**Minutes of the CPE Funding and Contract Subcommittee meeting held at CPE office on Wednesday 31st January 2024 commencing at 13.15pm**

**Members:**Peter Cattee (Chairman), David Broome (Deputy Chairman), Jas Heer, Tricia Kennerley, Prakash Patel, Adrian Price, Anil Sharma, Ian Strachan

**In attendance:** Mike Dent, Jack Cresswell, Rob Thomas, Suraj Shah, Mitesh Bhudia and Michael Digby

**Observers:** Ifti Khan, Sami Hanna, Stephen Thomas, Beran Patel, Faisal Tuddy, Fin McCaul, Stephen Thomas, Phil Day, Marc Donovan, Ian Cubbin, Lindsey Fairbrother, Jay Patel, Sian Retallick, Janet Morrison, Gordon Hockey, James Wood, David Onuoha, Katrina Worthington, Melinda Mabbutt and Shiné Brownsell

1. Welcome from Deputy Chair

The Deputy Chair opened the meeting and welcomed the attendees.

1. Apologies for absence

Apologies for absence were received from Peter Cattee, Anil Sharma and Ian Strachan

1. Declarations or conflicts of interest

None.

1. Minutes of last meeting (Confidential Appendix FCS 01/01/24) and matters arising

The minutes of the meeting held on 13 September 2023 were approved.

**MATTERS FOR DISCUSSION**
**Items are confidential where marked:**

1. CPCF negotiations
	1. Pharmacy First Caps **(Confidential Appendix FCS 02/01/24)**

Mike updated the subcommittee on the latest developments regarding caps for Pharmacy First.

NHSE have developed a system which has some positives but does not address all our concerns.

It was noted that the mechanism is very complicated, which could make it difficult for contractors to monitor how close they are to capping.

It was noted that NHS should have live data about delivery of the service, and we will talk to them about when data will be available to us for monitoring.

**MATTERS FOR REPORT**

1. Update on independent economic review **(Confidential verbal update)**

Mike commented that NHSE has now completed its evaluation exercise and selected their preferred supplier. No objections were raised about the selection and NHSE is currently going through a contracting cycle with the party.

It was noted that the appointed firm specialises in economics rather than accountancy. We have now received the winning bid and the office will be studying this in more detail. It was highlighted that pharmacy owners will be asked for data. There will also be an Advisory Group and Working Group to keep an eye on day-to-day work.

1. Potential expansion of auditing to cover more service payments **(Confidential Appendix FCS 03/01/24)**

Rob talked through the planned expansion of auditing, given NHSBSA are going to price Pharmacy First Clinical Pathway consultations and reimbursement through CIP. This is currently being explored in conjunction with EBI, although we need NHSBSA to be more advanced on their integration before developing Prism itself.

The medium term movement of other service remuneration to CIP was also highlighted, with plans to build this into Prism too.

1. Reimbursement reforms
	1. Category A **(Confidential Appendix FCS 04/01/43)**

The Committee had made it clear that CPE cannot support DHSCs proposals and that any changes will be imposed. DHSC is proposing to implement the changes from April 2024, however, it is possible this may be delayed as DHSC is still analysing the potential impact of the changes.

Suraj explained that the changes will likely result in some significant price swings but these will be mitigated to some extent by the transition period. CPE is also in discussion with DHSC about re-setting the Drug Tariff to ensure the correct products are sitting in the right Tariff categories. There is a possibility that a large number of products will move between different product categories which will affect overall reimbursement and margin.

* 1. Category M **(Confidential Appendix FCS 05/01/24)**

With proposed changes to Category A, CPE took the opportunity to seek improvements to Category M. CPE suggested improvements to Category M entry and exit criteria to align with Category A. DHSC has moved forward with adding a volume and NIC based exit criteria to align with Category A entry criteria but did not accept other proposals put forward by CPE. DHSC has put forward some changes to Category M criteria – mainly to allow quicker movement of large off-patent medicines to Category M and to ensure products with only one generics manufacturer in the market can remain in Category M subject to meeting minimum data coverage requirements.

The subcommittee questioned if the Tariff structure needs a complete overhaul.

DHSC’s position is that they ran a public consultation on their proposals and these are now being implemented based on the outcome of that consultation. The subcommittee felt that DHSC should follow a more holistic approach to implement the various Drug Tariff reforms rather than looking at each category in isolation.

1. Remuneration and reimbursement
2. CPCF outturn forecasts **(Confidential Appendix FCS 06/01/24)**

Early forecasting indicates there would be an over delivery in fee outturn of around £50m in 2023/24. Around £7m of this would be covered by Pharmacy First funding, and we are allowed a £36m write off as well. This would leave around £7m left as an overspend.

We have discussed with DHSC and they accepted that data was not strong enough to justify any fee reductions.

Forecasting for 2024/25 suggests an over delivery of £108m, but this is highly uncertain. This was driven by item growth, as well as increases in some services like CVD and CPCS.

It was noted that this will be critical in our negotiations for 2024/25.

1. January 2024 Category M update **(Confidential Appendix FCS 07/01/24)**

The intended margin adjustment for Jan Cat M was -£9m. CPE’s assessment of the Jan Cat M list was c.-£34m on like for like medicines. -£21m of this was due to apixaban price reductions, so by deduction the systematic adjustment due to other medicines is around £4.6m. The estimated movement per item is -14p.

Our analysis of the most influential high impact changes indicated these changes were plausibly correct.

It was noted that it could be helpful for contractors to mention how much of the estimated reduction was due to continued falling apixaban prices.

1. Margin update **(Confidential Appendix FCS 08/01/24)**

The margin adjustment applied to the Jan DT should have been around -£14m, but DHSC agreed to apply a mitigation to take into account extra discount deduction that was observed in the Jul-Sep reimbursement data.

CPE’s monitoring of discount deduction changes up to 23/24 Q1 showed no noticeable impact on margins due to the changes.

It was noted that the excess margin position has not noticeably decreased despite the long-term reductions applied to the DT. This suggests the system is underfunded as the DHSC’s attempts to recover margin results in more concessions, which cost the NHS millions and have boosted the margin outturn.

We have recently met with the new Medicines Director at DHSC and discussed pressures in the system. Part of the Committees discussion tomorrow will be around what changes are needed in the system.

It was noted that there is a risk of excess margin due to apixaban in upcoming quarters.

1. Price concessions update **(Appendix FCS 09/01/24)**

Suraj explained the latest position on price concessions for January 2024. Over 80 prices have been published so far and we are expecting a substantial list to be published later today (31 January 2024). CPE requested improved prices for over 180 lines in January 2024 – which is an increase in the number of products affected by pricing issues compared to the previous month (noting the previous record for price concessions granted was c.200 in December 2022). Some of the pricing issues we have seen this month appear to be driven by the uncertainty surrounding the Red Sea situation which may have led to some panic buying. DHSCs Supply team are not hearing of any shortages or supply disruptions due to developments in the Red Sea but they are keeping in close contact with the industry and have put in place various contingency arrangements to help deal with any potential supply issues. The Dispensing and Supply team remain in regular contact with DHSCs Supply team on current supply challenges.

The subcommittee asked about clarification on which lines are eligible for roll over each month. Suraj explained the roll-over mechanism – only those concessions requested and agreed late in the month roll over to the following month. Upward adjustments can be made to rolled over prices. It was noted that not many lines roll over to the following month as majority of price concession requests are submitted early in the month.

For December 2023, CPE also secured successful price redeterminations for Ezetimibe and few other lines. The much-improved December reimbursement prices were welcomed by pharmacy owners but similar expectations for January 2024 prices were tempered.

1. General funding update **(Appendix FCS 10/01/24)**

The information in the appendix was noted by the subcommittee.

1. Statistics **(Appendix FCS 11/01/24)**

The information in the appendix was noted by the subcommittee.
2. Any other business

It was noted that there has been a general increase in costs for ancillary items pharmacies have to buy. PMR system costs have increased, and these are eating into pharmacy profit margins. Mike explained that we will work to capture these costs as part of the independent economic review.