**Minutes of the CPE Funding and Contract Subcommittee meeting held at CPE office on Wednesday 11th September 2024 commencing at 3pm**

**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, Alisha Khatri and Mitesh Bhudia

**Observers:** Alastair Buxton, Phil Day, Ian Strachan, Clare Kerr, Marc Donovan, Ian Cubbin, Stephen Thomas, Olivier Picard, David Onuoha, Melinda Mabbutt, Shiné Brownsell

1. Welcome from Chair

The Chair opened the meeting and welcomed the attendees.

1. Apologies for absence

No apologies for absence were received.

1. Declarations or conflicts of interest

None.

1. Minutes of last meeting **(Confidential Appendix FCS 01/09/24)**and matters arising

The minutes of the meeting held on 26 June 2024 were approved.

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

1. Reimbursement reforms – DHSC’s package of 3 proposals **(Confidential Appendix FCS 02/09/24)**

Suraj provided a summary of DHSCs proposal on the package of 3 reimbursement reforms which include changes to the determination of reimbursement prices for non-Part VIIIA products, inclusion of non-medicines and changes to the reimbursement of generically prescribed appliances and ‘drugs’ (non-medicines) dispensed as specials.

Products in scope of non-medicine proposal would exclude nutritional feeds such as Fortisip (as these are not expressed on dm+d with a generic name). However, commercially available food supplements such as certain Vitamin D preparations, cyanocobalamin etc would be covered by these proposals.

There was a question about measuring the overall accuracy of dm+d. Mike highlighted that dm+d accuracy is a topic we have been working with DHSC for many years. Prescription audit work carried out by the Pricing and Audit team relies on dm+d source data. Despite CPEs reservations about dm+d, monthly prescription audit analysis carried out by the team shows that pharmacies are generally overpaid by the NHSBSA.

It was noted that the current reimbursement arrangements allow the supply and endorsement of very expensive products against generically written prescriptions, which are available much more cheaply. Mike noted that DHSC is determined to address the issue and may choose to impose these.

Members of FunCon highlighted that systematic changes are needed to improve dm+d before it can be utilised for setting reimbursement prices of non-medicines and non-Part VIII products. Until the changes to dm+d can be delivered, pharmacies should continue to be paid based on their endorsement.

The subcommittee was clear that this topic needs to be considered as part of wider contractual discussions.

1. Containers and consumables allowance **(Confidential Appendix FCS 03/09/24)**

We have held discussions with DHSC about reform to part IV of the Drug Tariff (container and consumable allowance).

DHSC have proposed some very minor adjustments; we believe a much larger reassessment is required, covering the scope of items which would be included as well as redetermining payment levels.

The subcommittee felt that if new payment levels are agreed, they should also be linked to future inflation or wage cost increases.

**MATTERS FOR REPORT**

1. Remuneration and reimbursement updates
2. CPCF outturn forecasts **(Confidential Appendix FCS 04/09/24)**

We have used activity data published by the NHSBSA to project CPCF outturn for 23/24 and 24/25.

We estimate there would be an overspend of £8m in 23/24 and £82m in 24/25 (this does not account for any potential increase in the contract sum for 24/25).

Once margin pressure is taken into account (due to the natural growth in items), the additional cost would be about the same as the 4.1% CPCF offer for 2024/25 (which was £106m).

1. July 2024 Cat M **(Confidential Appendix FCS 05/09/24)**

There should have been a -£17.5m margin reduction in July Cat M, however DHSC agreed to pause this due to ongoing uncertainty around the CPCF negotiations and the election.

The July DT increased by circa £21m per quarter due to systematic underlying price movements. However, DHSC later contacted us to say they had made a mistake, and the DT should have gone down by £6m per quarter. This means there was a £27m variance (£9m per month).

CPE’s position was that DHSC should not apply a mid-quarter correction, as the impacts of the increase would be picked up and accounted for by the margin survey in due course. DHSC did not agree to this, and reduced Cat M from August back down to the ‘corrected’ level.

They also said that the extra £9m delivered in July would be taken back over the period October to March.

CPE analysis of the high impact lines in July Cat M indicates that DHSC’s assertion that they put too much into the July DT is plausibly correct.

It was noted that the Chief Exec did write to DHSC to raise concerns about DHSC enacting a mid-quarter downward correction, when they know that it will put further pressure on contractors.

1. September 2024 Cat A **(Confidential Appendix FCS 06/09/24)**

The information in the appendix was noted by the subcommittee.

1. Margin update **(Confidential Appendix FCS 07/09/24)**

The latest Q4 23/24 margin outturn reflects an over delivery of £8.6m.

The Oct DT should reduce by circa £20m – this is mostly the removal of the £17.5m uplift enacted in July.

CPE communicated that no reduction should be applied since the CPCF negotiations are ongoing and the funding target for the year is unknown.

It was noted that trying to pay back excess margin has caused chaos in the system (and resulted in very little actually being paid back).

1. Price concessions update **(Appendix FCS 08/09/24)**

The pricing issues affecting Apixaban tablets last month (August) were noted. Although DHSC improved its final price, it was still imposed.

In the past few months, the number of concessions granted by DHSC have been steady at c.150 a month. The Dispensing and Supply team are also monitoring the number of Category A price concessions following the recent changes to Category A price-setting arrangements.

1. General funding update **(Appendix FCS 09/09/24)**

  The information in the appendix was noted by the subcommittee.

1. Statistics **(Appendix FCS 10/09/24)**
The information in the appendix was noted by the subcommittee.
2. Any other business

**Pharmacy First caps**A paper regarding Pharmacy First caps was added onto IBabs at short notice, as DHSC have just approached us with proposed changes to the Pharmacy First capping mechanism, which comes into force in October.

The proposal would simplify the system by reducing the number of bands that pharmacies who deliver >=15 consultation per month would be split into (from 10 down to 5), which would result in less narrow bands.

It was noted that while we maintain that the capping system is too complex, broadly it feels like the new proposed system is an improvement.