

October 2016

## **PSNC Briefing 057/16: Imposition for 2016/17 and 2017/18 – Information for Contractors (Updated 21st October 2016)**

This PSNC Briefing summarises the changes to the community pharmacy contractual framework (CPCF) in 2016/17 and 2017/18 announced by David Mowat MP on 20th October 2016.

### **Funding and funding distribution**

#### Total funding and funding levels

The Government has imposed a two-year funding package on community pharmacy. This includes:

- A £113 million reduction in funding in 2016/17, taking funding for this year to £2.687 billion; and
- An additional £95 million reduction in 2017/18 taking funding to £2.592 billion for the year.

The funding for 2016/17 is a reduction of 4% compared with last year, but given the time left to implement this it will mean that contractors will see their funding for December 2016 to March 2017 fall by an average of 12% compared with current levels (or c.15% for a typical non-PhAS contractor).

The 2017/18 reduction will be implemented across the full year so contractors will see funding levels from April 2017 drop by around 7% compared with current levels.

PSNC has published [PSNC Briefing 059/16: Imposition for 2016/17 and 2017/18 – Indicative Income Tables](#) to help contractors to predict the impact on their businesses.

#### Establishment Payments

As part of the proposals for community pharmacy, in January the Department of Health (DH) announced plans to phase out the Establishment Payment over a number of years.

The reduction in these payments from December will form part of the mechanism through which funding to community pharmacies will be reduced to the imposed levels of £2.687 billion. DH will reduce Establishment Payments by 20% from December 2016, with a 40% reduction from April 2017 compared with current levels.

#### A Single Activity Fee

DH will also introduce a new 'Single Activity Fee', which will combine and replace the existing dispensing fee, Practice Payments, Repeat Dispensing Annual Payments and monthly EPS payments into one fee.

The fee will be a single payment made per prescription item dispensed. It is likely that this fee will be adjusted over time to ensure the delivery of the correct funding. We do not yet know the final value of the fee from December 2016.

Additional fees for unlicensed medicines, appliances, Controlled Drugs etc. will remain separate fees, recognising the fact that these fees pay for specific activity which not all pharmacies will undertake to the same extent.

The one-off set up fee for EPS Release 2 will not be consolidated into this fee but will cease from April 2017.

#### **Q. How much will the single activity fee be worth?**

We estimate that the single activity fee will be worth around £1.13 per item. Final figures are not yet known, because the cost of other elements of the changes being imposed needs to be calculated.

Further information on the funding changes 2016/17 and 2017/18 can be found at [psnc.org.uk/fundingchanges](http://psnc.org.uk/fundingchanges)

### **Pharmacy Integration Fund**

In the letter of 17th December 2015, DH announced that it would consult on a 'Pharmacy Integration Fund' (PhIF) to help transform how pharmacists and community pharmacy will operate in the NHS.

The aim of the PhIF is to support the development of clinical pharmacy practice in a wider range of primary care settings, resulting in a more integrated and effective NHS primary care patient pathway. In particular, the PhIF is intended to drive the greater use of community pharmacy, pharmacists and pharmacy technicians in new, integrated local care models.

The fund will be worth £42 million over the next two years, and will cover the costs of an [Urgent Medicine Supply Service pilot](#) and an urgent minor illness care pilot. There will also be educational grants for community pharmacists to access postgraduate clinical pharmacy education and training courses up to diploma level from April 2017.

NHS England has said that it intends to use some of the fund in later years to fund pharmacists working in care homes and urgent care centres; neither of which will necessarily benefit community pharmacies. NHS England has also committed to spending at least 5% of the fund on the evaluation of services.

NHS England is planning to publish further details about the PhIF in October 2016.

Further information on the PhIF can be found at [psnc.org.uk/phif](http://psnc.org.uk/phif)

### **Urgent Medicine Supply Service pilot**

#### **Background**

DH and NHS England have decided to use money from the PhIF to fund a national pilot of a community pharmacy Urgent Medicine Supply Service. The service is expected to run from autumn 2016 to March 2018 with a review point to consider progress in September 2017.

The decision comes after PSNC proposed a community pharmacy emergency supply service as part of its counter proposal to the NHS and Government, but was clear that any new national service would need additional funding rather than being funded from within the existing community pharmacy funding envelope.

DH then proposed that the PhIF could be used to fund a pilot scheme to test and evaluate such a service to inform possible future commissioning.

PSNC is pleased to see recognition of how community pharmacies can help the NHS, but we are disappointed that the scheme has only been commissioned as a pilot. We are also disappointed that the service will not cover patients who have been referred by other health professionals or come to pharmacies in the first instance themselves.

#### **The service**

The service is a pilot only. It will see patients who contact NHS 111 requesting access to urgently required repeat medicines being routinely referred to community pharmacy.

The objectives of the service will be to manage appropriately NHS 111 requests for urgent medicine supply; to reduce demand on the rest of the urgent care system; to resolve problems leading to patients running out of their medicines; and to increase patients' awareness of electronic repeat dispensing.

PSNC is working on the service specification and detail with NHS England, including data entry requirements, service fees and care pathways, and contractors will be updated as soon as more information is available.

**Q. What will contractors need to do to offer the service?**

The detailed service specification and data collection requirements is currently being worked on by NHS England and PSNC and the detail will be shared with contractors as soon as possible.

**Q. How much will pharmacies be paid for the service?**

This is not yet settled.

**Q. How much money is available for it?**

NHS England has budgeted £2 million for the pilot based on NHS 111 call volumes and estimated referral rates. Service delivery will be kept under review and if costs are projected to exceed this value then it will consider ways in which to manage access.

**Q. How and when will the service be evaluated?**

The timing of the evaluation is not yet settled, but NHS England has stated that there will be an interim review in September 2017. They have also indicated that the evaluation will consider factors such as referral rates to pharmacy, patient experience, impact on GP out of hours services and pharmacy staff experience of the service.

Further information on the Urgent Medicine Supply Service can be found at [psnc.org.uk/umss](http://psnc.org.uk/umss)

## Urgent minor illness care pilot

From December 2016 to April 2018, NHS England will test the technical integration and clinical governance framework for referral to community pharmacy from NHS 111 for people who need immediate help with urgent minor ailments where this is appropriate for community pharmacy. This, they feel, will develop an evidence-based, clinical and cost effective approach to how community pharmacists and their teams contribute to urgent care in the NHS, in particular, making the referral of people with minor ailments from NHS 111 to community pharmacy much more robust.

Minor ailments services are already commissioned by Clinical Commissioning Groups (CCGs) across many parts of the country and ultimately NHS England will encourage all CCGs to adopt this joined-up approach by April 2018, building on the experience of the urgent and emergency care vanguard projects to achieve this at scale.

Please note, this is not a national Minor Ailments Service, which may have been the impression given by the minister when he announced the imposition. Patients referred to pharmacies from NHS 111 will either need to pay for medicines if required or can be supplied with medicines under a locally commissioned service if appropriate and such a service is available.

## Changes to regulations to allow pharmacy mergers

DH expects to amend regulations to facilitate the consolidation of pharmacies very soon. The regulation amendments will allow for the consolidation of two or more pharmacies on a single existing site where such a change would not create a gap in provision. PSNC is working with DH to draft the amendments to the regulations.

**Q. How many pharmacies does PSNC expect to merge?**

Decisions to merge pharmacy services onto a single site will be for contractors to make, based on local patient needs and business factors. We expect that for some contractors the amendments will be welcome in allowing them to streamline their businesses and that this change will reduce the number of pharmacy clusters.

**Q. Could two pharmacies from different businesses merge?**

Yes, whether by a merger or a sale.

Further information on quality payments can be found at [psnc.org.uk/mergers](https://psnc.org.uk/mergers)

## Pharmacy Access Scheme

### Background

DH intends to launch a Pharmacy Access Scheme (PhAS) from December. The scheme will see an additional monthly payment made to all small and medium sized pharmacies that are a mile or more from another pharmacy (this is measured by road distance rather than as the crow flies). DH has identified 1,365 pharmacies that are eligible and has published a list of those that are eligible for payment. Eligibility will be fixed to the pharmacies that are deemed eligible in the published list.

PSNC sought from an early stage of discussions with DH and NHS England to understand more about the plans for a PhAS. The current proposals have changed substantially from the early proposals, and are based solely on distance from the next nearest pharmacy.

Further information on the PhAS and the list of PhAS pharmacies can be found at [psnc.org.uk/phas](https://psnc.org.uk/phas)

### Eligibility and payments

The top 25% by prescription volume of pharmacies are excluded from the scheme. Other pharmacies that are more than one mile from the next nearest pharmacy will be eligible.

The scheme will protect payments at 2015/16 fee income levels for qualifying contractors, less an efficiency discount of 1% for 2016/17 payments, and 3% for 2017/18 payments. Average monthly payments for December 2016 to March 2017 will be c£2,900 and £1,500 pcm for 2017/18. Final figures are not yet known.

The scheme will include a review process to deal with any inaccuracies in DH's calculations, or any unforeseen circumstances affecting access; like a road closure. They will also review cases where there may be a high level of deprivation, and pharmacies are slightly less than a mile from another pharmacy, but critical to access.

**Q. Will the PhAS come from the total community pharmacy funding envelope?**

Yes, any funding for the PhAS will come from the total community pharmacy funding envelope. DH estimates that payments will total £16m for 2016/17 and £24m for 2017/18.

**Q. How do I apply for the PhAS?**

Pharmacies do not need to apply to the scheme to be eligible; eligibility has been calculated nationally, based on data relating to how many prescription items a pharmacy dispensed in 2015/16, to assess their size (small, medium or large), and data relating to the distances between pharmacies.

**Q. When will I start receiving PhAS payments?**

If a pharmacy is eligible for the PhAS, their first PhAS payment will be included in their reconciliation payment that relates to prescriptions dispensed in December 2016. These payments will continue monthly until the payment for March 2018.

**Q. Are distance selling pharmacies, pharmacies that hold local pharmaceutical services (LPS) contracts with NHS England, appliance contractors or dispensing doctors included in the scheme?**

No. The scheme protects physical access to bricks and mortar community pharmacies.

**Q. Will the PhAS continue after 2017/18?**

No indications have been given by DH about plans for the PhAS beyond 2017/18.

## Quality Payments

### Background and funding

DH will introduce Quality Payments as part of the CPCF in 2017/18, which will be funded from the overall funding of £2.592 billion. These will be payments made to pharmacies meeting certain quality criteria, with funding taken from the total community pharmacy funding envelope. DH has said it will allocate £75 million to fund the Quality Payments in 2017/18.

PSNC proposed to DH the introduction of Quality Payments, as part of a wider package with appropriate funding, and PSNC therefore supports in principle the move to recognise and reward quality within the CPCF. Our concern is now to ensure that any framework effectively rewards quality and does not put significant additional demands on contractors.

### Quality criteria and payments

To qualify for payments, contractors must meet four gateway criteria (please note, DH has not finalised the details yet so they may introduce some flexibility depending on availability, for example, on NHSmail 2):

1. Provision of at least one specified Advanced Service;
2. NHS Choices entry up to date;
3. Ability for staff to send and receive NHSmail; and
4. Ongoing utilisation of the Electronic Prescription Service.

Passing the gateway criteria will not itself earn a quality payment for the contractor. Quality Payments will depend on how many of the quality criteria the contractor meets. Each criterion has been designated a number of points, which total 100. Three of the quality criteria, which account for 45 points between them, only need to be met once in the year and therefore can only be claimed for once at one of the two review points.

Further details on the quality criteria, the weighting of each criteria (based on an assessment of the difficulty of achieving them and the benefits to patients from doing so) and the designated number of points for each criterion can be found at [psnc.org.uk/quality](http://psnc.org.uk/quality)

It will be for contractors to decide whether or not they wish to take the actions needed to qualify for the payments.

There will be two review points during the year, at which Quality Payments can be claimed:

- End of April 2017; and
- End of November 2017.

Payments due from each review point will be paid as part of the full value of services for that month, i.e. payment from April's review point will be paid at the end of June/beginning of July. There will potentially be a further 'reconciliation payment' made with the full value of services for March 2018, if there is money remaining from the £75 million.

At each review point, to receive payment where the gateway criteria and some or all quality criteria have been fulfilled, pharmacies will need to make a declaration to the NHS Business Services Authority (NHS BSA) using the

approved form (this is not yet available). Declarations will be subject to spot checks from NHS England as part of the wider monitoring of the CCPF.

Payments will be made to eligible contractors depending on how many criteria they have met (and therefore how many 'points' they achieved). DH expect the value of each point to be set at £64. This is set at a level that would deliver £75 million assuming 100% of pharmacies achieved all 100 points. However, DH think it is unlikely that all pharmacies will achieve all the quality criteria across the two review points. Therefore, after the two review points, there will be a reconciliation process, at which the remaining funding will be divided between qualifying contractors based on the number of points they have achieved over the two review points. This reconciliation payment will not have to be claimed and will be paid with the full value of services payment for March 2018 (i.e. end of May/beginning of June).

To ensure the overall amount earned by one contractor for Quality Payments remains proportionate, a cap of £128 per point will be allowed in totality including the reconciliation payment. To reach the cap would require less than 50% of pharmacies achieving less than 50% of the quality criteria. Any funding remaining after the reconciliation payment will be paid through other fees and allowances to pharmacy contractors.

Further guidance will be released by DH before 1st December 2016.

#### **Q. Will Quality Payments continue in future years?**

No decisions have been made by DH and NHS England on Quality Payments beyond 2017/18.

Further information on Quality Payments can be found at [psnc.org.uk/quality](http://psnc.org.uk/quality)

#### **Reimbursement reforms**

DH intends to take forward a number of drug reimbursement proposals that it has been in discussion with PSNC on for some time and which were agreed as part of the 2014 settlement, but not implemented.

These comprise changes in respect to price setting for Category A products; Concession Prices; Non-Part VIII products; specials; unlicensed oral solid doses and brands cheaper than Category M. The aims of these changes are to reduce anomalies and manipulation. DH is also considering amendments to the discount scale and changes to the medicine margin survey methodology to identify better where contractors may be retaining margin and allow results to be more reliable during the course of the year.

DH is keen to make progress as quickly as possible but the discount scale changes may be dependent on the outcome of a public consultation which has not yet been initiated. PSNC's policy remains to ensure that reimbursement arrangements are fair and allow the delivery of margin evenly over the year and fairly to contractors.

Further information on reimbursement reforms can be found at [psnc.org.uk/reimbursementreforms](http://psnc.org.uk/reimbursementreforms)

If you have queries on this PSNC Briefing or you require more information, please email [info@psnc.org.uk](mailto:info@psnc.org.uk).