following checks carried out by PSNC



# Why does PSNC gather data?



- PSNC relies on reports of purchase prices to assess whether medicine pricing is a problem and if so, to determine the extent of it
- It is also useful for PSNC to have wider market context
- In general, contractors only report purchases above Drug Tariff prices to us
- An application for a price concession is not submitted if PSNC is confident that stock is available to purchase at or below the listed Drug Tariff-listed price





# What data does DHSC gather to determine concessionary prices?



- Each month, the Department gathers its own data to support the concessionary price setting process
- DHSC's data gathering powers are afforded by the [The Health Service Products \(Provision and Disclosure of Information\) Regulations 2018](#)
- Under these regulations, suppliers (manufacturers, importers and wholesalers) are **legally required** to provide information on **volumes and prices of specified medicines** upon request
- The regulations require suppliers to provide this information **within 2 working days of the request**



# Is DHSC's data gathering powers for price concessions working well?



- Summary of findings of the latest Annual Review of the regulations (published August 2022), which considers the extent to which the DHSC's data gathering powers have achieved their intended objectives (for the review period July 2020 – June 2022):
  - approximately **130 companies** are contacted each month with a request for volume and price information
  - work is ongoing to ensure that DHSC requests information from **all** companies that supply the market with the products whose information the Department needs
  - both the information and penalties regulations have continued to achieve their objectives and that the objectives remain appropriate



# PSNC's challenges to DHSC on use of their powers



- **Compliance** – is NHSBSA reaching out to all suppliers? how many are not providing requested data and how many are taking longer than 2 working days to provide it? Is DHSC enforcing these regulations and issuing suppliers with penalties for non-compliance?
- **Data quality** – are suppliers providing accurate and complete information to provide a true reflection of the market? Is the data cleansed by DHSC?
- **Data points** – is DHSC getting a view of price changes throughout the month or is it only a snapshot of prices at the time the data was requested from suppliers?
- **Data coverage** – for each medicine, is the market coverage of data gathered sufficient for DHSC to confidently set concessionary prices each month?



# Challenges around data transparency



- Can DHSC disclose details of the supplier who has stock at the concession price? **No**
- Can DHSC share any of the data It has gathered under the information regulations confidentially with PSNC? **No**
- Can contractors/public request this data under the Freedom of Information Act? **DHSC considers that it would not be in the public interest to disclose this data because:**
  - **It is obtained from suppliers and as such is commercially sensitive**
  - **disclosure would be likely to prejudice the commercial interests of suppliers**





# DHSC's price-setting approach

- In general, DHSC applies an **uplift to the data they've gathered using a weighted formula**
- The uplift is designed to cover supply chain (including contractor's) margin and discount deduction
- **Discretion** may then be applied before the final concession price is determined
- Even though DHSC bases its prices using its own data, the data PSNC gathers is **vital** for our negotiations



# Negotiations between PSNC and DHSC (1)



- Following their initial investigation, DHSC will propose a concessionary price or grant no price concession at all
- PSNC will then either **agree/disagree** with the offered price based on the data reported to us by contractors
- Where PSNC does not accept DHSC's initial price proposal, PSNC will put forward a counter-proposal for an acceptable concessionary price
- DHSC may then either:
  - **agree the initial counterproposal price**; or
  - **offer a lower concessionary price** to PSNC's initial counterproposal; or
  - **offer no price concession**

# Negotiations between PSNC and DHSC (2)



For products where initial agreement on prices cannot be reached:

- PSNC and DHSC go through **several rounds of negotiations** to try and reach a **compromise** on prices over a series of meetings throughout the month
- If prices increase during the month, PSNC may submit a revised proposal to DHSC. Conversely, if reports indicate that prices have dropped during the month, we may lower our expectations
- If PSNC and DHSC are still unable reach an agreement on the final price, the DHSC, following Ministerial approval, will **impose** a price they feel is reflective of the market data they have access to





# Price concessions – getting the price right

- The final price covers the whole month
- Getting the price right depends on a numbers of factors for example number of reports, market volatility, medicine stock levels, quality of DHSC data
- Often, imposed prices do not reflect market availability as seen with alendronic acid in July and aripiprazole and temazepam in August
- Where final imposed prices are significantly below market prices, PSNC will submit **written representations** to the Department seeking a review of the prices
- Evidence of **invoices or screenshots of prices** may support PSNC's case for such reviews



# Communication of price concessions

- Contractors can visit PSNC website
- Receive e-mail once an update is issued
- Sign up to receive the email list [psnc.org.uk/newsletter](https://psnc.org.uk/newsletter)

Pharmaceutical Services Negotiating Committee

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Quality & Regulations

Dispensing & Supply

National Pharmacy Services

Digital & Technology

LPCs & Local

**CEO Blog: July 2022**

In a new update to the sector, PSNC's CEO, Janet Morrison, talks about some of the very serious challenges that she has seen facing community pharmacies in England, and the urgent need to put the sector on a sustainable footing....

28th July 2022



**Adjusted price for Promethazine hydrochloride 10mg tablets following price changes in July 2022**

During the month of July 2022, PSNC received several reports from contractors unable to obtain Promethazine hydrochloride 10mg tablets (56) at the published Drug Tariff....

29th July 2022

**PSNC appoints Chief Transformation Officer**

Robbie Turner has been appointed as PSNC's Chief Transformation Officer, to work closely with LPCs as part of the Transforming Pharmacy Representation (TAPR) Programme of...

**July Price Concessions 4th Update**

The Department of Health and Social Care (DHSC) has today (29/07/2022) granted the following list of price concessions. Please note this is not the final...

**Contractor Notice: 12 SSPs for HRT medicines extended**

Twelve of the thirteen Hormone Replacement Therapy (HRT) Serious Shortage Protocols (SSPs) have been extended to 28 October 2022. This is to help manage the...

**Contractor Notice: Expiry of SSP021 Premique® low dose 0.3mg/1.5mg modified-release tablets**

The Department of Health and Social Care (DHSC) has confirmed that sufficient stock of Premique® low dose 0.3mg/1.5mg modified-release tablets is now available to meet...

## Price Concessions

Published on: 28th February 2020 | Updated on: 29th July 2022

[Report a pricing issue](#)

[Report a medicine shortage](#)

### July 2022

The Department of Health and Social Care (DHSC) has today (26/07/2022) granted the following list of price concessions:

| Drug                                   | Pack size | Price concession |
|----------------------------------------|-----------|------------------|
| Alendronic Acid 70mg tablets           | 4         | £12.83           |
| Aripiprazole 10mg tablets              | 28        | £5.00            |
| Aripiprazole 15mg tablets              | 28        | £1.15            |
| Aripiprazole 5mg tablets               | 28        | £1.03            |
| Bimatoprost 100micrograms/ml eye drops | 3         | £3.55            |
| Chlorpromazine 100mg tablets           | 28        | £25.04           |
| Chlorpromazine 25mg tablets            | 28        | £25.07           |
| Chlorpromazine 50mg tablets            | 28        | £25.73           |
| Citalopram 10mg tablets                | 28        | £2.48            |

**QUICK LINKS**

[New contractor update on medicines supply \(July 2022\)](#)

[Live SSPs](#)

[PSNC Briefing 067/18: How the price concessions system operates](#)

[BGMA best practice guidelines on notification of medicines shortages](#)

[Price Concession Archive](#)

[Price concession archive spreadsheet](#)

[Monthly price concession flow chart](#)

Problems viewing this email? [Click here to view an online version.](#)



## Concessions Announcement

Friday 29th July 2022

July 2022 Price Concessions



# Price concessions and margins survey

- Overall margin is monitored and managed via the margins survey
- The survey works by gathering data from **actual purchase invoices** from a sample of **independent** pharmacy contractors
- **ALL** price concession lines are automatically included in the survey and their financial impact is accounted for in the final margin survey result
- The final result also takes account of any discount deduction applied to reimbursement of concession lines
- Results from recent surveys shows that sampled independent pharmacies still made **some margin** on most price concession lines, albeit less than what is normally made on 'normal' generic drugs





# Discount deduction and price concessions

- Discount deduction scale applies to products granted price concessions – currently discount deduction ranges from **5.63% - 11.5%**, depending on pharmacy monthly reimbursement
- From October 2022, the discount deduction applied to the monthly total of reimbursement prices will be **transitioning to new arrangements**
- Products granted **concessionary prices** will have the **brands discount deduction rate of 5%** applied to it for the month in which the concession applies.
- The new rate will apply fully from **January 2024**



# Current situation (1)



- PSNC and DHSC generally reach agreement on price concessions for most medicines
- However, in recent months PSNC and DHSC have remained **far apart** on the prices for many medicines
- The market prices are **not reflective** of reimbursement/concessionary prices for many medicines
- PSNC has highlighted these concerns to DHSC and provided a wealth of **evidence** of prices in the market along with **contractor feedback** to demonstrate the impact of imposed concessions on pharmacy cashflow





## Current situation (2)

- Despite several challenges and representations from PSNC, DHSC remains confident with their price-setting approach stating that '***according to data held by the Department, a considerable amount of stock was available at or below the proposed concessionary prices at some point during the month..***'
- DHSC is concerned that setting inflated concessionary prices would encourage gaming in the market at the taxpayers' expense
- However, contractors **cannot subsidise the NHS medicines bill**
- The concessions system is no longer coping with the **current price volatility** in the market





# Improving the price concession system

- As part of an overhaul of the current concessions system, PSNC is demanding that the prices are:
  - **are more responsive** to changes in the market;
  - **are agreed more quickly** to provide contractors with certainty of reimbursement;
  - **are set using high-quality data** that reflects the reality presented by contractors on the ground; and
  - **balance contractors' duty to supply** with a reasonable purchase risk





# Useful resources

[psnc.org.uk/concessionbriefing](https://psnc.org.uk/concessionbriefing)

[psnc.org.uk/pcarchive](https://psnc.org.uk/pcarchive)

[psnc.org.uk/pcreporting](https://psnc.org.uk/pcreporting)



Dispensing and Supply

July 2022

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

### Background

PSNC's Dispensing and Supply Team has created this briefing to help explain how the price concession system works, as well as answering some common queries received from community pharmacy contractors and their teams.

### 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.

### 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 issued by various suppliers. The reports received inform the current price availability of stock from wholesalers (both mainliner and short-liner) to the market and helps PSNC investigate and submit a request for a price concession. At the start of each month, PSNC makes an initial application to DHSC for generic drugs reported to us that are not available at or below Drug Tariff price. Further requests for any generic drugs reported by contractors later in the month are also submitted, as required.

### 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 as afforded by the Information and Disclosure Regulations 2018 (Information Regulations). 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

## Price concession archive

Published on: 1st August 2013 | Updated on: 5th July 2022

The following list is an archive of price concessions granted.

### QUICK LINKS

[Price concession archive spreadsheet](#)

June 2022

+

May 2022

+

April 2022

+

March 2022

+

February 2022

+

January 2022

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December 2021

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November 2021

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October 2021

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September 2021

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## Report product over Drug Tariff price

Published on: 23rd July 2013 | Updated on: 8th April 2022

Please complete the details below to report a medicine shortage where the product can only be obtained at a price higher than the Drug Tariff listed price. See our [Price Concessions](#) page to view current/previously granted price concessions.

### Reporting multiple items?

[Click here to report multiple generic pricing issues/shortages](#)

Please note, a spreadsheet will download when clicking on the button above.

Please ensure you complete it as fully as possible, and email it to [medicines.shortages@psnc.org.uk](mailto:medicines.shortages@psnc.org.uk).

### Reporting single items?

Please complete the feedback form below.

Pharmacy F-code/ODS code \*

I do not know my pharmacy F-code/ODS code  
 [Click here if you do not know your pharmacy F-code/ODS code](#)

Name of generic product \*

Strength of the generic product \*



# Questions

