**Minutes of the CPE Funding and Contract Subcommittee meeting held at Malmaison, Birmingham, B1 1RD on Wednesday 26th June 2024 commencing at 3.15pm**

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

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

**Observers:** Stephen Thomas, Ian Strachan, Melinda Mabbutt, Gabriele Vickers

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. Subcommittee revised terms of reference

Noted

1. Minutes of last meeting **(Confidential Appendix FCS 01/06/24**) and matters arising

The minutes of the meeting held on 17th April 2024 were approved

1. Workplan for 2024/25 **(Confidential Appendix FCS 02/06/24)**

Noted

1. Appointment of a vice-chair

To be discussed.

1. External members of the sub-committee

The subcommittee felt that an external appointment would be considered when a skills gap became apparent, probably in relation to a specific topic. The workplan will be reviewed to allow this to be considered proactively.

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

1. Update on Independent Economic Review **(Confidential Appendix FCS 03/06/24)**

An overview of the Independent Economic Review was provided. There are three members of the NT on the Advisory Board, but it is also important that FunCon and the wider committee are kept updated on how it is progressing.

Our focus has initially been on building relationships with Frontier Economics (FE; the supplier), including educating them on the complexity of the sector and how best to measure costs.

We have helped them understand the diversity of the sector (including through accompanied pharmacy visits), that current costs are unlikely to be sustainable, the types of hidden costs not likely to be visible in P&Ls, and the impact of the current funding situation as reflected in the most recent company accounts. The need to include a fair return has also been established.

FE have been procured to deliver the project in nine months. Early detailed CPE focus has been on ensuring that the ToRs for the Advisory Board and Working Group align with the ITT, as well as ensuring CPE has independence to speak more broadly about the review to contractors and challenging the approach.

The data collection exercise has now been broadened to include a deeper (but limited sample) bottom-up study (as well as the wider top-down exercise). We have also ensured that the ‘key questions’ FE are looking to answer properly align with the scope set out in the ITT.

The working group has now been set up with contractor representatives (as well as ourselves), and they are also being challenging about the scope, questions and practicalities posed.

Janet highlighted that the election (and potential new government) would trigger a spending review in the late summer, and that DHSC needs the IER to help understand the baseline position for the sector.

One sub-committee member queried red lines. At this stage we are focused on trying to get FE to do the review as robustly as possible. FE are listening and adapting methodology.

We are currently focused on the bottom-up questions and sample approach to this. Questions need to be clarified and pruned, and we have offered to go through this on a line-by-line basis.

Another member queried the willingness of contractors to fill out the bottom-up questionnaire given the number of questions. Mike clarified that relatively few organisations would be approached to do the bottom-up exercise, but that it would help inform the bigger sampled top-down study (including to help understand its limitations).

It was confirmed that this update was to ensure FunCon was aware of progress, and that we would report back regularly. No decisions were being asked for at this stage.

1. Margin Survey improvements and validations **(Confidential Appendix FCS 04/06/24)**

DHSC has proposed a range of improvements and validations for the margin survey –

Proposed improvements include

1. Increasing sample sizes (drugs and pharmacies)
2. Aligning drug samples with Drug Tariff categories
3. Looking at more non-medicines (e.g. appliances)
4. Moving to utilisation of electronic data

Proposed validations include

1. Measurement of multiple’s margin
2. Looking at a fixed group of pharmacies over a longer period of time
3. Using data directly from suppliers
4. Looking at trend between pharmacy payments and wholesaler bills

It was noted that increasing pharmacy sample sizes would generally be helpful, but this did represent unpaid work for contractors. The principle of using contractor’s data to measure contractor’s margin is important to maintain.

There is a high variability in electronic data available. Most short liners do not provide this, only full liners do. This would unlikely be enough to complete a full survey.

It was noted that data from cascade systems would be incomplete since it might only show purchases below DT (and drugs bought above DT price not be included). Cascade system prices are also unreliable as prices often change once the product is actually invoiced.

There was a query about whether aligning drug samples with DT categories might result in more outlier drugs being sampled.

It was noted that appliance margins are likely to be highly variable partly due to differing prevalence of DACs, and the relationship between CPs and DACs.

It was noted that there are significant extra costs for different business models which would need to be captured as well for there to be a meaningful or useful picture. There are also potential concerns around anti-competitiveness if the system seeks to homogenise contractors or reduce the viability of different business models.

It was noted that doing a longer study of a consistent additional sample of contractors would provide helpful trend data, but this must be extra data (i.e. on top of the existing sampled pharmacies).

It was noted that broadly there seems to be an acknowledgement about the severe underfunding of the sector. Company accounts show that contractors are in severe distress and uneconomical.

1. Original pack dispensing update **(Confidential Appendix FCS 05/06/24)**

It was highlighted that CPE should strongly object to DHSC’s proposal to exclude Schedule 5 CDs from OPD rules. These include commonly dispensed products such as codeine and dihydrocodeine which contain important patient safety warnings on the outer packaging. The office will assess the proportion of Schedule 5 CDs and imported specials dispensed by pharmacies and put forward a case for DHSC to reconsider its decision.

The subcommittee also highlighted concerns around system suppliers needing to make significant changes to their IT roadmap. It was also suggested that all system suppliers should be urged to request BSA to carry out end-to-end testing of their systems to ensure successful implementation of OPD.

There was a discussion around the cost of MDS provision. The subcommittee recommended that SDS consider developing a service around MDS provision. It was noted that some pharmacies now charge their patients for MDS trays.

It was noted that the current consumables and containers allowances are based on historical data. The office will review the latest costings for consumables / containers and report back to FunCon.

**MATTERS OF REPORT**

**Items are confidential where marked:**

1. Pharmacy First Clinical Pathways consultations **(Confidential Appendix FCS 06/06/24)**

It was agreed as part of Pharmacy First implementation that data would be provided, but there has been delays getting data from NHSE.

We have looked at data from various sources:

* Company data
* Pharmoutcomes data
* NHSBSA data
* NHSE data

The paper included in annex FCS 06/06/24 only includes analysis from NHSBSA data, however we are working on a more comprehensive analysis which we will circulate in due course.

The data suggests there is a variability in provision at ICB level. Some of this is driven by seasonality (sore throat service) and if demand for this subsides then variation may reduce.

Projections are for around 3m consultations this year. DHSC / NHSE are open to discussions with us about thresholds.

1. Remuneration and reimbursement
2. CPCF outturn forecasts **(Confidential Appendix FCS 07/06/24)**

The information in the appendix was noted by the subcommittee.

1. June 2024 Category A update **(Confidential Appendix FCS 08/06/24)**  
   The information in the appendix was noted by the subcommittee.
2. Margin update **(Confidential Appendix FCS 09/06/24)**

The information in the appendix was noted by the subcommittee.

1. Price concessions update **(Appendix FCS 10/06/24)**  
   The information in the appendix was noted by the subcommittee
2. General funding update **(Appendix FCS 11/06/24)**  
   The information in the appendix was noted by the subcommittee.

1. Statistics **(Appendix FCS 12/06/24)**  
   The information in the appendix was noted by the subcommittee.
2. Any other business