

Category H

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- Community Pharmacy England feedback on Category H
- Products moving to Category H in March 2026
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Introduction - Category H

- A new category, Category H, will be introduced to Part VIIIA of the Drug Tariff **from March 2026**.
- Category H will include a **subset of Category C products with multiple suppliers**.
- Community Pharmacy England objected to the proposals.
This change has been **IMPOSED** by DHSC.

What are the current Category C reimbursement arrangements?

- Category C reimbursement prices are **based on the NHS list price of an agreed reference product**, often the brand originator.
- Current pricing arrangements for products in Category C **assumes that there is no competition between brands/suppliers**.
- In reality, there are **c.600** products in Category C with competition (between brands and/or generics).

What led to creation of Category H?

- In 2019, DHSC ran a public consultation on a proposal to **change the reimbursement arrangements for multi-source Category C products** – part of a series of drug reimbursement reforms.
- **Only 40% of respondents agreed** with DHSC's Category C proposal – concerns expressed around patient safety and dispensing at a loss.
- This change was also included in the latest **CPCF 2024/25 and 2025/26 funding settlement as an action to improve margin distribution.**

Why is DHSC making these changes?

DHSC wants to set reimbursement prices differently for Category C products with competition in order to:

- better reflect their actual selling prices
- support fairer distribution of retained margin
- help to reduce the distorting effect of certain branded generics on the distribution of retained margin

Feedback on DHSC's Category H proposal

Concerns about Category H price-setting approach

Community Pharmacy England raised several concerns about DHSC's proposal including that it could potentially:

- Introduce unintended **risks to patient safety**
- **Increase pharmacist and prescriber workload**
- **Conflict with pharmacy professional standards** and regulatory guidance
- Add more **uncertainty and disruption to an already fragile supply chain**
- Introduce pricing volatility and increase the number of **price concessions**
- **Increase complexity** of existing Drug Tariff reimbursement arrangements

Alternative approach

- Community Pharmacy England proposed that **for less contentious** products with competition in Category C it would be much quicker and easier to **change the existing reference product to a more suitable alternative** (provided there is sufficient stock in the market to fulfil market demand) – **the counterproposal was not accepted by DHSC.**
- Separately, we continue to press DHSC and NHS to **take action to address the margin distribution caused by branded generics.**



Products moving to
Category H from March
2026

Category H in numbers

- **Over 100 products** appear to fulfil DHSC's Category H entry criteria.
- We have urged DHSC to take a cautious approach with moving products into Category H.
- In light of feedback shared by Community Pharmacy England, DHSC is starting with only **11 products** in Category H from March 2026.
- In due course, DHSC's ambition is to include **all** products that fulfil the Category H entry criteria (in a phased approach).

11 products moving to Category H from March 2026

- Cinchocaine 5mg / Hydrocortisone 5mg suppositories
- Doxazosin 4mg modified-release tablets
- Etodolac 600mg modified-release tablets
- Isosorbide mononitrate 25mg modified-release capsules
- Nicotine 4mg medicated chewing gum sugar free
- Omeprazole 10mg dispersible gastro-resistant tablets
- Omeprazole 20mg dispersible gastro-resistant tablets
- Omeprazole 40mg dispersible gastro-resistant tablets
- Pseudoephedrine hydrochloride 60mg tablets
- Ursodeoxycholic acid 500mg tablets
- Verapamil 120mg modified-release tablets

Product deemed unsuitable for Category H

- Community Pharmacy England highlighted to the Department that the following product categories should be excluded from Category H:
 - Products **required or recommended to be prescribed by brand name**
 - Products with **differences in licensed indications/legal categories**
 - Products with **different dosage instructions across different brands**
 - Products **packaged with specific administration devices** e.g. inhalers
 - Products **without any true competition** i.e. made by the same supplier
 - Products also **available as non-medicines** for e.g. Vitamin D preparations
 - Products **affected by national shortage/ongoing supply disruptions**

Category H price-setting arrangements

How will new Category H prices be set (1)?

- Category H reimbursement prices will be set using, purchase, sales and volume data gathered by DHSC under the Health Service Products (Provision and Disclosure of Information) Regulations 2018.
- The prices will be updated quarterly in March, June, September and December (different cycle to Category A/M price changes).
- Manufacturer and wholesaler sales data will be combined to determine reimbursement prices.

How will new Category H prices be set (2)?

- Data for **all available pack sizes will be used** for price-setting with **reimbursement prices calculated on a price-per-unit basis** (except for products classed as special containers).
- An element of **margin will be added**, but Category H prices will not be adjusted to achieve the overall amount of retained margin (currently £900m).
- Using the price-setting approach above and based on previous analysis carried out by the Department, we understand that **most price changes are expected to be generally modest**.

Example: Omeprazole 20mg dispersible g/r tablets

- In February 26 Drug Tariff, Omeprazole 20mg dispersible g/r tablets (28) is reimbursed at £13.92 (Category C) based on the list price of **Losec MUPS®** (Neon Healthcare).
- Another brand **Mezzopram®** 20mg dispersible g/r tablets (Sandoz Ltd) is also available and this brand has a list price of £9.86 (Feb 2026).
- Once moved to Category H, the reimbursement for generically written prescriptions will no longer be based on the NHS list price of Losec MUPS®.
- The Department will combine actual sales data obtained from all suppliers to work out a price per unit (using a weighted average approach) based on their share of total volumes.
- Branded prescriptions will continue to be reimbursed based on list prices as published on dm+d (**Category H price will only apply to generically written prescriptions**).

Drug Tariff rules which apply to Category H

What Drug Tariff rules will apply to Category H?

- **Price concession can be requested** if drug is unavailable to purchase at or below published Drug Tariff price.
- **Brand discount deduction rate of 5% will apply** unless the item is DND.
- **Out of pocket expenses may be claimed**, subject to meeting criteria.
- **Broken bulk may be claimed** (except for special containers).

Summary

- A new category (Category H) will be added to Part VIIIA of Drug Tariff from **March 2026**.
- Certain products in Category C available from multiple suppliers will move to Category H in a phased approach.
- DHSC is starting with **only 11 products** moving to Category H in the first quarter.
- Despite a number of objections and concerns raised by Community Pharmacy England, DHSC took the decision to introduce Category H. This change has been **imposed** by DHSC.