

# All you need to know about: Discount deduction

Our Dispensing and Supply Team explains how discount deduction is applied to NHS prescriptions and which products are eligible to be included in the 'Discount Not Deducted' list.

## How does discount deduction work?

When community pharmacy contractors are reimbursed for the cost of medicines and appliances dispensed against NHS prescriptions, a deduction is made to their payments, known as 'discount deduction'.

This is an assumed amount of discount received to avoid the additional workload of pharmacy teams being required to calculate and declare exact levels of discount received on each individual item dispensed.

The level of discount varies depending on the value of products dispensed by a pharmacy in a given month. Currently the average level of discount is around 8%.

It is possible to work out from the deduction scale in Part V of the Drug Tariff what the deduction rate will be for a given value of standard discount rate products dispensed (the value of zero discount rated products dispensed is not considered when calculating the discount rate).

## Which products are eligible for DND list?

The 'DND' ('Discount Not Deducted') list, found in Part II of the Drug Tariff, contains products which are exempt from the discount deduction scale and is updated monthly by the Department of Health and Social Care (DHSC). To be included on the list a product must come under one of the following groups: **Schedule 2 or 3 Controlled Drug\***

**HazChem\***: Product covered by the Chemical (Hazard Information and Packaging for Supply) Regulations 2002. More information on the CHIP Regulations can be found on the Health and Safety Executive Website: [www.hse.gov.uk/chemical-classification/index.htm](http://www.hse.gov.uk/chemical-classification/index.htm)

**Cytotoxic or cytostatic item\***: Listed in section 8.2 of the British National Formulary (BNF).

**Cold-chain storage item\***: The products SPC (available at: [emc.medicines.org.uk](http://emc.medicines.org.uk)) must state that the product must be stored at 2 – 8°C prior to dispensing. Products which require cold-chain storage after re-constitution in the pharmacy are not eligible for the list.

**Unlicensed Specials\***: which aren't listed in Part VIII B of the Drug Tariff.



**The three criteria:** products where all three of the following criteria apply

- the manufacturer, AAH and Alliance do not offer a discount; and
- fewer than 500,000 items per year are dispensed; and
- average net ingredient cost (NIC) per item is more than £50.



The NIC per item is the average NIC per prescription dispensed and not the list price of the product. As the NIC is based on the quantity of the product dispensed, it is independent of product pack size. For new products, the DHSC will give consideration to whether the product may, in time, meet the criteria.

*\*Please note items included under these group headings are not listed in the Drug Tariff individually.*

## How can I request that a product be added to the DND list?

To make a request for a product to be considered for the list, please contact the PSNC Dispensing and Supply Team via [info@psnc.org.uk](mailto:info@psnc.org.uk). We will investigate whether the product meets the criteria and, if appropriate, make an application to the DHSC for the product to be listed.

## Can I endorse 'DND' to claim exemption from discount deduction for unlicensed medicines?

The DND endorsement is no longer in use as the exemption from discount deduction is now automatic. Any DND endorsement will be ignored upon processing.

All unlicensed medicines not listed in Part VIII B where the product has been sourced from a supplier holding a MHRA specials or importers license are automatically eligible to be exempt from the discount deduction scale. Please see the unlicensed specials and imports page for further information.



Further information on discount deduction and the DND list is available from [psnc.org.uk/dnd](http://psnc.org.uk/dnd)