

Briefing: 006/24: Category A drug reimbursement reforms FAQs

From April 2024, a transition to new arrangements for the setting of Drug Tariff Category A reimbursement prices will be implemented by the Department of Health and Social Care (DHSC). The changes to Category A, **imposed** by DHSC, form part of a series of community pharmacy drug reimbursement reforms following a [public consultation](#) in 2019.

Introduction

1. What are the different categories in Part VIII A of the Drug Tariff?

There are three categories of drugs listed in Part VIII A of the Drug Tariff, referred to by the letters A, C and M (see table in [Annex A](#) for summary of key differences).

- **Category A** products are readily available generic medicines – generally, these include lower volume generics which do not meet the qualifying criteria for Category M. Changes will be made to the price-setting approach for medicines in this category.
- **Category M** products are also readily available generic medicines which are dispensed more frequently.
- **Category C** products include those generally not available as a generic (or those that do not meet qualifying criteria for Category A or M), and their price is based on a particular brand or manufacturer.

2. Why is DHSC changing the way Category A prices are set in the Drug Tariff?

Currently, the Secretary of State determines the prices for Category A drugs to be the average of the list price (calculated for the pack size listed in the Drug Tariff) weighted by the following four manufacturers and suppliers: A A H Pharmaceuticals Ltd, Alliance

Healthcare (Distribution) Ltd (each with a weighting of 2), Teva UK Ltd and Accord-UK Ltd (each with a weighting of 1) on or before the 8th of the month being reimbursed.

However, DHSC believes that supplier list prices do not reflect actual selling prices to pharmacy owners by the manufacturers and wholesalers. Furthermore, DHSC is aware of instances where the supplier has multiple price lists, does not produce price lists, or uses the Category A reimbursement price in the Drug Tariff as their list price. Typically, these issues result in reimbursement prices being significantly higher than actual selling prices which can lead to unequal distribution of medicine margin across all Category A products. DHSC also state that the changes would improve value for money for the NHS and the taxpayer.

3. How does DHSC intend to set prices for Category A medicines?

From April 2024, DHSC will use quarterly sales and volume data obtained under the Health Service Products (Provision and Disclosure of Information) Regulations 2018 to set Category A prices.

4. What was Community Pharmacy England's response to these changes?

Community Pharmacy England acknowledges that the current approach for setting reimbursement prices for Category A medicines is flawed and understands that DHSC wishes to seek improvements. However, we do not believe a price-setting approach similar to Category M should be adopted for medicines in Category A, which are lower volume generics. In response to the original 2019 public consultation and throughout discussions, Community Pharmacy England has re-iterated its concerns to DHSC that their proposed changes to Category A will:

- make the Drug Tariff less responsive to price changes by introducing a lag in the price-setting process;
- introduce price volatility and amplify the risk of price concessions;
- increase the risk of dispensing at a loss, where the impact on individual businesses could be notable depending on the dispensing mix; and

- create further instability in the supply chain and reduce market attractiveness to new entrants, creating the potential for more supply disruptions and shortages in the longer term.

Read Community Pharmacy England's (formerly PSNC) response to DHSC's 2019 consultation on drug reimbursement reforms [here](#).

5. Did DHSC take on board any feedback shared by Community Pharmacy England?

Community Pharmacy England put forward several concerns and counterproposals which we have been discussing with DHSC since 2019. However, despite strong objections from Community Pharmacy England on the process and timing of the reforms to Category A, DHSC will implement the changes from April 2024.

To mitigate some of the concerns around the potential impact on pricing of medicines in Category A, Community Pharmacy England highlighted to DHSC that reimbursement prices should be based on the suppliers from which pharmacy owners directly purchase medicines, i.e. wholesalers. Subsequently, DHSC has decided to include wholesaler data (in addition to manufacturer data) for price-setting purposes. See below list of our other proposed improvements accepted by DHSC:

- inclusion of volume thresholds for entry and exit to and from Category A;
- all products classed as special containers and available in multiple pack sizes in Category A to be priced per pack rather than priced per unit;
- deletion of all non-medicines from Category A;
- deletion of any products only available as a brand;
- a longer period of transition to the new arrangements; and
- a review process.

6. Is now the right time for DHSC to be making changes to Category A?

No. With the sector already battling with immense funding pressures and turbulence in drug prices caused by ongoing instability in medicines supply chains, Community Pharmacy England disagrees profoundly with the timing of these changes. We are



concerned that the changes will have a negative financial impact on pharmacy owners (wholly or individually) and potentially expose the wider supply chain to increased risk.

Price-setting in Category A

7. How will prices for Category A medicines be calculated?

Under the new arrangements, following a transition period, the reimbursement prices for medicines in Category A will be determined using actual purchase, sales and volume information already obtained by DHSC in the quarterly collection under the Health Service Products (Provision and Disclosure of Information) Regulations 2018. All available pack sizes of licensed generic medicines will be considered. One quarters’ sales and volume data will inform price-setting. For example, Category A reimbursement prices for April 2024 Drug Tariff will be based on information submitted by suppliers between October – December 2023.

8. How will the transition arrangements work?

The transition to the new arrangements will take place over six financial quarters from April 2024 until July 2025. Each quarter between April 2024 to July 2025, the reimbursement prices will move further away from use of list prices towards the new arrangements of using actual sales and volume information submitted by suppliers, with a variable weighting of the old and new methodology being applied as set out in the table below.

Quarter	New arrangements	Old arrangements
April-June 2024	15%	85%
July-September 2024	30%	70%
October-December 2024	50%	50%
January-March 2025	70%	30%

Quarter	New arrangements	Old arrangements
April–June 2025	85%	15%
July 2025	100%	N/A

From July 2025 onwards, Category A reimbursement prices be based solely on quarterly suppliers' sales and volume data obtained under the Health Service Products (Provision and Disclosure of Information) Regulations 2018.

9. How frequently will Category A reimbursement prices be updated in the Drug Tariff?

The updating of prices for Category A medicines will follow the same cycle as Category M, with prices changing every quarter in the following months: January, April, July, and October.

10. Will all pack sizes be used to determine Category A reimbursement prices?

Yes, data for all available pack sizes will be considered for price-setting process. Reimbursement prices will be set using price per unit, with the exception of special container products (available in multiple pack sizes) which will be priced using sales and volume data corresponding to the complete pack sizes only.

11. Will any medicine margin be included in the Category A reimbursement prices?

The reimbursement prices will include an element of medicine margin, to allow pharmacy owners to earn medicine margin on the Category A generic medicines they dispense. However, unlike Category M products, the medicine margin on Category A medicines will not be adjusted to achieve the annual amount of medicine margin agreed under the Community Pharmacy Contractual Framework (CPCF).

12. Will the changes drive mass movement of products between different Drug Tariff categories?

From April 2024, a large number of products will move from Category A to Category C as these do not meet the qualifying criteria to remain in Category A. At the same time, any products which do not meet the qualifying criteria to remain in Category M will move to Category A or C.

The movement of products between different Drug Tariff categories is to ensure that the products are placed in the appropriate category to allow reimbursement prices to be calculated accordingly.

13. Will the changes to Category A lead to more price concessions?

Community Pharmacy England is concerned that using lagged data for price-setting and moving to less frequent price updates for Category A medicines could increase price volatility and potentially result in dispensing at a loss. However, DHSC's position is that if a pharmacy owner is unable to purchase a particular Category A medicine at or below the Drug Tariff listed price, a price concession application can be requested for this.

We encourage pharmacies to report any problems obtaining a Part VIII product at or below the stated Drug Tariff price, using the [online feedback form](#) on Community Pharmacy England's website.

14. Can Broken Bulk claims be made for medicines listed in Category A?

If necessary, Broken Bulk may only be claimed for those medicines in Category A whose smallest pack size has a price greater than or equal to £50. Pharmacy owners should only claim Broken Bulk (by endorsing 'BB' and pack size used) where it is unlikely that they will be able to dispense the residual balance again within six months. Further information on Broken Bulk can be found [here](#).



15. Can Out-of-Pocket expenses be claimed on medicines listed in Category A?

No. As before, Out-of-Pocket expense claims cannot be made for any generically prescribed medicines listed in in Category A of the Drug Tariff. Further information on Out-of-Pocket expenses can be found [here](#).



Annex A: Table showing key differences between the different Part VIII categories

	Category A	Category C	Category M
Products included	Readily available licensed generic medicines (low volume)	Not generally available as a generic (or does not meet qualifying criteria for Category A or M) and their price is based on a particular brand or manufacturer.	Readily available licensed generic medicines (high volume)
Price-setting approach	Based on weighted average list prices of 4 suppliers A A H Pharmaceuticals Ltd, Alliance Healthcare (Distribution) Ltd, Teva UK Ltd and Accord-UK Ltd changing to Based on sales and volume information obtained under the Health Service Products (Provision and Disclosure of Information) Regulations 2018.	Based on list price of particular brand or manufacturer.	Based on sales and volume information obtained under the Health Service Products (Provision and Disclosure of Information) Regulations 2018.



	Category A	Category C	Category M
Frequency of price changes	Monthly changing to Quarterly (Jan, Apr, Jul, Oct)	Monthly	Quarterly (Jan, Apr, Jul, Oct)
Broken Bulk eligibility (excluding special containers)	If necessary for products with smallest listed pack size of £50 or over.	Yes	If necessary for products with smallest listed pack size of £50 or over.
Out-of-pocket expenses eligibility	No	Yes	No

If you have any queries or require more information, please contact: ds.team@cpe.org.uk