**Pharmaceutical Services Negotiating Committee**

**Funding and Contract Subcommittee Agenda**

**Wednesday 14th July 2022 at 15.00**

**By Zoom**

**Items are confidential where marked**

**Members:**David Broome (Vice chair), Ghada Beal, Peter Cattee (Chair), Jas Heer, Tricia Kennerley, Has Modi, Bharat Patel, Prakash Patel, Adrian Price, Anil Sharma

**In attendance:**Ifti Khan, Fin McCaul, Faisal Tuddy, Rhys Martin, Gary Warner, Reena Barai, Mike Dent, Jack Cresswell, Rob Thomas, Mitesh Bhudia, Michael Digby, Sarah Welbourne

1. Welcome from Chair
2. Apologies for absence   
   Not in attendance were Ghada Beal, Prakash Patel and Anil Sharma.
3. Declarations or conflicts of interest

No conflicts or interests were declared.

1. Minutes of last meeting **(Confidential Appendix FCS 01/05/22)**and matters arising   
   The minutes of the meeting held on 18 May 2022 were approved.

**REPORTS**

1. CPCF negotiations
   1. Clinical services fee setting **(confidential verbal report)**

A confidential verbal update on the current position was provided to the subcommittee.

NHSE&I have proposed fees for the new Contraception Service. Our counterproposal was made on 5/7/22 and we are still awaiting a response.

Mike noted there are also a number of other live issues that are also awaiting a response, and that there is likely to be considerable flux given the change recent in Ministers at both DHSC and the Treasury.

* 1. Primary care contracts update **(Confidential Appendix FCS 02/07/22)**

The paper was noted by the subcommittee, with no further questions

* 1. Domiciles contracts overview **(Confidential Appendix FCS 03/07/22)**
  2. The paper was noted by the subcommittee, with no further questions

1. Remuneration and reimbursement
   1. CPCF outturn **(Confidential Appendix FCS 04/07/22)**

The latest forecast outturn for 2021/22 is an overspend in the region of £24m, which is mainly driven by increases in item volumes and NMS over and above previously expected levels.

A committee member noted that their data suggests that NMS will continue to grow which will add more pressure to funding in future.

The subcommittee felt that the long term risk of being asked to repay fees is unreasonable and that for future CPCF deals / negotiations funding for separate elements of the CPCF should be protected / ring fenced.

* 1. Category M July 2022 **(Confidential Appendix FCS 05/07/22)**   
       
     The outcome from the Margin Survey should have led to a negative margin adjustment in the July DT, however following representations from PSNC the DHSC agreed to not implement any margin adjustment in July.

Our analysis showed that there was a slight increase in July DT prices due to the systematic element of Cat M price setting i.e. the reaction to price changes in the underlying market. This is what our forecasting using buying group data had suggested.   
  
The subcommittee noted the analysis provided, which showed that the changes to prices implemented in the July DT looked plausibly correct, based on our analysis of buying group data.

* 1. Retained margin update **(Confidential Appendix FCS 06/07/22)**   
       
     Work on the 2021/22 margins survey is progressing well and we are currently finalising 21/22 Q4 results. The net position at the end of 2021/22 is expected to show a significant margin excess.  
       
     We are already paying back excess as we are now in a sub-£200m per quarter run rate. The forecast for 21/22 Q4 and 22/23 H1 indicate we will have repaid some by the end of H1.   
       
     PSNC is starting to hear more reports from contractors about margin levels now, which corroborates that we are running at a low level in 22/23 H1. Securing a margin write off is very important as without it we would see more pressure put on contractors to pay back margin.  
       
     A committee member felt that cashflow is a major concern at the moment. They asked if PSNC can prioritise discussions with DHSC regarding the addition of measures to the system to smooth cashflow and margin delivery to contractors.  
       
     A question was asked around how price changes were incorporated into PSNC’s forecasting. It was explained that PSNC uses multiple scenarios to project high/med/low scenarios for margin delivery, based on what could happen with buying prices.  
       
     There was a question from the subcommittee about the 21/22 Q4 result which is now forecast to be higher than previously. This is because we have more up to date data for Q4 now, and it looks like margins are slightly higher than expected. It was explained that margin forecasting is not a precise science due to all the different moving parts. Margin results will not only be affected by buying and reimbursement prices, but also overall volume, NIC and mix levels.
  2. Price concessions update **(Appendix FCS 07/07/22)**

Mitesh gave an update on May and June price concession figures and the retrospective request for Solifenacin imposed prices to be adjusted.

A committee member commented that the system is not working for certain lines. The issue with Alendronic acid pricing was having a severe impact and they are losing goodwill. It was queried whether we can escalate this to DHSC. Mike replied that we are investigating additional ways to raise our concerns with DHSC.

The subcommittee felt that contractors are at crisis point, and this will soon be impacting directly on patients.

A committee member commented that the problem is getting worse, prices were fluctuating massively and he was also worried about the clawback of discount on price concessions. Mike outlined the process and analysis using the margin survey which showed that previously price concessions had overall a small margin after discount deduction.

The subcommittee thanked Sarah in particular for all of the work she was doing on price concessions.

* 1. Pre-payment certificate for Hormone Replacement Therapy (HRT) **(Confidential Appendix FCS 08/07/22)**

Mike explained that DHSC are going to proceed with having a PPC for HRT. PSNC’s main concern was the issue around mixed prescriptions (prescriptions with 1 HRT product and 1 non-HRT product) as this is difficult for pharmacies to process and there is also the prospect of switching. GPs will be told to make sure these prescriptions are separate. DHSC are also considering a back-stop in legislation where a pharmacy can refuse to dispense a mixed prescription. Gordon has just received the draft legislation and will be considering it through the LRA sub-committee.

A committee member asked if HRT products could instead be treated as free-of-charge. Mike stated that Ministers were determined that the HRT PPC go ahead.

* 1. C-19 cost claims update **(Confidential Appendix FCS 09/07/22)**

The confidential paper was noted by the subcommittee.

Contractors who have appealed NHSBSA’s assessment of their claim, and who saw the DHSC review panel uphold NHSBSA’s original assessment, are now able to formally appeal to NHS Resolution.

* 1. NHS reorganisation update **(Confidential Appendix FCS 10/07/22)**

The confidential paper was noted by the subcommittee.

1. Reimbursement reforms
2. Discount deduction scale reform update **(Confidential verbal report)**

Mike stated that the committee had a vote and there was an answer to go back to DHSC with. He also noted that comms will be important for contractors when this reform is implemented.

1. Category A reform update **(Confidential Appendix FCS 11/07/22)**  
   A report on progress of the Cat A reform was provided to the subcommittee. There are a number of areas where clarifications are needed or where views between DHSC and PSNC differ. This reform is still in early stages of discussion at the moment.
2. General funding update **(Appendix FCS 12/07/22)**

The paper was noted by the subcommittee.

1. Statistics **(Appendix FCS 13/07/22)**

The statistics were noted by the subcommittee. 

1. Any other business