**Minutes of the CPE Funding and Contract Subcommittee meeting held at CPE office on Wednesday 17th April 2024 commencing at 11.30am**

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

**In attendance:** Mike Dent, Janet Morrison, Jack Cresswell, Rob Thomas, Suraj Shah, Michael Digby, Daniel Fladvad and Gemma Hackett

**Observers:** Gary Warner, Ifti Khan, Sami Hanna, Beran Patel, Olivier Picard, Faisal Tuddy, Stephen Thomas, Phil Day, Marc Donovan, Niamh McMillan, Clare Kerr, Ian Cubbin, Lindsey Fairbrother, Sian Retallick, Alastair Buxton, James Wood and David Onuoha

1. Welcome from Chair

The Chair opened the meeting and welcomed the attendees.

1. Apologies for absence

Apologies for absence were received from Tricia Kennerley.

1. Declarations or conflicts of interest

None

1. Minutes of last meeting **(Confidential Appendix FCS 01/04/24)** and matters arising

The minutes of the meeting held on 31st January 2024 were approved.

1. Workplan report for 2023/24 **(Confidential Appendix FCS 02/04/24)**

The workplan report was noted by the Subcommittee. Most of the objectives are cyclical / ongoing work which carry on into 2024/25.

1. Draft workplan for 2024/25 **(Confidential Appendix FCS 03/04/24)**

The draft workplan for 2024/25 was noted by the committee. The development areas will tie in with the conversation that will be held tomorrow afternoon on the priorities for PA Consulting.

1. Preliminary data on Pharmacy First Clinical Pathways consultations **(Confidential Appendix FCS 04/04/24)**

The high number of contractors doing the service was noted, as was the increase in consultations provided in March versus February. The seasonality (especially sore throat) was commented on, as this will affect activity levels when thresholds reach a higher level in the coming months.

The ability of contractors to use video conferencing was discussed, and it was pointed out that DSPs were allowed to do so (apart from otitis media) and there was no restriction on bricks & mortar pharmacies doing so.

The increasing threshold levels were discussed, and it was noted this was a concern of the NT’s but that the increase in these had been phased in over a longer period than NHSE originally proposed. It was queried whether the IT claiming issues would dampen the uptake of the service, as well as the effectiveness of NHS marketing.

The risk of contractors not being able to reach thresholds and disengaging was highlighted, and this will be raised again with NHSE/DHSC in discussions. It was thought that some contractors may have hit a ceiling given GP referral issues. The threshold is next due to increase (to ten consultations per month) in May.

It was noted that spend on the Pharmacy First budget would be discussed at the main committee meeting on 18th April.

One committee member flagged that no other pharmacy service had grown this fast. The variability in GP referral levels was highlighted as an area for further analysis, as this is a systematic issue outside of pharmacy’s control.

1. Primary Care Contracts: update on 2024/25 position **(Confidential Appendix FCS 05/04/24)**

The information in the paper was noted. It was noted that the broad spending review allowance for increased primary care costs was 1.68%, which is in line with the optometry increase and close to the GP contract increase.

However it was noted that the other primary care contracts had not seen a freeze in funding for a prolonged period.

1. Update on Independent Economic Review **(Confidential verbal update)**

The kick off meeting of the Advisory Board had taken place earlier this week. CPE was represented by office staff and committee members, plus CPE’s economic consultant (ex PwC Director with pharmacy experience). A Working Group is being convened to provide technical support to the suppliers. The suppliers have a month to deliver a manageable project plan. CPE suggested that visits to pharmacies can be arranged for suppliers.

1. Final update on COVID-19 cost claim reimbursement PPV **(Confidential Appendix FCS 06/04/24)**

The information in the report was noted.

1. Remuneration and reimbursement
2. CPCF outturn forecasts **(Confidential Appendix FCS 07/04/24)**

The latest forecasts for 2023/24 indicate that the fee outturn is on target for the year (following the DHSC’s removal of the Flat Fee for March 2024).

For 2024/25, forecasts indicate the overspend on the contract sum would be approx. £100m (if there was no uplift).

1. April 2024 Cat M **(Confidential Appendix FCS 08/04/24)**

There was no margin adjustment applied to the April Cat M list, however there was still a notable movement in drug prices. This illustrates how much of the usual movement seen in Cat M is related to market re-calibrations, rather than margin.

There was a discussion about quarterly vs annual re-calibration – it was noted that quarterly changes act to smooth the effects more gradually than annual changes would, but ultimately are still placing untenable pressures on pharmacies.

1. Reimbursement reforms progress update **(Confidential Appendix FCS 09/04/24)**

A number of reimbursement reforms and Drug Tariff changes have been implemented by DHSC and there is a long list of other proposed reforms in the pipeline. CPE and DHSC also plan to review the now established arrangements for ‘Specials in Packets’ and Discount deduction.

Over the coming months, DHSC plans to discuss proposals for Original Pack Dispensing, Special Containers and Improvements to the Margins survey.
2. April 2024 Cat A **(Confidential Appendix FCS 10/04/24)**

Analysis of the Q1 Cat A changes were shared with the Committee. Overall, the number of products affected by price increases and price decreases are broadly similar in first quarter of transition. The overall Q1 reimbursement impact is low, but it was noted that price changes will become more significant as we progress through the transition period. The team is monitoring all Cat A products affected by price decreases and will apply for price concessions, if required.

115 Cat A products moved to Cat C with further products expected to move in the coming months. These lines will be subject to the ‘brands’ 5% discount deduction rate instead of the ‘generics’ 20% rate.

Additionally, 29 products moved from Cat M to A, having an overall positive reimbursement impact. It was noted that the overall reimbursement changes will be measured by the Margins survey and the intention of the changes is about getting the Drug Tariff right.
3. Margin update **(Confidential Appendix FCS 11/04/24)**

The final margin outturn for 2023/24 shows not much movement in the cumulative excess position.

Early Q3 data suggests margin might be slightly higher than Q2 but this is subject to change as data is still being processed and analysed.

It was noted that market effects, which generally impacts on our ability to forecast margin in advance, have so far acted to suppress the amount of repayment of excess that has been achieved. We can see that the excess margin position has not changed much over the last 5 quarters – it has fluctuated up a down a bit but overall not much repayment has happened.

The data reinforces our position that it will be infeasible to repay the margin within the expected / projected timeframes, and why a write off is necessary.

1. Concessions **(Confidential Appendix FCS 12/04/24)**

DHSC has imposed a new approach for the quarter to recover the £16m sum not taken from Cat M reimbursement. This involves reducing all concessions to claim back c£5m a month for the quarter. CPE’s view was unequivocal: this is unwise and should not happen. DHSC acknowledged this is untested and will be kept under close review, following protest by CPE.

1. General funding update **(Appendix FCS 13/04/24)**

The information in the appendix was noted by the subcommittee.

1. Statistics **(Appendix FCS 14/04/24)**

The information in the appendix was noted by the subcommittee.

1. Any other business

None.