**Pharmaceutical Services Negotiating Committee**

**Funding and Contract Subcommittee Agenda**

**Wednesday 18th May 2022 at 11.30am**

**Claremont Suite, DoubleTree by Hilton London Angel Kings Cross, 60 Pentoville Road, London, N1 9LA**

**Items are confidential where marked**

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

**In attendance:**Ifti Khan, Fin McCaul, Lindsey Fairbrother, Roger Nichols, Rhys Martin, Prakash Patel, Gary Warner, Mark Griffiths, Stephen Thomas, Reena Barai, Sunil Kochhar, Mark Donovan, Sam Fisher, Clare Kerr, Reena Barai, Sian Retallick, Ian Cubbin, Jay Patel, Umesh Patel, Indrajit Patel, Sue Killen, Janet Morrison, Mike Dent, Gordon Hockey, Alastair Buxton, Jack Cresswell, Suraj Shah, Rob Thomas, Gemma Hackett, David Onuoha

1. Welcome from Chair
2. Apologies for absence
Tricia Kennerley
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 2ndFebruary 2022 were approved.

**REPORTS**

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

A confidential verbal update was provided to the subcommittee.

Technical discussions between PSNC and DHSC, alongside the funding bid and mini-COSI work, have initiated discussions on pharmacy’s cost base and how best to understand this. These discussions are also to be continued once the overall top-level funding discussions progress further.

A committee member asked how inefficiency would be priced in (patients not completing full service through no fault of the pharmacy). Discussions have not yet got to this level of detail, but could be addressed through inclusion in original timings or the proposed overhead uplift.

* 1. Mini-COSI update (confidential verbal report)

The result from PSNC’s pilot mini COSI showed a significant underfunding, which was used in our funding bid.

DHSC is sceptical about the result citing a small sample size (i.e. only 1 group), however we know from the previous COSI that small multiple groups were representative of the market. We intentionally picked a high performing business to provide a high bar for the mini COSI. The fact that the result shows this contractor to be underfunded means that in general the overall market will be worse.

Following on from our discussions with NHS and DHSC about the results from the mini COSI, NHS has produced its own paper stating the need to explore and understand pharmacy economics.

* 1. Primary care contracts overview **(Confidential Appendix FCS 02/05/22)**

Further to the briefing paper, an overview was given setting out the general reluctance of NHSE&I/DHSC to provide increased funding to other primary care sectors. There has been no inflation linked uplift for GPs, and this appears to be the case for dentists too.

It was noted that GPs were receiving some additional funding for new work that was not part of their original five-year deal. GP reaction to their 2022/23 funding had been negative due to imposition and the additional extended hours requirements.

The dentists appear to be focusing on maintaining thresholds to protect income (given reduced activity levels due to the requirements of COVID). These thresholds have been steadily increasing during the pandemic, and dentists now need to undertake 95% of their pre-COVID activity levels to receive their pre-pandemic fee levels. This support has only been announced for April-June 2022, and appears likely to be withdrawn after then.

Dentists also appear to have been focusing on the media to highlight deficiencies and the patient risks caused by their contract, such as ‘dental deserts’ and the high proportion of NHS practices (9/10) not registering new NHS patients.

Optometry was highlighted given their agreed fee increases, which in both cases was lower than originally requested (and their first increases since 2015). It was noted that opticians had more scope for private patient / mixed funding models than pharmacy, and have also highlighted the changing nature of the sight test (more comprehensive with increased levels of clinical checking over time). Elements linked to inflation appear to have been refused.

One committee member highlighted how GPs managed to get agreed funds outside of their global sum (e.g. for DES’s), and this is to be looked into by PSNC as part of positioning work looking at the situation after our five year deal period.

1. Remuneration and reimbursement
2. C-19 cost claims update (confidential verbal report)

A confidential verbal report was given to the subcommittee.

The PPV process appears to have been rigorous, and PSNC has tried to help contractors through it. It seems to be drawing to an end. It has evidently been a learning process for NHSBSA.

The review and appeal process has been worked on between PSNC and DHSC, with the Drug Tariff wording agreed and published. Guidance has also been written by PSNC (and agreed by DHSC), and this has been published on our website.

A committee member asked whether new pharmacies could be sampled for PPV – i.e. is there still a contingent liability risk. It is not possible yet to say that no further PPV will occur, and that this risk remains.

Another committee member queried the level of non-claimants, and this is thought to be in the region of 1,200 to 1,500 pharmacies. There are three main known reasons: openings and closures, some pharmacies choosing not to claim as a policy decision, and some seeing reductions in base activity (which then meant additional COVID work did not require additional staff costs).

1. CPCF outturn **(Confidential Appendix FCS 03/05/22)**

Both DHSC and PSNC forecasts expect there to be an over delivery on fees of approximately £20m for year 3 (i.e. 2021/22).

We have been assessing DHSC and NHS forecasts for years 4 and 5 of the CPCF (i.e. 2022/23 and 2023/24), specifically around their expectations for service growth.

Their forecasts are quite aggressive and result in a spend increase of almost 2.5 times in year 5 compared to year 3. Our own forecasts for year 5, which have been adjusted to use growth profiles we feel are more realistic, still results in a significant increase in year 5.

We will need to have a discussion with DHSC about how we deal with the expected overspend in year 3.

1. Category M April 2022 **(Confidential Appendix FCS 04/05/22)**

The paper and analysis were noted by the subcommittee.

Typically Cat M prices are adjusted quarterly for 2 reasons, i) agreed margin adjustments and ii) underlying changes to manufacturers’ selling prices in the reference period.

For April 2022, following representations from PSNC, DHSC agreed to freeze the expected margin adjustment. This was because if the reduction had been put in place we estimated margin delivery for the quarter would have been catastrophically low and caused pharmacies significant cashflow and operational issues.

However, there was still an adjustment due to the underlying market movements. The analysis in the appendix shows that the adjustment looks plausibly correct, based on our analysis of reimbursement and buying price changes for the most significantly impactful lines.

1. Retained margin update **(Confidential Appendix FCS 05/05/22)**

By the end of Mar-22 our latest estimate of the cumulative margin position is that we will have a significant excess owing.

As we know there was an ad hoc margin uplift in April. If this is not repeated in July, we would expect to see a downward adjustment. We would then expect to see margins begin to drift upwards again later in the year.

There was a comment from the committee that due to the disruption with wholesalers being closed down we are already seeing margin levels suffering. Another member mentioned that logistics and shipping costs have increased significantly, which will apply upward pressure on buying prices. It was noted that VPAS costs for suppliers have increased and are likely to do so again, which again will put upward pressure on the market to increase prices.

1. Pre-payment certificate for Hormone Replacement Therapy (HRT)**(Confidential Appendix 06/05/22)**

The subcommittee noted the proposals for introduction of a PPC for HRT.

A committee member mentioned any risks could be mitigated by having separate scripts issued for HRT medicines. However, concerns were raised about the onus being on prescribers to issue separate scripts as this would be unworkable.

The subcommittee felt it would be much easier to implement any change if the HRT medicines were treated free-of-charge like contraceptives.

1. Price concessions update **(Appendix FCS 07/05/22)**

Price concessions have been relatively high over the past few months with DHSC imposing prices for approx. 15-20 lines each month. Historically, margins on concession lines have been lower than normal generics but still positive.

However, last year, margins on concession appeared tighter than usual. Mike noted that with the proposed discount deduction changes, we need to be careful on the level of discount deducted on price concession lines.

1. Reimbursement reforms
2. Reimbursement reforms update **(Confidential Appendix 08/05/22)**

The paper was noted by the subcommittee. Mike mentioned that once the discount deduction changes are finalised, DHSC will want to progress Category A, Category M and non-Tariff specials procurement.

On specials procurement, the Working Group view was that there could be easier solutions given the overall NIC on non-Tariff specials is very low.

A committee member raised the question around where we have got to with discussions on generic substitution. Mike replied that DHSC are still canvassing opinion from interested parties and PSNC will request an update on this.

1. Accuracy of product and pricing information held on NHS dm+d **(Confidential Appendix 09/05/22)**

Suraj discussed the work done by the office around dm+d accuracy.

A committee member asked if the office had captured majority of dm+d issues and whether these had been rectified? Suraj mentioned that some of the issues have been addressed and resolved but the team are still working to identify new issues and raising these with DHSC and NHSBSA.

1. General funding update **(Appendix FCS 10/05/22)**

The information in the update was noted by the subcommittee.

1. Statistics **(Appendix FCS 11/05/22)**

The statistics were noted by the subcommittee.

1. Any other business

None.