**Pharmaceutical Services Negotiating Committee**

**Funding and Contract Subcommittee Agenda**

**Wednesday 24th November 2021 at 11.30am**

**Dorset Suite, De Vere Grand Connaught Rooms, 61 – 65 Great Queen Street**

**Items are confidential where marked**

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

**In attendance:** Ifti Khan, Fin McCaul, Marc Donovan, Faisal Tuddy, Lucy Morton Channon, Sian Retallick, Roger Nichols, Rhys Martin, Sam Fisher, Gary Warner, Mark Griffiths, Stephen Thomas, Mark Burdon, Clare Kerr, Anil Sharma, Jay Patel, Mike Dent, Suraj Shah, Rob Thomas, Jack Cresswell, Mitesh Bhudia

1. Welcome from Chair
2. Apologies for absence
Indrajit Patel, Margaret MacRury
3. Declarations or conflicts of interest

No conflicts or interests were declared.

1. Minutes of last meeting **(Confidential Appendix FCS 01/11/21)**and matters arising
The minutes of the meeting held on 8th September 2021 were approved.

**REPORTS**

1. CPCF negotiations
	1. Clinical services fee setting **(Confidential Appendix FCS 02/11/21)**

An overview of the appendix was provided, with the issue of a robust measure for indirect staff time being raised. The sub-committee were content for this to be discussed with NHSE&I / DHSC, before reverting back to Committee members to attempt to measure it.

The sub-committee reinforced that the Christie’s report was a very skewed data source, and it was noted that both this and the NPA/EY report were accounts based and therefore would not include all the economic costs that COSI had quantified. The recent effect of inflation was also flagged by the sub-committee.

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

A confidential verbal update was provided to the subcommittee.

Several queries had been raised by contractors as they could see their payment schedules before receiving official NHSBSA emails. Several issues of principle were becoming apparent with the PSNC executive team seeking an urgent meeting with DHSC to resolve – these included claims for director’s time, where staff mix had changed due to NHS focus, evidence requirements and feedback being given to contractors on evidence being previously provided.

The main body of contractors (~95%, paid in full pending PPV) were discussed – a proportion would be sampled for PPV with timings unclear. It was likely that they would be asked to provide their evidence in five working days (as per the DT), and the impact of this in the run up to Christmas (given spikes in general pharmacy busyness) had also been highlighted.

1. CPCF outturn **(Confidential Appendix FCS 03/11/21)**

A paper was included in the agenda for consideration by the subcommittee, however during the meeting an update was given which outlined significant developments which had occurred since the publication of the agenda papers.

DHSC have provided a new forecast for the 2021/22 outturn which outlines a fee overspend of £22.6m. They have also identified additional pressures around Transitional Payments, GP CPCS and NMS which they believe could add a further £28.5m. Due to these figures, the DHSC were proposing that fee delivery in Q4 2021/22 should be reduced by £10m (either through SAF or by reducing TP).

The subcommittee felt that given the uncertainty around many of the numbers it would be difficult to agree to a £10m reduction at this stage. They will await the updated data from DHSC requested by PSNC before a decision is made. Any reduction would have to be made using the TP.

1. Category M Oct 2021 **(Confidential Appendix FCS 04/11/21)**

The paper and analysis were noted by the subcommittee.

1. Margin update **(Confidential Appendix FCS 05/11/21)**

An update on the latest margin estimates was provided to the subcommittee.

We expect margin delivery in 2021/22 H2 to be substantially curtailed due to further Drug Tariff reductions in October, and January.

There was a query from the subcommittee about whether the quarterly margin survey, which was introduced in order to try and smooth margin changes, and provide quicker changes resulting in less deviation from the desired run rate, was having that effect?

It was pointed out that the fluctuations and deviations we are seeing would be much worse if they were allowed to accrue for longer before changes were made, so the QMS is effective in that regard.

We also know that margins were kept artificially high due to fears around Brexit and C-19, and Drug Tariff uplifts were left in place even when the QMS process suggested they should be removed, and that has contributed materially to the excess margin we are now seeing.

A note on ongoing QMS process development was given to the subcommittee. Updates to 2 processes are underway, these are i) changes to the influential lines identification process to bring in line with the quarterly timetable, and ii) updates to the process by which discounts earned by contractors are identified.

1. Use of all suppliers’ data to calculate specials reimbursement prices**(Confidential Appendix 06/11/21)**

The sub-committee agreed with the Working Group’s position on use of all suppliers’ data.

It was noted that DHSC had a responsibility to ensure prices were sufficient to maintain a vibrant market. Each specials price was set individually by DHSC which provides some assurance against outliers. Satisfactory review arrangements would be put in place.

***It was recommended that:***

***PSNC accepts the use of all data to set DT specials’ prices***

1. Reimbursement reforms update **(Confidential Appendix FCS 07/11/21)**

On advice of the NT, PSNC successfully pushed for change to the timetable for implementation of the reimbursement reforms to defer the Category A proposals in favour of discussions relating to changes to Category M and discount deduction scale. As a compromise, NT agreed to progress discussions on ‘Specials in Packets’ (SiPs) for implementation in February 2022. It was also preferred because the proposal for SiPs does not directly interlink with other proposals.

Concerns were also raised around the impact of the changes to the discount deduction scale. It was noted that the discount deduction scale proposals, earmarked for implementation in July 2022, is a sensitive subject and will take considerable time to work through.

With plans to implement all reforms within a few months of each other, a question was asked regarding how it would be possible for PSNC to monitor the impacts of the changes. Mike Dent indicated this would be a key consideration.

1. Inclusion of ‘Specials in Packets’ to Part VIII of Drug Tariff **(Confidential Appendix 08/11/21)**

***It was recommended that:***

***PSNC accepts the SiP proposals if:***

* + - ***use of data for bulk packs can be set aside***
		- ***a suitable approach for pack size selection can be agreed***
		- ***sufficient margin is included to cover risks***

Clarification needed if bulk packs for SiPs will be defined differently to bulk packs ordinary products (non-specials). PSNC to also check that there will be no minimum SiP value for broken bulk eligibility.

Once these changes are finalised, the subcommittee was content for the PSNC Reforms Working Group to make a final recommendation to the Committee by email.

1. Scottish reimbursement model for OPD **(Confidential Appendix 09/11/21)**

For the OPD consultation it was noted that the proposed 10% deviation limit was too low and this needs to be noted in PSNC’s consultation response. To reduce variation in pack size availability, a suggestion was put forward that the MHRA and DHSC should require manufacturers to licence products in standard pack sizes only for example 28’s.

***It was recommended that:***

***PSNC explores similar funding arrangements to Scotland for OPD in England.***

1. Proposed changes to HRT levy payments **(Confidential Appendix 10/11/21)**

The paper and analysis were noted by the subcommittee.

1. Price concessions update **(Appendix FCS 11/11/21)**

The paper and analysis were noted by the subcommittee.

1. General funding update **(Appendix FCS 12/11/21)**

The information in the update was noted by the subcommittee.

1. Services dashboard **(Appendix FCS 13/11/21)**

The availability of the dashboard was noted by the subcommittee.

1. Statistics **(Appendix FCS 14/11/21)**

The statistics were noted by the subcommittee.

1. Any other business

N/A