**Pharmaceutical Services Negotiating Committee**

**Funding and Contract Subcommittee Agenda**

**Zoom virtual meeting held on Wednesday 2nd February 2022 at 09.30am**

**Items are confidential where marked**

**Members:**David Broome, Peter Cattee (Chairman), Jas Heer, Tricia Kennerley, Margaret MacRury, Has Modi, Bharat Patel, Adrian Price, Anil Sharma

**In attendance:** Clare Kerr, Fin McCaul, Ifti Khan, Indrajit Patel, Jay Patel, Lindsey Fairbrother, Faisal Tuddy, Ghada Beal, Marc Donovan, Mark Griffiths, Mark Burdon, Prakash Patel, Reena Barai, Roger Nichols, Samantha Fisher, Lucy Morton-Channon Gary Warner, Sian Retallick, Stephen Thomas, Sunil Kochhar, Tricia Kennerley, Ian Cubbin, Umesh Patel, Mike Dent, Gordon Hockey, Suraj Shah, Rob Thomas, Jack Cresswell, Michael Digby, Mitesh Bhudia, Gemma Hackett, Sarah Welbourne

1. Welcome from Chair
2. Apologies for absence
Apologies were received from Margaret MacRury
3. Declarations or conflicts of interest

No conflicts or interests were declared.

1. Minutes of last meeting **(Confidential Appendix FCS 01/02/22)**and matters arising
The minutes of the meeting held on 24th November 2021 were approved.

There was an action from last FunCon for PSNC to explore similar funding arrangements to Scotland for Original Pack Dispensing (OPD) in England. Suraj confirmed that in December 2021, PSNC submitted a consultation response to DHSC’s OPD proposals and is awaiting publication of the outcome. In the response it was indicated that PSNC is keen to explore the OPD model currently used in Scotland, to assess its suitability for OPD in England.

**REPORTS**

1. CPCF negotiations
	1. Clinical services fee setting

A confidential verbal update was provided to the subcommittee.

The NT are being kept updated on technical discussion between PSNC and NHSE&I. There is a further technical meeting scheduled with NHSE&I next week. Overall we are trying to keep the data gathering/analysis simple and proportionate.

Committee Members raised the issue of inequalities, with differences in service timings due to second languages or other factors. This will be raised with the services group: this would need to be considered in the initial service timings (or be a separate service) rather than influence the average proportion of indirect time being measured. It was noted that indirect time will (most likely) vary between pharmacies, and that an average is being sought to inform fee setting.

1. Remuneration and reimbursement
2. C-19 cost claims update

A confidential verbal update was provided to the subcommittee

The amount of contractor queries on this post-payment cohort is noticeably less than for the pre-payment sample. PSNC can get involved in terms of principles and/or where the process isn’t working, but cannot validate or support claims beyond this.

The appeals process is being discussed with DHSC, and this is likely to be a three stage process: an informal review by NHSBSA, an internal review if then requested by the claimant, and then the actual independent appeal (likely to be with NHS Resolution). Gordon is leading on this, with the main focuses being timelines/sequencing and what could be submitted/considered at each stage.

Questions included likely timelines for contractors. This would depend on the length of the review process in the first place, and people were encouraged to be responsive and prompt with answering BSA’s requests (clarifying with them if necessary).

1. CPCF outturn **(Confidential Appendix FCS 02/02/22)**

Our latest forecast indicates that CPCF outturn is likely to be close to target in 21/22, albeit with the recognition there are some potential pressure elements which may result in a small over delivery, namely Transitional Payments, CPCS and NMS.

DHSC were receptive to our challenges regarding their previous outturn forecast, which had projected more significant over deliveries. They accepted our argument for a lesser DT adjustment in January and this looks appropriate now given our updated forecast.

1. Covid related income **(Confidential Appendix FCS 03/02/22)**

Our estimates are that contractors will have received approximately half a billion pounds in covid related funding across 20/21 and 21/22 (this is excluding covid advance loans and costs that could be claimed for the period Mar-20 to Mar-21).

However it was noted that much of this funding is only available to a restricted cohort e.g. those providing the C-19 vaccine service.

The overlap with a new funding bid was noted, as any bid for money from external pots outside the CPCF is likely to face the same issues i.e. the opportunity to access the funding would be variable and some contractors would inevitably do better than others.

A query was raised on margin earned on flu vaccines. This margin is still measured and factored into the margins survey. It was noted that if flu vaccines continued to grow then the amount of margin could become material and this would have knock on effects elsewhere.

1. Category M Jan 2022 **(Confidential Appendix FCS 04/02/22)**

The agreed margin adjustment for January was c-£49m. We estimate the overall DT adjustment to be approximately c-£62m, indicating that the movement due to underlying market changes is c-£13m.

DHSC do not share their Cat M data with us, but our own analysis of price changes according to buying group data indicates that the DT changes are plausibly correct.

1. Category M further analysis **(Confidential Appendix FCS 05/02/22)**

Analysis was presented on three topics which had been raised as queries at or since the previous FunCon meeting.

Analysis showed that

* + 1. it seemed that there was an increase in the number of packs that are now in category M,
		2. there is a strong correlation between the amount of NIC reductions in Category M vs the number of price concessions granted,
		3. medicine buying prices are running at very low levels when compared against a 10 year historic period.
1. Margin update **(Confidential Appendix FCS 06/02/22)**

We anticipate there will be another DT reduction in April in accordance with the QMS calculations, but from the summer we would expect to see the DT start to move in the opposite direction as excess is repaid.

A question was asked about what we can say to contractors about expected changes to the Drug Tariff. However, it’s difficult for us to say anything about this since DHSC are cautious about leading the market, and forecasting these things is very difficult anyway. The further ahead we look the more room for error there is in our forecasts, and we don’t want to say something that turns out to be misleading.

A question was raised about how buying prices are taken into account in forecasts since they may now be going up.

It was explained that we do projections using multiple price change scenarios.

It was noted that many other costs continue to increase (e.g. staff, utilities, rent and rates etc) so if the DT goes down more this will put a lot of pressure on contractors. Because of this it was felt that we resist further decreases in the DT.

1. Price concessions update **(Appendix FCS 07/02/22)**

An update to the finalised January 2021 concession figures was provided by Suraj. The high (almost a record) number of concessions discussed and the increases since November 2021. Anomalies with Category A reimbursement price-setting had been picked up by the Dispensing and Supply Team and corrected through a combination of price concessions and retrospective price determinations granted by the Department.

1. Price Audit Centre update **(Confidential Appendix FCS 08/02/22)**

It was noted that PAC provides the key control on the self-invoicing by the NHS of £9.2bn of prescriptions, as well as DHSC’s estimates of delivered purchase margin against the allowed £800m p.a.

The audit of NHSBSA’s invoice margin survey has identified many errors over the last four years that has allowed the downward adjustment of estimated margins. This is before the methodological analysis and negotiations undertaken by the wider Pharmacy Funding Team.

English and Welsh prescription auditing highlights high levels of accuracy by NHSBSA and NWSSP. Currently (on average) the error detected in England equates to a 2p overpayment per £100 of prescriptions, whereas there is a 6p underpayment per £100 of prescriptions in Wales.

Errors found are fed back to the respective pricing authorities, and lead to system changes if needed. It was noted that it is unlikely that contractors could spot errors in their payments developing, especially if this were a gradual drift in pricing, and that PAC’s work would identify if this was happening.

The cost of running PAC was queried, and this was stated to be around £200k p.a. plus any system development costs. This is a small fraction of the margin survey benefits noted above, and the assurance provided over prescription pricing accuracy given that contractors do not know how much they should be reimbursed for their prescriptions each month.

1. General funding update **(Appendix FCS 09/02/22)**

The information in the update was noted by the subcommittee. It was suggested that PSNC should quantify the return on investment / successes of some of the work done on special containers and DND.

Mike highlighted the high number of page views on some of the Dispensing & Supply sections of PSNC’s website.

1. Statistics **(Appendix FCS 10/02/22)**

The statistics were noted by the subcommittee.

A query was raised about why there appeared to be a spike in payments received by dispensing doctors. It was noted that we are currently producing a comparison of pharmacy contractor vs dispensing doctor incomes, so we can try to explore that query and present findings at a future FunCon meeting.

1. Any other business
2. 15-minute break
3. Reimbursement reforms

	1. Category M reforms **(Confidential Appendix FCS 11/02/22)**

The Committee were currently not keen to proceed with the current Category M proposals forward and instead first prefer that PSNC explore and discuss with DHSC other solutions to help tackle the problems of unfair distribution of medicine margin caused by local prescribing policies. It was noted that local variation in prescribing may affect contractors individually, however, nationally, contractors are still guaranteed £800m margin.

The Committee view was that the current proposals will not help solve the ongoing issues. NHS seems to want to continue using BGs for example and this proposal is not intended to stop BG prescribing. Any comms to contractors would need to be managed to ensure expectations are not raised that this proposal is designed to solve funding issues relating to BGs.

Concerns were articulated around how margin is seeping through to manufacturers rather than pharmacies and the question asked whether an alternative proposal for generic substitution could be made to DHSC. Mike Dent commented that generic substitution has been raised but DHSC aren’t receptive to this idea. PSNC will continue pressing this with DHSC.

* 1. Discount Deduction Scale reforms **(Confidential Appendix FCS 12/02/22)**

A summary of the proposed changes to the discount deduction scale was given to the Committee. Currently, the discount deduction recovers circa. £600m from pharmacy contractors. PSNC has wanted to split the discount scale for many years. To help with levelling up, this feels like the right thing to do in that it would even up access to funding delivered via retained margin.

As part of their initial scoping work, DHSC proposed that the flat discount deduction rates for generics (Category A and M1) may be around 20%, branded (Category C and M2) 5%, and appliances would be circa 10%. This would make some contractors worse off compared to the current system and some better off. It was agreed that any transition arrangements would need to be carefully looked at and ideally continue for an extended period.

A concern was raised around how the figure of 5% for branded medicines was reached. Mike Dent replied that the final figure would be informed by results from the margin survey.

A committee member noted that previously comprehensive analysis was produced by the office on the discount deduction scale and that it would be useful to repeat this exercise again before any decision is reached on changes to the deduction scale. Mike Dent replied that updated analysis would be produced to allow the Committee to make an informed decision on the proposals.

Mike Dent stated that there seemed to be a clear appetite to explore this proposal further and objective analysis is needed. It was noted that because pharmacy contractors are so diverse, this proposal may create many difficult conversations.

A final concern was raised around how this may affect pharmacies in the future. Mike Dent replied that this change may trigger a reaction from the wider pharmaceutical market and this would be monitored. The proposal may also give PSNC and DHSC an opportunity to adjust margin through the discount scale rather than using Category M prices.

* 1. Inclusion of non-medicines in the Drug Tariff **(Confidential Appendix FCS 13/02/22)**

The Committee were not opposed to the inclusion of non-medicines in the Tariff subject to the caveat that no alternative licensed, unlicensed special or appliance is available and possibly restricted to ACBS items only. However, some concerns about dispensing at a loss were raised for both proposed reimbursement options. It was highlighted that any reimbursement option considered should protect contractors from dispensing at a loss as far as possible. A third reimbursement option for non-medicines was suggested by setting a reimbursement price based on the list price of an agreed reference product (similar to current Category C arrangements). The Committee were in support of exploring this option further with DHSC.

A question was raised as to whether these products should be prescribed on the NHS and if a case can be made for certain non-medicines to be added to the ‘blacklist’. Although NHS guidance does restrict routine prescribing of certain supplements it is unlikely that DHSC would seek to add more products to the ‘blacklist’.

* 1. Generically prescribed drugs or appliances vs specials **(Confidential Appendix FCS 14/02/22)**

	Suraj gave an overview of the proposal and its possible implications to supply and reimbursement. Discussion from the sub-committee included comments that pharmacies are being asked to solve a prescribing behaviour problem and that extra workload, responsibility and risks are being shifted to pharmacy contractors. It was noted that prescribers are generally unaware of classification of products when prescribing, e.g. non-medicine vs special, and very often prescribers do not write the word ‘special’ on a prescription form even if that is the only product available to order. It was acknowledged that the Department want to close a loophole and are keen to reduce overall and possibly unintended spend on specials. However, the Committee felt the proposal is not an appropriate way of achieving the Department’s objectives. If a prescriber intended for a non-medicine to be supplied, it was suggested that the non-medicine should be ordered by its brand name instead of its generic name. There needs to be a consistent approach used across the Drug Tariff so that contractors have a clear expectation of what to dispense against a generic prescription.
	2. Reimbursement reforms timetable update **(Confidential Appendix FCS 15/02/22)**

 The information in the update was noted by the subcommittee.