

Briefing: Medicines Supply and Pharmacies

Community pharmacies in England dispense over **1 billion prescription items every year**, with patients relying on access to these medicines for their health and wellbeing, and often to **save their lives**. But we are increasingly seeing disruption in the supply of medicines with problems both accessing them and procuring them cost effectively, and **this a cause for great concern**.

At a glance

- Medicines supply and pricing issues are a significant problem for patients and pharmacy teams across the country, with the situation now **worse than ever**.
- The instability puts more pressure on pharmacies and brings worrying delays for patients.
- In our 2023 [Pharmacy Pressures Survey](#) **87% of pharmacies told us that their patients' health was being negatively impacted by supply issues**.
- Medicines supply and pricing issues are consistently ranked as **one of the most severe pressures facing pharmacy businesses** in our quarterly sector polling.

What needs to happen

- **A full review of the medicines supply market:** we must protect access to medicines and address issues such as under-funding and price concessions.
- **Introduce short-term measures to alleviate supply issues:** we should also take forward immediate measures allowing pharmacists to make minor adjustments to prescriptions to help alleviate some of the issues for patients and reduce burdens on primary care.
- **A review of medicines margin:** around 30% of pharmacies' NHS funding is delivered through margin they are allowed to make on medicines purchases: this incentivises effective purchasing saving millions of pounds for the NHS. But in the UK's low-price environment, the supply chain is now struggling to operate effectively. A full review is needed which may lead to developments such as benefit sharing and relief mechanisms.

Pharmacy funding arrangements must also be reviewed to prevent more closures and ensure patients can keep accessing the prescription medicines and advice they need.

Full review of the medicines supply chain

Pharmacy owners in England are regularly ranking medicines market instability – which could be supply or pricing issues – as one of the most severe pressures facing their business.

In 2023 there was an average of 149 medicines requiring emergency concession status each month. Products are granted concession prices where there is a pricing issue – this may not always be linked to a supply issue, but they can sometimes be connected, and both are a problem for community pharmacies and patients. **This is a record high number of medicines being affected by pricing issues. For comparison, in 2020/21 there was an average of 49 concessions per month and in 2012/13, the average was only 8 per month.**

As a further indicator of the scale of the problem, over the last 12 months, on average Community Pharmacy England received approximately 90,000 pharmacy reports per month of purchases over listed Drug Tariff prices.

Pharmacists are working very hard to minimise disruption to patients, but they are often unable to supply medicines with supply issues immediately, and issues can add to the burden on GPs as well as pharmacies. Furthermore, because of the ongoing pricing issues, pharmacy businesses are sometimes being asked to make a financial loss as they supply medicines, which is not sustainable.

Low prices of medicines has made the UK a less attractive market for manufacturers and this is further contributing to the reduction in supply chain resilience. **We think that instead of focusing on driving down prices, the Government should carry out a review of the medicine supply chain to ensure medicine safety and resilience.**

Medicine shortages and price concessions continue to grow and they drive considerable workload across primary care and cause significant distress to patients. **A full review is required to expose, in particular, the full hidden costs of the current chaos and the benefits to the country of security of the medicines supply chain.**

Short-term measures to alleviate medicines supply issues

When a pharmacy does not have a medicine in stock, they may have to refer the patient back to the prescriber for an alternative medicine to be prescribed. It would help pharmacies to better

meet the needs of patients when stocks are in short supply if they were allowed the flexibility to substitute alternatives – eg. different formulations, or generics for branded products.

We believe this could help alleviate shortages, get better outcomes for patients and reduce pressure on General Practice as well as on pharmacies. It would also put pharmacists working in community pharmacies in England on the same footing as their counterparts in hospital dispensaries, and in Scotland and other countries.

Medicines pricing and margin

A core part of community pharmacy funding is delivered through retained margin – this margin has been set at £800 million for many years. Where pharmacies make additional margin, this is taken back from them in later months and years, reducing the amount of funding available to them in those future periods regardless of their activity.

Recently, the recovery of margin retained during the pandemic, combined with the inexorable rise in prescribing, has meant that remaining margin has been spread more thinly than ever. As well putting huge financial pressure on pharmacies, this has contributed to the reduction in resilience of the market to withstand spikes in demand and other shocks to medicine supply.

We have seen an increase in price concessions (as covered above, and in more detail below).

We believe that the margin element of the Contractual Framework needs urgent review.

Pharmacies have been in a ‘pay back’ situation since 2021 and clearly, given the partial write-offs that the Government has had to concede recently, the system is not working as it needs to.

The margin allowance, alongside the Single Activity Payment (per script fee), are the main sources of core running costs for pharmacies and earning less due to recovery is **eating into the financial sustainability of many pharmacies.** It may be costing the Government more in time spent trying to measure and recover monies spent than is delivering value to the public purse.

A full review is required which may result in developments such as benefit sharing and relief mechanisms.

Pharmacy sustainability and medicines supply

Patient care is also being affected by the extreme financial pressures on community pharmacies who have been subjected to a 30% funding cut since 2015. If this funding shortfall is not corrected, the current trend of community pharmacy closures will continue (there have been

1,376 permanent pharmacy closures since October 2016). **This will make it ever harder to ensure that patients can conveniently access the prescription medicines and advice that they need.**

Government should work with us to review the Community Pharmacy Contractual Framework (CPCF) – under which pharmacies operate and are paid – ensuring it delivers the funding pharmacies need to serve their patients.

Pharmacy funding requires an urgent uplift if it is to continue to support the network of pharmacies, and the future CPCF must be set at an economically sustainable level and include an uplift mechanism to prevent funding from falling short due to rising costs and inflationary pressures.

Press Statement from Community Pharmacy England Chief Executive, Janet Morrison (February 2024):

“If we continue to see pharmacies close, it is not only business owners and pharmacy teams who will suffer: patients and local communities will also face the consequences. If pharmacies cannot keep their lights on, medicines supply will falter and access to wider pharmacy services – including Pharmacy First – will also decline.

As pressures on the health service continue, Government and the NHS cannot afford to stand by and watch as pharmacies turn out their lights for good.”

Background Information on Medicine Supply Issues

What is the impact on patients?

Medicine supply issues now regularly cause worrying delays for patients. In our 2023 [Pharmacy Pressures Survey](#):

- **97% of pharmacy owners said patients were being negatively impacted by the pressures on their pharmacy.**
- **87% of pharmacy team members told us that their patients' health was being negatively impacted by medicine supply issues.**

Almost all of the pharmacy staff surveyed reported that they were experiencing extra workload (97%) and additional stress (96%) due to medicine supply issues, and **even more reported that patients were frustrated (98%) and inconvenienced (97%) by these issues.**

The impact of supply issues on patients can include:

- Treatment delays, or patients skipping doses or taking lower doses
- Stress, frustration and worry
- Patients having to travel long distances to access their medicines
- Patients making multiple visits to the pharmacy to collect the balance of any owed medicines
- Shortages affecting some medicines can have detrimental health consequences

What is the impact on pharmacies?

Pharmacy teams are powerless to solve wider medicines supply issues and where they cannot find the medicines their patients need they often have to go back to GPs to amend prescriptions. Our 2023 [Pharmacy Pressures Survey](#) found that:

- **92% of pharmacy teams are dealing with medicine supply issues daily, an increase from 67% in the 2022 pressures survey.**
- Almost all pharmacy owners (97%) reported significant increases in wholesaler and medicine supply issues.

- 93% of pharmacy owners reported that their staff were spending longer than ever before on medicines procurement, **with the average extra staff time needed on this being 11 hours per week. This time takes them away from providing clinical services.**

Pharmacy teams also report some patients getting abusive and taking their frustration out at pharmacy teams which adds to the pressure on all those working in pharmacies.

With the ongoing volatility in medicines prices, pharmacy businesses are also having to take huge risks – often procuring medicines with no guarantee that their reimbursement will adequately cover their costs. Despite the high number of price concessions being granted to try and mitigate price rises, we know that in some months **pharmacies have been making a significant loss on some medicines that they dispense** (largely because price concessions have not been high enough to match market medicine prices).

Given that many pharmacies are already struggling financially – their NHS funding (which for many is around 90% of their income) has reduced in real terms by 30% since 2015 – this is not sustainable and is putting cashflow and the viability of pharmacy businesses at risk.

Extract of a 2023 email from a pharmacy owner:

“The continuous trend we are facing currently in trying to obtain multiple lines for patients is really becoming a full-time job for one or two members of staff. This linked with quotas, supplier delivery failures, manufacturers’ out of stocks and a whole host of other problems is really impacting the financial viability of dispensing.”

Emergency price concessions

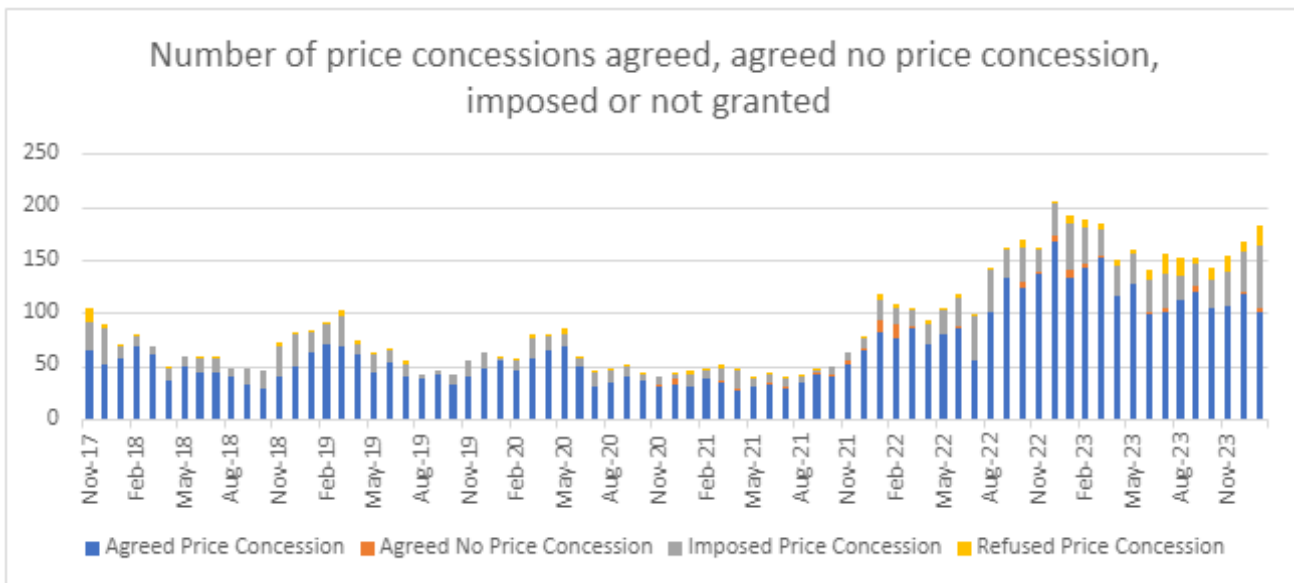
When a medicine is prescribed on an NHS prescription, the pharmacy that dispenses it will be reimbursed for the cost of the medicine in line with the prices set out in the Drug Tariff. This reimbursement is not profit for pharmacies, it covers the costs of the medicines they are buying and then dispensing to patients. (There is a mechanism built in to allow pharmacies to make a certain amount of margin on medicines they purchase – this encourages effective purchasing which saves the NHS many millions of pounds on its primary care drugs bill, and the margin forms a **core part of pharmacies’ funding**).



If a supply issue results in price increases of a certain medicine, or if the price rises for any other reason, the Department of Health and Social Care (DHSC) may grant what is called a ‘price concession’. The concessions enable community pharmacies to be automatically reimbursed at a set price which is higher than that listed in the NHS Drug Tariff – because it recognises that they will have had to pay more to buy the medicine in the first place.

Concessions are intended to ensure that pharmacies do not lose money when they dispense that medicine. If no price concession is granted, or a price concession is granted at too low a price, pharmacies would have to cover the costs of the NHS medicines that they supply themselves, and they are not funded to do this. Concessions are not always an indicator of a shortage, as they represent a pricing issue, but they do give an indication of volatility in the market. Numbers of price concessions remain close to record highs.

In 2023 there was an average of 149 medicines requiring emergency concession status each month. For comparison, in 2020/21 there was an average of **49 per month**. In 2012/13, there was an average of only **8 per month**.



How are shortages mitigated against?

When there are supply issues pharmacies have to spend time trying to source the medicine as well as explaining the issues and reassuring patients, liaising with prescribers, and in some case putting **Serious Shortage Protocols (SSPs)** into operation.

SSPs can be activated by the Secretary of State as a way of helping to mitigate shortages by allowing pharmacies to dispense specific alternatives for patients, and while this is helpful, operationalising them can be complex and time-consuming for pharmacies.

We would like to see pharmacists empowered to make minor adjustments to prescriptions to help alleviate some of the issues for patients and reduce burdens on GPs and pharmacy. A direction of travel shifting away from use of measures such as Serious Shortage Protocols and towards more use of Independent Prescribers in the pharmacy setting could also help to reduce administrative burdens on pharmacies.

For further information, please contact Community Pharmacy England's public affairs team:

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