

August 2017

## PSNC Briefing 057/17: How recent changes will affect your payments

The funding imposition has led to changes in payments made to community pharmacy contractors in recent months. Here PSNC's Funding Team explain what's different and how this may affect your pharmacy.

This PSNC Briefing aims to highlight the changes that have taken place, show you how to calculate the impact on your pharmacy, show you where to find the relevant payment information in your FP34 Schedule of Payments, and help you to understand the timing of your payments.

### Recent changes to pharmacy funding

On 20th October 2016, the Government imposed a two-year funding package on community pharmacy, despite PSNC having unanimously rejected its proposal. Funding in 2016/17 was cut by £113 million, a reduction of 4% over the year, but leading to a squeeze of 12% for pharmacies in the last four months, from December 2016. The effect on any given contractor depended very much on their individual circumstances because of how the cut was implemented. In 2017/18, a further cut of £95 million was introduced, which will see funding levels from April 2017 drop by around 7.5% compared with funding before the December 2016 cut.

The average figure given above is well below the cuts affecting some pharmacies. Pharmacies with lower than average dispensing volumes in urban areas have been specifically targeted by the government's decision to reduce, and eventually phase out, Establishment Payments. Funding has also been allocated to provide for the Pharmacy Access Scheme, which supports pharmacies that are located more than a mile from the next nearest pharmacy. Additionally, funding was allocated for Quality Payments, further reducing the amount available to distribute in item payments, now called the Single Activity Fee (SAF).

All pharmacies will also see additional pressure on income from the reduction in Category M reimbursement prices needed to redress an over-delivery of margin income last year.

PSNC took legal action to challenge the process leading to the decision to impose the funding cuts, and has been granted leave to appeal. We will continue to challenge the government's action and to campaign for proper recognition of the value of the network of community pharmacies and investment in the sector.

Meanwhile we strongly advise contractors to analyse the impact on their finances of these unfairly applied cuts, so they can develop plans to deal with them. The changes to funding delivery are summarised below, with links to indicative tables, and we hope using this material will help contractors understand and plan for this extremely difficult situation.

The changes introduced to bring about this funding reduction were as follows.

Change	Effective from	Description
Single Activity Fee (SAF) introduced	December 2016	The SAF incorporates and replaces the Professional Fee, Practice Payments, Repeat Dispensing Fee and EPS Monthly Allowances. Since April 2017 the SAF has been set at a level of £1.25 per item (it was £1.13 between December 2016 and March 2017). Visit <a href="http://psnc.org.uk/essentialpayments">psnc.org.uk/essentialpayments</a> for more information.

Establishment Payment reduction	December 2016	Pharmacies who dispense 2,500 prescription items or more in any month will continue to receive an Establishment Payment, but at a reduced level. There was a reduction of 20% from December, followed by a 40% reduction from April 2017. As part of this change, the facility to claim top-up payments was also removed. Visit <a href="https://psnc.org.uk/fundingchanges">psnc.org.uk/fundingchanges</a> for more information.
Pharmacy Access Scheme (PhAS) introduced	December 2016	The Department of Health states that PhAS aims to ensure that a baseline level of patient access to NHS community pharmacy services is protected. Community pharmacies who qualify for PhAS receive an additional monthly payment. The exact payment received is based on the funding the PhAS pharmacy received in 2015/16, minus an efficiency saving of 1% in 2016/17 and 3% in 2017/18. Visit <a href="https://psnc.org.uk/phas">psnc.org.uk/phas</a> for more information.
Quality Payments Scheme introduced	April 2017	This scheme makes payments to community pharmacies that meeting certain gateway and quality criteria. Payments will be made to eligible pharmacies depending on how many quality criteria they have met (or the number of 'points' earned). Each pharmacy can achieve a maximum of 100 points, with the value of each set at £64 – meaning a maximum of £6,400 could be payable across the year.
NHS Urgent Medicine Supply Advanced Service (NUMSAS) introduced	Phased introduction from December 2016	A national pilot of a community pharmacy Urgent Medicine Supply Service in which patients who contact NHS 111 requesting access to urgently required repeat medicines are routinely referred to community pharmacy. Fees paid for each NHS 111 referral made include a consultation fee of £10 and an administration fee of £2.50. Where a medicine or appliance has been supplied following the consultation, a supply fee of £1.50 will be made for the first item and an additional £0.50 will be paid for each additional item supplied. The cost of medicines or appliances supplied under the service will be reimbursed under the usual Drug Tariff rules and an allowance at the applicable VAT rate will also be paid. This is an Advanced service.

## The impact on your pharmacy

Since these cuts came into effect contractors have been concerned about the drop in their payments, but the changes seen in payments present a complicated picture made up of many elements, not just the new funding package. Other funding mechanisms are also occurring alongside the cuts, such as the usual ongoing margin recovery by the Department of Health and fluctuations due to the timing of payments, and these plus falling manufacturer prices have put added pressure on pharmacies.

Last year, PSNC's Funding Team supported contractors in preparing for the impact on their income by creating indicative income tables. These tables show the payments an 'average' pharmacy could expect to receive for Essential Services provided under the Community Pharmacy Contractual Framework. The figures, updated following the rise of SAF to £1.25 per item from 1st April 2017, are outlined in relation to dispensing volume.

Find PSNC's Indicative Income Tables at: [psnc.org.uk/incometables](https://psnc.org.uk/incometables)

We also created a calculator which allows contractors to view easily an estimated income simply by entering the number of items dispensed per month. This includes Quality Payments and an option for those eligible for the Pharmacy Access Scheme, as well as a separate tab showing the indicative income tables for any comparisons contractors wish to make themselves.

Find PSNC's Indicative Income Calculator at: [psnc.org.uk/incometables](https://psnc.org.uk/incometables)

Please note, payments between pharmacies of the same dispensing volume may differ due to factors such as dispensing mix and additional fees such as fees for controlled drugs and expensive items.

### **Category M changes**

Unfortunately, the start of August has seen Category M reimbursement prices reduced by £15m per month for a 12-month period. These reductions were implemented to correct overpayments of retained margin for both 2015/16 and 2016/17 but have come at a difficult time for pharmacies.

The £15m per month reduction will represent a drop of around 17-18 pence per item in average item value from current Drug Tariff prices, although the impact on any individual pharmacy may differ from this according to its dispensing mix.

Following this latest funding announcement, PSNC's Funding Team has produced an updated cashflow calculator which contractors may use to estimate the impact of the reductions on their cashflow.

Find PSNC's Cashflow Calculator at: [psnc.org.uk/incometables](https://psnc.org.uk/incometables)

### **Navigating your Schedule of Payments**

The advance and recovery payment mechanism operated by the Pricing Authority means the effect of all these elements is hard to unpick, plus the impact on an individual pharmacy depends on its prescription volume and dispensing mix (i.e. the combination of medicines its patients are being prescribed). This means that understanding where to find relevant information on your Schedule of Payments has never been more important.

The FP34 Schedule of Payments is a document which provides contractors with a breakdown of reimbursement for drugs and appliances provided against NHS prescriptions as well as the fees paid for dispensing these items and providing related services. The FP34 is split into the following sections:

- **Summary of payment amounts** – contains a short summary of details included in the FP34 plus the calculation of your payment for the month.
- **Drug and appliance costs** – reimbursement for medicines and appliances, including discount deduction, out of pocket expense claims and payment for containers and consumables.
- **Prescription fees** – number of Single Activity Fees plus any additional fees, including unlicensed medicines and controlled drug fees, Establishment Payment and Advanced Service payments.
- **Charges** – total of NHS prescription charges levied, including details of FP57 refunds.
- **Details of local amounts authorised by area team** – payments authorised by your local NHS England team, usually relating to locally commissioned services and pre-registration training grants.
- **Details of other amounts authorised** – any payments not included in the above, such as those relating to the Pharmacy Access Scheme and the Flu Vaccination Service.
- **Prescription data** – number of prescription forms and items plus details of the numbers (not fees) relating to Advanced Service consultations undertaken.
- **Items transferred between exempt and chargeable groups** – number of prescriptions which have been switched.
- **Summary of expensive items** – items which have a basic price equal to or more than £100, but not taking into account any adjustments for broken bulk.

## Useful payment information

Fee	Where to find it on your FP34
Single Activity Fees	Under the 'Prescription fees' section, labelled as 'Activity payment'.
Establishment Payment	Under the 'Prescription fees' section, labelled as 'Establishment payment'.
Quality Payment*	Under the 'Details of other amounts authorised' section, labelled as 'Quality Payment'.
Pharmacy Access Scheme Payment**	Under the 'Details of other amounts authorised' section, labelled as 'Pharmacy Access Scheme Payment'.
Payments relating to the NHS Urgent Medicine Supply Advanced Service	Under the 'Details of other amounts authorised' section, labelled as 'Urgent Medicine Reimbursement Payment' and 'Urgent Medicine Remuneration Payment'.
Payments relating to the Flu Vaccination Service	Under the 'Details of other amounts authorised' section, labelled as 'Flu Reimbursement Payment' and 'Flu Remuneration Payment'.

\*Note, 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 beginning of July and payment from November will be paid at the beginning of February. There will also potentially be a further 'reconciliation payment' made with the final payment for March 2018 (due early June 2017), if there is money remaining from the pot of £75 million available for the scheme in 2017/18.

\*\*In May 2017, the Department of Health announced that some contractors would receive corrected payments due to them under the scheme. An adjustment payment will be made to any contractor who was underpaid in the three months before March 2017 (further details are available from [psnc.org.uk/phas](http://psnc.org.uk/phas)). This payment will appear in the same section as your regular PhAS payment, but will be labelled as 'Pharmacy Access Scheme Adjustment'.

## The timing of your payments

Contractors should also take the time to consider how the timing of their payments may affect their cashflow.

Using the example of the dispensing month of June; prescription forms for items dispensed in June must be submitted to the Pricing Authority for pricing before the 5th of the following month (i.e. July). The pharmacy will then receive an advance payment in early August, which is an estimated 100% of the total payment due calculated based on May's average item value (AIV)\* with a deduction for the value of prescription charges retained by the contractor as declared on the June FP34c submission document.

**Advance payment = declared item figures for the month x AIV for previous month**

Once the prescriptions have been processed and total payment calculated by the Pricing Authority, the advance is recovered and balance settled by the third month following the month of dispensing (i.e. the June 2017 advance payment will be recovered with a balancing payment made in early September 2017). Contractors can find their advance payment under the 'Summary of payment amounts' section, labelled as 'Payment on account for'.

\* The AIV is calculated using the total of drug and appliance costs plus dispensing fees, less the value of MUR, NMS and AURs, divided by the total number of fees paid.

As a range of factors can affect a pharmacy's AIV – including changes to fees – the changes to how pharmacies are funded which took effect from 1st December 2016 may have impacted on pharmacies' cashflow at times different to those than contractors had expected.

**Appendix 1** summarises how and when the funding changes will have an impact on your pharmacy's cashflow.

## Reconciling your payments

Fee	How to check your payment
Quality Payment	After submitting the Quality Payment declaration in April and November (by completing the online form via <a href="http://www.nhsbsa.nhs.uk/QualityPaymentscheme">www.nhsbsa.nhs.uk/QualityPaymentscheme</a> during the allotted declaration periods), you will receive an email confirming that it has been successfully submitted and containing the details that have been declared. This email will show how contractors have responded to each of the gateway and quality criteria so can be used to compare with the amount shown in the Schedule of Payments.
Payments relating to the NHS Urgent Medicine Supply Advanced Service	It is recommended that contractors keep a copy of their monthly claim forms (available via <a href="http://psnc.org.uk/numsas">psnc.org.uk/numsas</a> ) so these can be used to compare with the amount shown in the Schedule of Payments.
Payments relating to the Flu Vaccination Service	It is recommended that contractors keep a copy of their monthly claim forms (available via <a href="http://psnc.org.uk/flu">psnc.org.uk/flu</a> ) so these can be used to compare with the amount shown in the Schedule of Payments.

### Find out more

For more information on the funding changes which came into effect on 1st December 2016, please visit: [psnc.org.uk/fundingchanges](http://psnc.org.uk/fundingchanges)

For more information on how payments are calculated, please visit: [psnc.org.uk/schedule](http://psnc.org.uk/schedule)

If you have queries on this PSNC Briefing or you require more information please contact [Jack Cresswell, Funding Delivery Manager](#).