Funding and Statistics

February 2020

PSNC Briefing 010/20: Community Pharmacy Funding in 2020/21

This briefing describes how community pharmacy funding will be distributed during 2020/21 and gives background information on how community pharmacy funding works. More briefings will follow as further details for funding in 2020/21 are agreed.

Introduction

In July 2019, PSNC, NHS England and NHS Improvement (NHSE&I) and the Department of Health and Social Care (DHSC) agreed a five-year deal for community pharmacies, guaranteeing funding levels until 2023/24. The deal secures pharmacy funding and sets out a clear vision for the expansion of clinical service delivery over the next five years. 2020/21 is the second year of this Community Pharmacy Contractual Framework (CPCF) agreement.

This document provides useful information for community pharmacy contractors on funding for 2020/21. In particular, it describes the changes that will take place and when, as well as giving an overview of key elements of funding. More details will follow on each element when available, as will **Indicative Income Tables**.

This briefing is broken down into the following sections:

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A. 2020/21 Funding Distribution

1) Changes for 2020/21

The overall funding envelope (known as the 'contract sum') for 2020/21 will remain the same as last year, at £2.592 billion.

This is how the key elements differ from 2019/20:

STAYING THE SAME	CHANGES
Pharmacy Access Scheme (PhAS) – both the budget allocation and the payment will be maintained at the current level until April 2021. **Pharmacy Quality Scheme (PQS)** – the budget allocation will remain £75m. **New Medicine Service (NMS) –** both the budget allocation and the fees associated with the service will be maintained. **Dispensing fees** – the overall funding is forecast to remain the same for Single Activity Fee and other item fees. **Serious Shortage Protocols (SSPs)** – £10m set aside, as a contingency. **Retained margin** – stays at £800m.	**Establishment Payment** – in an extension to the phasing out of this payment, it will continue to be paid during 2020/21 but at a reduced level and with a planned phase out by the end of the year. **Pharmacy Quality Scheme (PQS)** – for 2020/21, payment will vary depending on prescription volume. The revised payment bands, and the points allocated to each criterion, are being finalised and will be announced in due course. **Transitional Payments** – the budget allocation will be increased, but revised payment bands linked to dispensing volume will be introduced. Note, the payments will reduce over the course of the year as new services launch and funding is re-allocated to them. **Community Pharmacist Consultation Service (CPCS)** – whilst the budget will be increased as referrals from NHS 111 Online and GP practices begin, the fees associated with CPCS will stay the same. **New clinical services** – funding will be allocated to the services being introduced as they are launched during the year. **Medicines Use Reviews (MURs)** – the budget will be reduced with a maximum of 100 MURs permitted per pharmacy, but fees associated with the service will stay the same.

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2) CPCF Timeline 2020/21

From April 2020
- Transitional Payment levels change
- Pharmacy Access Scheme continues
- Establishment Payments reduced
- MURs capped at 100 for 2020/21
- Hepatitis C testing service introduced
- Pharmacy Quality Scheme launches

By end of June 2020
CPCS referrals (urgent supply) from NHS 111 Online introduced

From Autumn 2020
- CPCF annual review between PSNC, DHSC and NHSE&I
- CPCS extended to include referrals from GP practices (exact timing TBC)

By March 2021
- NHS travel vaccinations service introduced (subject to negotiations and agreement)
- Pharmacy Access Scheme reviewed and revised

Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar Apr

Mid-April – May 2020
PQS aspiration payment can be claimed

July 2020
- Terms of Service change
- Discharge Medicines Service (Essential service) launches
- MUR target changes: 70% solely on high-risk medicines
- Drug Tariff: distribution of paper copies will cease

February 2021
PQS declaration period (details of gateway and quality criteria TBC)

Ongoing
- Pilots for blood pressure testing, stop smoking referrals for patients discharged from hospital and Sore throat test and treat for Strep A
- Transitional Payment levels under review to deliver the agreed funding
- Pharmacy Quality Scheme (PQS) – delivery of requirements

Note: This is an expected timeline and some dates could change, subject to negotiation.

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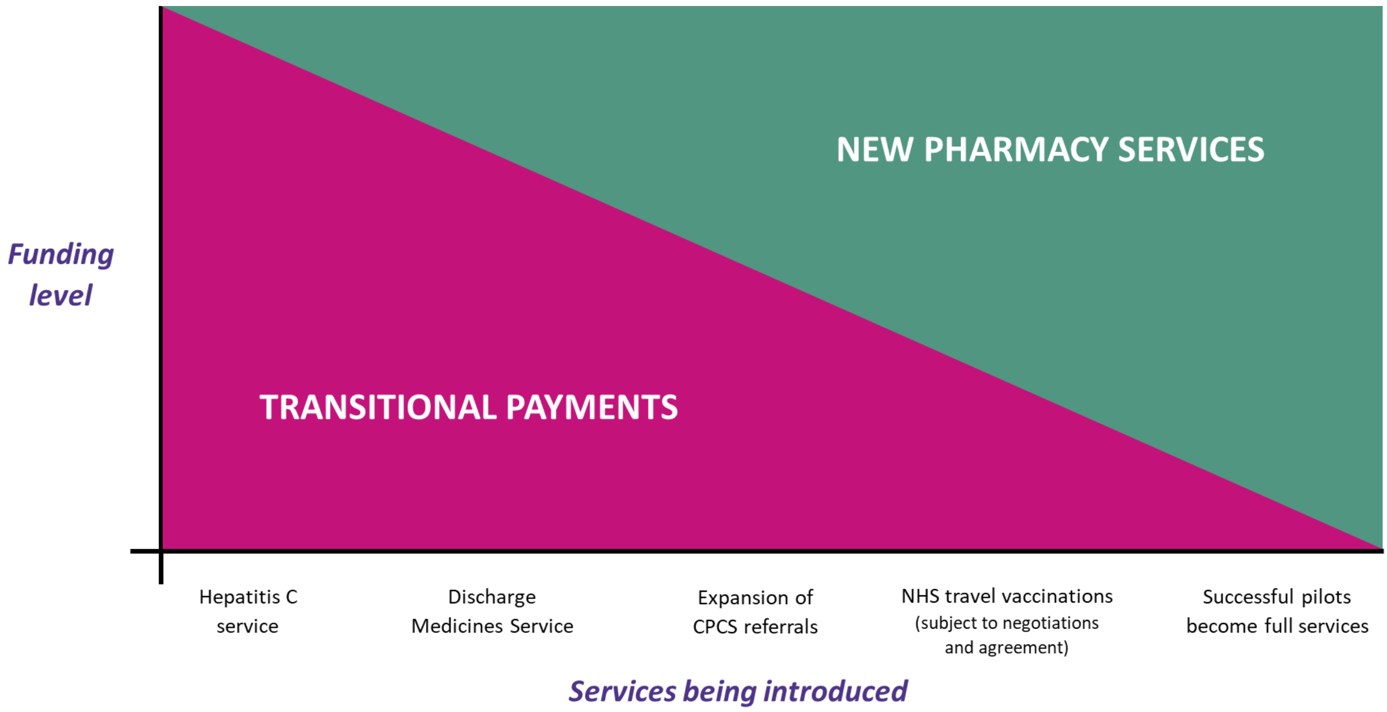
3) How Transitional Payments will work

The five-year CPCF deal introduced Transitional Payments to recognise pressures in relation to the engagement with local Primary Care Networks (PCNs), implementing new working practices and staff training to support new services, as well as ongoing change. The budget allocation for these payments will be increased for 2020/21 and revised payment bands, linked to dispensing volume, will come into effect. Details of the new payment bands will be announced as soon as possible.

Contractors should note that the Transitional Payments will be reduced over the course of the year as new services are implemented and funding is re-allocated from them to provide the necessary budget for the fees associated with those new services. This means that, as more services are introduced, the funding available will be diverted away from Transitional Payments accordingly, to ensure the agreed budget is delivered (see diagram below).



4) Reimbursement reforms

As part of the five-year deal on the CPCF, DHSC has agreed to look at improving reimbursement arrangements. PSNC's intention is to work on changes that will deliver smoother cashflow and fairer distribution of margin for contractors.

A public consultation on reforms to reimbursement ended in September 2019 and a commitment has been made to progress discussions on, and implement, reforms during 2020/21. Proposed reforms include:

- Changes to the way Category A prices are set;
- Changes to how medicine margin is distributed in Category M drugs;
- Changes to how Category C prices are set for drugs with multiple suppliers;
- Inclusion of non-medicinal products in the Drug Tariff;
- Changes to the way prices of drugs in non-Part VIIIA are set;
- Changes to arrangements for reimbursement and procurement of 'specials';
- Changes to reimbursement of generically prescribed appliances dispensed as 'specials';
- Changes to reimbursement of generically prescribed drugs dispensed as 'specials'; and
- Changes to the deduction scale.

The proposals are far reaching, complex and interlinked. PSNC has been talking to the DHSC about many of these proposals for some time. The proposals do not impact the agreed funding envelope and should help to smooth delivery of retained margin. They could, however, have an impact on individual pharmacies depending on their dispensing mix.

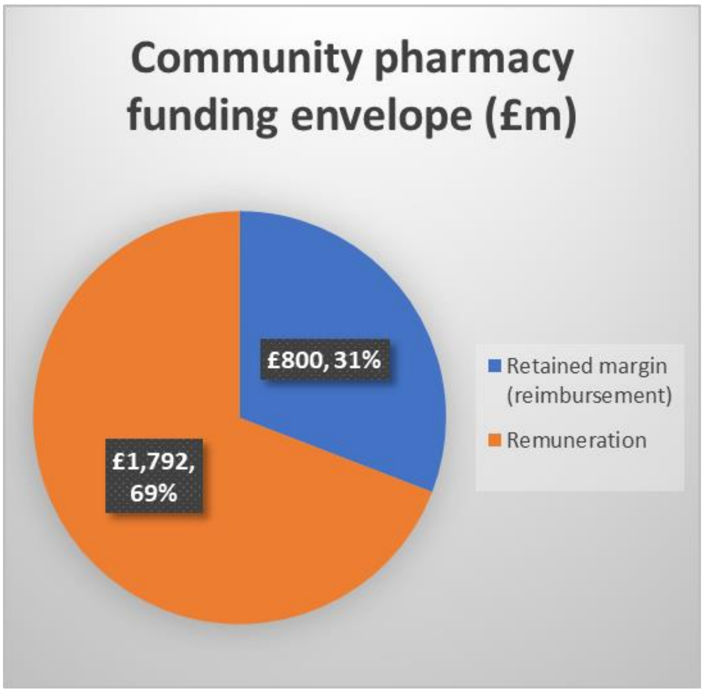
[Read PSNC's response to the consultation on community pharmacy reimbursement reforms]

PSNC, DHSC and NHSE&I will discuss the detail and mechanics of these proposals in greater detail at the second stage of the consultation process.

B. Community Pharmacy Funding Overview

1) A breakdown of the contract sum

National NHS community pharmacy funding (the contract sum) comprises two key elements – fees (remuneration) and retained margin (part of reimbursement) which can be defined as follows:



Remuneration: This is the fees and allowances paid to pharmacies for the professional services they provide.

Reimbursement: This reimburses the cost of the medicines that pharmacies supply to patients. Pharmacies first have to purchase these medicines, usually from medicines wholesalers, and they are then reimbursed for them by the NHS, generally according to the Drug Tariff, which sets out prices for many medicines and a 'discount deduction' scale.
The difference between reimbursement and purchase price constitutes 'retained margin' which pharmacies are allowed to keep as part of their agreed funding subject to a collective agreed total (currently £800m).

2) Remuneration

The 'fees' or 'remuneration' element of funding covers a number of services and their associated fees. All pharmacies, whether they are distance selling pharmacies or located within local communities, are paid according to the same CPCF (this is the framework which sets out all of the services that they must provide for the NHS) and with the same fees. These include:

Single Activity Fee (SAF): The SAF is a payment made per prescription item dispensed. This fee is paid to pharmacies each time they dispense a prescription item to a patient.
The DHSC considers prescription volume trends and adjusts the value of the SAF to try to deliver the total agreed funding each year. These changes are an established part of the funding system.

Establishment Payment (EP): A fixed payment available to all contractors, subject to a volume (of prescription items dispensed) threshold. This has been reduced in recent years and is due to be phased out by the end of 2020/21.

Advanced Services: There are currently six Advanced Services within the CPCF. These are: Medicines Use Reviews (MURs), the New Medicine Service (NMS), the Flu Vaccination Service, Appliance Use Reviews (AURs), Stoma Appliance Customisation (SAC), and the Community Pharmacy Consultation Service (CPCS). MURs are being phased out with 2020/21 the last year the service will be in place.
Community pharmacies can choose to provide any of these services as long as they meet the requirements set out in the Secretary of State Directions. Funding for the Advanced Services, bar flu vaccination, is from within the agreed settlement. Funding for the Flu Vaccination Service comes from NHS England's Section 7A public health budget.

2A-2F Fees: This refers to Part IIIA of the Drug Tariff, where a number of professional fees are described. These are payments to cover the dispensing of unlicensed medicines, certain appliances, oral liquid methadone, Schedule 2 and 3 Controlled Drugs, and expensive items.

Pharmacy Quality Scheme (PQS): This scheme makes payments to community pharmacies that are meeting certain Gateway and Quality criteria. Payments are made to eligible pharmacies depending on how many of the Quality criteria they have met (the number of 'points' earned).
Details of the 2020/21 scheme have yet to be announced, but the declaration period will take place in February 2021. Find out more at: psnc.org.uk/PQS

Pharmacy Access Scheme (PhAS): PhAS is a scheme with the stated aim of ensuring that a baseline level of patient access to NHS community pharmacy services is protected. Qualifying pharmacies receive an additional payment.
The scheme will be reviewed in 2020/21 with an aim to introduce a revised version the following year. Find out more at: psnc.org.uk/PhAS

All fees and allowances are funded from NHSE&I budgets.

3) Delivery of Retained (or 'Purchase') Margin

Purchase margin is the margin made when pharmacies are able to purchase medicines for NHS patients at prices below those at which the NHS reimburses them for those medicines. This is also known as 'retained margin' and it is measured annually with a 'margins survey' jointly conducted by DHSC, the NHS and PSNC.

Monitoring the value of the purchase margin being delivered to pharmacies is complex: in each financial year PSNC and DHSC agree a figure based on the results of the margins survey. This survey examines prices paid for a representative sample of medicines by a number of independent community pharmacies, and analyses prices and wholesaler discounts gathered from invoices collected from pharmacies to estimate how much margin has been made in the year.

The survey is carried out retrospectively and so the results for any given financial year are only available in the summer of the following year (or later). Once a survey is finalised and the margin result is agreed, PSNC and DHSC will discuss what changes, if any, are required to ensure the correct delivery of pharmacy funding. Currently, pharmacies are allowed to earn £800m retained margin collectively in each financial year.

Where it is necessary to adjust the run rate of margin delivery to pharmacy, for example because pharmacies have earned too much margin, DHSC will make adjustments to reimbursement prices in the Drug Tariff for medicines which fall within 'Category M'. Category M is a category of medicines which are readily available in 'generic' form, i.e. non-branded medicines.

Further information is available at: **psnc.org.uk/categorym**

If you have queries on this PSNC Briefing or you require more information, please contact **cpcf@psnc.org.uk**