**Pharmaceutical Services Negotiating Committee**

**Funding and Contract Subcommittee Minutes**

**Zoom virtual meeting held on Wednesday 14th September 2022 at 1.45pm**

**Items are confidential where marked**

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

**In attendance:**Ifti Khan, Fin McCaul, Faisal Tuddy, Roger Nichols, Rhys Martin, Sam Fisher, Gary Warner, Mark Griffiths, Stephen Thomas, Sunil Kochhar, Marc Donovan, Lindsey Fairbrother, Niamh McMillan, Clare Kerr, Reena Barai, Ian Cubbin, Jay Patel, Umesh Patel, Indrajit Patel, Sian Retallick, Sue Killen, Janet Morrison, Mike Dent, Alastair Buxton, Gordon Hockey, Zoe Long, Melinda Mabbutt, Michael Digby, David Onuoha, Jack Cresswell, Suraj Shah, Rob Thomas and Sarah Welbourne

1. Welcome from Chair
2. Apologies for absence   
   Prakash Patel
3. Declarations or conflicts of interest

No conflicts or interests were declared.

1. Minutes of last meeting **(Confidential Appendix FCS 01/09/22)**and matters arising   
   The minutes of the meeting held on 14th July 2022 were approved.

**REPORTS**

1. CPCF negotiations

a. Clinical services fee setting **(Confidential verbal report)**

An overview of developments on CMS fees since last July’s Funcon was provided. PSNC’s bottom-up modelled figures for setup and item of service fees resulted in a revised offer from NHSE&I/DHSC on setup costs. NHSE&I’s proposed fee was also reluctantly increased.

NHSE&I/DHSC clarified training requirements and other operational requirements. The draft service specification has yet to be provided.

The importance of the independent economic review (providing done properly) was noted by the Committee, as this will provide recent evidence to apply to fee setting.

1. Remuneration and reimbursement
2. CPCF outturn **(Confidential Appendix FCS 02/09/22)**

For 2021/22 the final outturn has resulted in an over delivery of c£25m, this is because item volumes and NMS provisions were larger than expected.

Mike explained that the normal process once a funding deal is reached is that there is an agreed budget, and we monitor funding delivery throughout the year, making tweaks as necessary to keep on target to hit the budget. In the past this was straightforward since it was mainly only item volumes that changed, however now we are in a world where service provision is driving a lot more uncertainty in fee forecasting and overall fee delivery.

DHSC have not yet made any suggestions to us on how we deal with the overspend from last year.

For year 4 (2022/23), it has become apparent that the current rate of fee delivery could result in a large overspend by the end of the year. DHSC are keen to take action to reduce fee rates in order to avoid this. The NT has been considering our position and response.

We believe DHSC forecasts are too aggressive in some areas, and they have been receptive to this. Softened forecasts for item volumes and CVD result in a lower but still significant forecast overspend.

There was a question around the intersection between service growth and TP spend. Mike explained that at the start of the 5-year deal there was a sum of “unallocated funding” which has been delivered through a TP payment. The unallocated funding / TP must inevitably reduce as service volumes and spend increase. This was part of the 5-year deal. Therefore, a reduction in the TP in the second half of the year would be reasonable to expect given the growth in services.

If TP is reduced in H2 by say £30m, which would be reasonable based on expected service growth, this would still however leave a funding gap to close.

The NT were of the view that whatever we do, it needs to be trailed and phased so contractors are expecting it, to try and avoid shocks to contractors.

There was a query from a committee member regarding assumptions around service growth. Mike explained that we have engaged closely with NHSE and DHSC on their forecasts for services. They have softened their forecast for some services. In general, the numbers being discussed are the best forecasts we have, but there is inevitably risk here and all forecasts are subject to a range of error. We don’t know if contractors’ difficult situation will stop them providing services, or drive them to deliver more in order to generate more income. We will have another discussion with DHSC around the risks here, and appropriate sharing of risk.

The chair asked people to feedback to the office if they believe they have useful intelligence which would assist us with service volume forecasting.

1. Retained margin update **(Confidential Appendix FCS 03/09/22)**

Mike gave an overview to the subcommittee of our current margin position. At the end of Mar-22 we had accrued a significant excess. We don’t have results for 22/23 H1 yet, however our forecasts indicate we will have paid back a large chunk.

PSNC is seeking a write off excess margin and this is tied into the ongoing discussions around the Year 4 / 5 CPCF funding agreement.

There was a question about what products baskets are used when forecasting margin. Mike explained that the drug samples from the margin survey are the baskets that we use – market price data is used to indicate what is happening to Independent Pharmacy’s purchases costs using these baskets.

1. Price concessions update **(Appendix FCS 04/09/22)**

Since July, PSNC has met with DHSC over series of meetings to press for improvements to the price concession system. PSNC has written to officials in DHSC highlighting that the system is not coping in the current environment. PSNC has highlighted the need for DHSC to re-establish links between their supply and reimbursement teams so that the Department has a better understanding of the market. PSNC will also lobby the new Minister once appointed.

The committee felt that PSNC should avoid further discussions on reimbursement reforms until the price concession system has been improved.

1. COVID-19 cost claims update **(Confidential Appendix FCS 05/09/22)**

The information in the update was noted by the subcommittee.

1. Reimbursement reforms
2. Category A reforms update **(Confidential Appendix FCS 06/09/22)**

Mike presented a summary of DHSC’s initial proposal on Category A reforms. However, given the level of concern around price concessions, the Committee felt that this should take precedence over other reimbursement reforms.

1. General funding update **(Appendix FCS 07/09/22)**  
   The information in the update was noted by the subcommittee.
2. Statistics **(Appendix FCS 08/09/22)**

The statistics were noted by the subcommittee.

1. Any other business

There was a query regarding claims that had been made by contractors for blood pressure monitors and whether we had data on this. Mike said we will seek data on this and report back.