

Minutes of the CPE Funding and Contract Subcommittee meeting held at CPE office on Wednesday 5th February 2025 commencing at 1pm

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 and Gemma Hackett.

Observers: Sue Killen, Shiné Brownsell, Alastair Buxton, Gordon Hockey, Zoe Long, Melinda Mabbutt, David Onuoha, Rosie Taylor, Rob Thomas, Adeola Wilson, James Wood, Katrina Worthington, Ian Cubbin, Phil Day, Marc Donovan, Lindsey Fairbrother, Sami Hanna, Ifti Khan, Fin McCaul, Niamh McMillan, Has Modi, Beran Patel, Mayank Patel, Olivier Picard, Sian Retallick, Ian Strachan, Stephen Thomas, Faisal Tuddy and Gary Warner.

LPC members in attendance: Rita Bali, Karen Cox, Helen Musson, Karen Samuel-Smith, Lauren Seamons, Rachel Solanki.

1. **Welcome from Chair**
The Chair opened the meeting and welcomed the attendees.
2. **Apologies for absence**
No apologies for absence were received.
3. **Declarations or conflicts of interest**
None.
4. **Minutes of last meeting (Confidential Appendix FCS 01/02/25) and matters arising**
The minutes of the meeting held on 11th September 2024 were approved.

MATTERS FOR DISCUSSION

5. **Price change timetable (Confidential Appendix FCS 02/02/25)**

The subcommittee was asked to consider whether CPE should formally request a change to the current price change mechanism so that the brand price change timetable aligns with the generic timetable. The subcommittee agreed with this approach but also recognised that it should be kept under review to minimise any unintended consequences. The principle of fair remuneration has to underpin any change.

Views from the subcommittee were sought on whether cut-off dates for the price change timetable should be extended from the 8th to the 15th of the month. It was agreed that this should be explored further with DHSC to understand if NHSBSA would be able to accommodate this change.

There were queries about impact of current VPAG arrangements and whether this is something CPE could influence – to enforce requirements to maintain and update product and pricing information held in dm+d. The subcommittee asked if CPE can explore whether VPAG requirements can be introduced to restrict the timing of any new price changes and also to limit the extent/scale of any price changes applied by manufacturers.

The subcommittee rejected DHSC's proposal for adjustments to apply only if there is a minimum price difference. There was concern about the cashflow impact of smaller price differences on high volume lines.

With recent advances in automation and technology, there was a discussion around moving to pricing based on dispensed dates or live reimbursement pricing. CPE noted that this has been discussed with NHSBSA and is a vision they share but we are a long way off from this becoming a reality due to the current pricing systems and processes used by the NHSBSA.

A general point was raised about bringing forward the early advance payment dates to manage pharmacy cashflow concerns due to inflexibility of wholesalers' payment dates and local prescribing habits impacting pharmacy profitability.

The problem with branded generics was acknowledged and an external consultant has been employed by CPE to progress work on this topic. Advance payments will be discussed in more detail at the plenary meeting.

MATTERS OF REPORT

6. Pharmacy First (Confidential Appendix FCS 03/02/25)

The information in the appendix was noted by the subcommittee.

Data from DHSC and NHSBSA has shown steady growth in the service since launch. The average number of consultations provided by pharmacies is broadly staying ahead of the monthly requirement needed to receive the monthly fixed payment.

We have seen a narrowing over time in the difference between the highest and lowest performing regions, which is positive.

We remain concerned about the number of pharmacies that will not be getting the monthly fixed payment once the requirement increases to 30 per month. We expect this issue will come into discussion as part of the wider contract negotiations.

It was noted that seasonal variability for some of the conditions is significant, however overall growth has remained steady despite this.

There was a discussion about some of the local factors which can affect regional uptake – for example in the lowest uptake area, low population density, workforce issues and the impact of rural doctors have all had a significant impact.

7. Remuneration and reimbursement

a. CPCF outturn (**Confidential Appendix FCS 04/02/25**)

The information in the appendix was noted by the subcommittee.

b. January 2025 Cat M (**Confidential Appendix FCS 05/02/25**)

The information in the appendix was noted by the subcommittee.

There was a margin adjustment of -£17.9m applied to the January DT, which was the result of margin survey outturns up until 2024/25 Q1.

Our analysis of high impact lines suggests that the underlying changes in the Drug Tariff were plausibly correct.

c. Cat A transition update analysis (**Confidential Appendix FCS 06/02/25**)

The information in the appendix was noted by the subcommittee.

CPE is continuing to monitor the impact of reimbursement changes on the Category A medicines undergoing a transition to a new pricing mechanism.

Data so far shows overall reimbursement has not been adversely affected. There is a mixture of products increasing and decreasing in price; most changes are relatively small, and the overall impact appears neutral.

d. Cat A price concessions update (**Confidential Appendix FCS 07/02/25**)

During negotiations, CPE had warned DHSC about the potential increase in the number of price concessions by moving to a quarterly price-setting system for Category A.

Whilst the overall number of Category A lines in the concession process remains relatively low, the numbers have increased in each quarter of

the transition period which ends in July 2025. This will be monitored closely.

Beyond July 2025, DHSC has not confirmed if they will maintain the overall NIC in Category A.

e. **Reimbursement reforms update (Confidential Appendix FCS 08/02/25)**

It was noted that CPE and DHSC are at the half-way stage of the reimbursement reforms work. Original pack dispensing was implemented in January and over the coming weeks, CPE is expecting DHSC to progress discussions on Category C reforms and special containers.

NHSE approached CPE to reconsider its position on reimbursement arrangements for Inclisiran (Leqvio). The subcommittee made it clear that they remain unsupportive of increasing the medicine margin on Inclisiran from £5 to £15. An option to allocate any increased funding for Inclisiran (and any other commercial agreements in the pipeline) from a new pot of money was noted.

f. **Special containers (Confidential Appendix FCS 09/02/25)**

It was highlighted that DHSC is seeking to update the special container criteria to align with HMR exceptions (to allow supply of complete packs or sub packs outside the +/-10% rules for OPD). Broadly, most of the existing special container products fit into one or more of the three HMR exceptions. There may be a few products that no longer meet the new criteria and may lose their special container status. CPE has also identified other product types/categories that meet the HMR exceptions and DHSC has agreed with many of these. However, DHSC and CPE remain apart on some product types/categories including products with a limited shelf life once opened and those packaged with non-Tariff devices or Risk Minimisation Materials/safety warnings on packaging.

The subcommittee was content with the progress made and accepted that a level of professional judgement will be required to determine if certain products should qualify as special containers or not. When assessing products against the special container criteria, there will be a need to balance the reimbursement risks with any unintended impact on patient safety.

g. **Margin update (Confidential Appendix FCS 10/02/25)**

The latest result signed off was for 2024/25 Q1, this showed an over delivery of around £18m. Results up to Q1 resulted in a margin reduction of -£17.9m in the Jan DT. This could have been larger, however the DT price for rivaroxaban had already reduced so less of a reduction in the Jan DT was needed.

The allowance for the year 2024/25 is £850m instead of £800m. When setting Cat M from Oct 24 onwards DHSC were using £850m as the target.

The QMS margin model indicates a cumulative over delivery of circa £195m at the end of Q1, projected to fall to just below £160m by the end of 24/25. However, if another over delivery occurred in Q2 because of rivaroxaban, this could impact the projections.

There was a query on what level of margin was projected to be delivered in Q4 24/25 (the current quarter we are in). The model projects that all else being equal, circa £189m would be delivered in Q4.

There was a question on whether rivaroxaban over delivery is now paid back. Mike explained this is not the case, because i) there is more to potentially be identified in Q2, and ii) the system is designed to smooth changes over many quarters, meaning it would by design take a long time to pay back.

h. Price concession update (Appendix FCS 11/02/25)

121 price concessions were granted in January including for salbutamol inhaler affected by supply issues. A question was raised about the monitoring of products moving in and out of the concession process regularly with concerns of some predictable patterns appearing that need to be better understood. It was highlighted that the team is actively looking at products that are in the concession process for an extended period and highlighting concerns to DHSC about the price-setting arrangements for these.

8. General funding update (Appendix FCS 12/02/25)

The information in the appendix was noted by the subcommittee. To demonstrate the value of CPE, there was an ask to publish (or share with regional representatives) more information about the work done by CPE on behalf of contractors. This was noted and the office will look at what data can be made available.

9. Statistics (Appendix FCS 13/02/25)

The information in the appendix was noted by the subcommittee.

10. Any other business

There was a request for 5-7 volunteers to join a focus group led by DHSC and NHS England to discuss communications on the management of medicine supply issues and how these could be improved. Anyone from FunCon interested in attending this focus group should get in touch with Suraj.

There was an ask to review the MYS submission timings for activity claimed over the weekend due to mismatches between API figures declared vs completed. CPE will discuss

this issue with the NHSBSA and ask if an extension to the 5-day claiming deadline is possible for services claimed via MYS.