2005 Consultation Document

Arrangements for the Provision of Dressings, Incontinence Appliances, Stoma Appliances, Chemical Reagents and Other Appliances to Primary and Secondary Care

Published: 24 October 2005
Closing: 23 January 2006

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1 Executive Summary

1.1.1. The Department of Health (the Department) spends more than [1]£631m per annum on the provision of medical consumable items to primary and secondary care. In particular, the items addressed by this consultation are the dressings, incontinence appliances, stoma appliances, chemical reagents and other appliances listed in part IX of the [2]Drug Tariff and related items in secondary care.

1.1.2. In primary care, the items are prescribed by GPs and dispensed to the patient through contractors such as pharmacy contractors and appliance contractors.

1.1.3. Items are provided by manufacturers and wholesalers to the contractors. Services to patients in primary care, such as telephone assistance, home visits and product customisation are provided mainly through appliance contractors and funded through the reimbursement of items.

1.1.4. In addition to services, some manufacturers, and in particular those that are vertically integrated, sponsor nursing posts and patient groups.

1.1.5. The arrangements for the payments of these items and services have remained largely unchanged for 20 years and need review. Significant differences between market prices for these items and item prices within primary care exist. Further, there is a lack of transparency in the type, quality and value of additional services offered to patients in primary care and supporting the dispensing of these items.

1.1.6. The Department is consulting on changes to the arrangements for the items and services in primary and secondary care set out above and wishes to:

- Maintain, and where applicable improve, the current quality of care to patients;
- Secure value for money for the NHS;
- Ensure equitable payment for equivalent services and transparent reimbursement pricing;
- Work in partnership to deliver fair prices for the NHS and reasonable returns for suppliers and contractors;
- Facilitate the introduction of innovative solutions;
- Maintain local choice in the provision of services; and
- Keep administration arrangements to the necessary minimum.

1.1.7. In addition to a revised payment structure for items and services, the Department wishes to develop a code of practice for suppliers in partnership with

1 *Net Ingredient Cost (NIC) prior to deductions, but before appliance contractor uplifts and other adjustments.*

2 *The Drug Tariff is the tariff, operated by the Prescription Pricing Authority (PPA), which outlines what will be paid to contractors for primary care services provided.*

patient groups, suppliers and contractors of items and services. This would tackle the key topics including patient service specification, sponsorship of nurses and patient groups and the direct marketing of items to patients.

1.1.8. The Department is proposing a two stage approach to implementing new arrangements. Stage 1 would implement changes to the current primary care arrangements. Stage 2 would move directly to discuss and implement an option or mix of options to achieve optimum item and service arrangements.

1.1.9. For stage 1 the Department would adjust item reimbursement prices to reflect market prices more closely and would also remunerate appliance contractors at, or near to, the current basis for pharmacy contractors.

1.1.10. For stage 2, in primary care, the Department shows three options for setting item reimbursement. These options would be run in conjunction with a tendering programme for secondary care. The options are:

- Set reimbursement prices by:
  - Tender for primary and secondary care (option 1);
  - Restructuring the current primary care reference pricing system and set secondary care prices by tender (option 2); or,
  - Reference to the underlying costs and secondary care prices by tender (option 3).

1.1.11. For stage 2, one option is shown for services (option 4), to establish remuneration rates for specific services in primary care. Contractors would provide a dispensing service and would opt to provide additional pharmaceutical services for which they would receive a higher level of remuneration.

1.1.12. During 2003, the Department held a consultation on the arrangements for appliance contractors. The 2003 consultation was not concluded owing to a need for further analysis. This consultation addresses many of the same issues but is wider than the original consultation; it covers primary and secondary care and all items in part IX and related items in secondary care.

1.1.13. The Department requests comments on: the development of a code of practice (Section 4); the options presented above for stages 1 and 2 (Sections 5-7); the trends in service provision (Section 8); and the latest position on the sponsorship of nursing posts (Section 8).

1.1.14. A proforma for responses is included on the Department's website at **www.dh.gov.uk\liveconsultations**

1.1.15. Comments and other responses must reach the Department of Health by 5pm on Monday, 23 January 2006 at either the dedicated email or postal address.

2 Purpose of the Consultation

2.1.1. This consultation is seeking comments on options that the Department of Health is considering for changes to arrangements for the provision of dressings,

incontinence appliances, stoma appliances, chemical reagents and other appliances to primary and secondary care.

2.1.2. The scope of this consultation is:

- All items in primary care contained within part IX of the Drug Tariff set out by the Prescription Pricing Authority. These being: dressings, bandages and certain other appliances; incontinence appliances; stoma appliances; and chemical reagents. (Referred to as sections A, B, C and R respectively);
- Provision of services in respect of the part IX items;
- Supply of related items in secondary care;
- Supplies and contractors of part IX items and services; and
- The NHS in England.

2.1.3. For ease of understanding, the items and services in primary care and related items in secondary care are called “items” and “services” in the remainder of this document.

2.1.4. The Department’s key objectives are to:

- Maintain, and where applicable improve, the current quality of care to patients;
- Secure value for money for the NHS;
- Ensure equitable payment for equivalent services and transparent reimbursement pricing;
- Work in partnership to deliver fair prices for the NHS and reasonable returns for suppliers and contractors;
- Facilitate the introduction of innovative solutions;
- Maintain local choice in the provision of services; and
- Keep administration arrangements to the necessary minimum.

3 Background

3.1.1. The Gershon Efficiency Review - *Releasing Resources for the Frontline: Independent review of Public Sector Efficiency; HMT* July 2004 said that there is a need to ensure that all Government procurement is as efficient and effective as possible.

3.1.2. Therefore the Department of Health needs to ensure greater transparency and best value for money across all services and products that are purchased. By this means we can ensure that the greatest percentage of available funds can be released to frontline delivery and ultimately patient care.

3.1.3. The NHS spends in excess of £631m per annum on items and services for dressings, incontinence appliances, stoma appliances, chemical reagents and other appliances in primary and secondary care. Spend in primary care represents [3]£542m per annum. The estimated spend on these items in secondary care is at least £89m per annum.

3.1.4. There are in 8,400 different items from 209 different suppliers covering five main groups: dressings, incontinence appliances, stoma appliances, chemical reagents and other appliances. These groups cover a broad range, from new and innovative items to older commodity-like items.

3.1.5. In primary care, these items and services are typically dispensed to patients with a prescription by appliance contractors and pharmacy contractors. Occasionally, these items are dispensed by dispensing doctors or personally administered by doctors. Patients may also receive items through the post or from specialist nurses treating them.

3.1.6. To provide NHS services, an appliance contractor has to be included on a PCT's pharmaceutical list (and additionally provide certain declarations concerning their fitness to practise). The NHS Act 1977 and the NHS (Pharmaceutical Services) Regulations 2005 as amended govern whether or not a new contractor can be admitted to the PCT's list. Known as "control of entry", further information about this system is available on the Department's website at **http://www.dh.gov.uk/PolicyAndGuidance/MedicinesPharmacyAndIndustry/fs/en**

3.1.7. Some contractors provide additional services to patients which includes providing advice, home visits, and item customisation. Some contractors sponsor nursing posts in primary and secondary care.

3.1.8. In 2004, around 24 million prescription items were dispensed with around 3 million dispensed by appliance contractors and the remainder largely dispensed by pharmacy contractors.

3.1.9. Figure 1 describes the main routes for items and services reaching patients.

[3] *Net Ingredient Cost (NIC) prior to deductions, but before appliance contractor uplifts and other adjustments.*

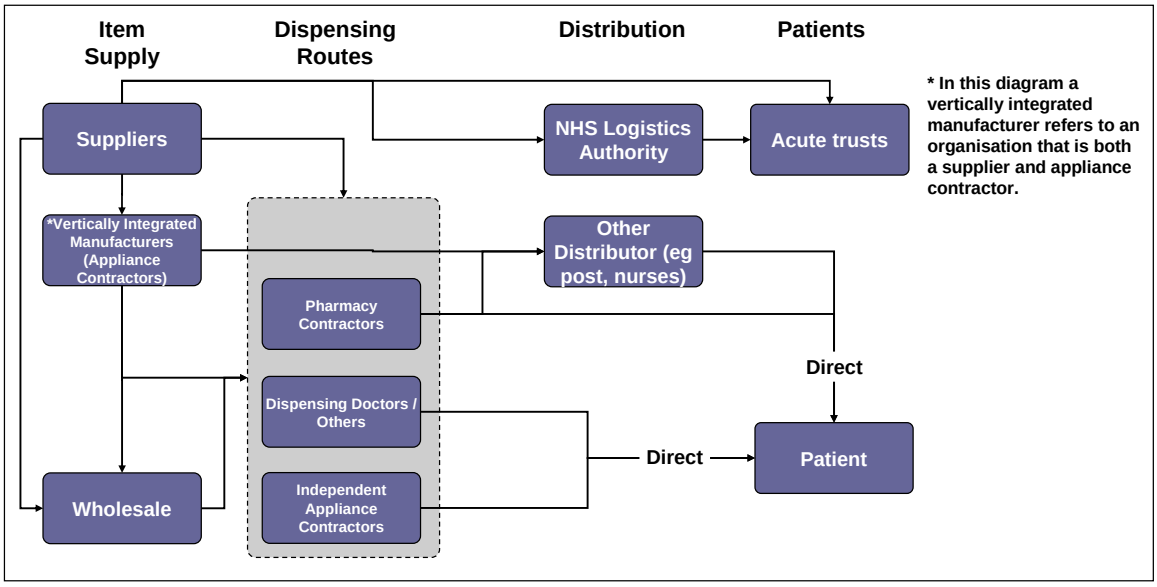

Figure 1: How items and services are delivered (simplified)

3.1.10. [4]There are 146 appliance contractors, 9,759 pharmacy contractors and around 1,200 dispensing doctors who were actively dispensing items and services in England in 2004.

3.1.11. Contractors and dispensing doctors procure items either directly from the manufacturer or from wholesalers. Some of these manufacturers of items are also approved contractors. Wholesalers supply mainly pharmacy contractors and dispensing doctors. Suppliers, as defined in this document, refer to both item manufacturers and wholesalers.

3.1.12. In the secondary care, prices are generally set by [5]tendering. The largest single channel for these items in secondary care is through the NHS Logistics Authority.

3.1.13. Figure 2 shows spend on items in primary and secondary care.

[4] *Figures relate to 2003-04 from the published Statistical Bulletin – General Pharmaceutical Services in England and Wales for pharmacy contractors and appliance contractors. Figures for appliance contractors are those who dispensed during 2003-04.*

[5] *The tendering approach normally involves a number of steps, including the publishing of a notice that a commercial process is about to start, a short-listing process of those expressing an interest, and an offer stage. Negotiation is typically not involved for products but it is for services. Suppliers are asked to provide prices for equivalent items meeting a certain specification. Suppliers are typically awarded based on a 'most economically advantageous' basis. Tenders are usually not decided solely on the lowest price bid, a basket of criteria are used to select suppliers. These typically include quality of service and price.*

Spend in Dressings, Incontinence Appliances, Stoma Appliances, Chemical Reagents and Other Appliances to Primary and Secondary Care Exceeds £631m

Category	Dressings / Bandages & Other Appliances	Incontinence Appliances	Stoma Appliances	* Chemical Reagents	Total
Pharmacy Contractor	208	23	29	131	389
Appliance Contractor	35	12	105	-	153
Secondary Care Sector spend	74	14	1	-	89
Total	316	49	135	131	631

*Figure 2: [6]Spend on items. *Chemical reagents are understood to be supplied through pharmacy contractors.*

3.2. CURRENT PAYMENT ARRANGEMENTS FOR ITEMS AND SERVICES

3.2.1. The payment system for items and services has been unchanged for almost 20 years.

3.2.2. Payments are made to contractors by the Prescription Pricing Authority based on an item's reimbursement price in the Drug Tariff. Table 1 summarises the formula for calculating these payments.

Adjustment to [7]Net Ingredient Cost	Appliance Contractor	Pharmacy Contractors and Dispensing Doctors
On cost	Typically 16-25% and averaging at 18%	Not Applicable
Deductions	Not Applicable	6-12.5%; typically around 10%
Other Payments and Allowances	Additional fees listed in the Drug Tariff part IIIb	Container allowance and fees listed in the Drug Tariff part IIIa

Table 1 - Summary of payment structures for appliance and pharmacy contractors

- Pharmacy contractors are paid the Tariff amount less a discount clawback (typically around 10%). The clawback depends on the total number of prescriptions dispensed and relates to the discount available to the pharmacy contractor from suppliers. Further allowances and adjustments are made in certain cases.
- Appliance contractors are not subject to the discount clawback. They are paid an uplift of 16-25% on Net Ingredient Cost, to cover funding of

[6] *Source: PPA 2004 data.*

[7] *Net Ingredient Cost refers to the cost of drugs before discount and does not include any dispensing costs or fees*

services such as home delivery. Further allowances / adjustments are made in certain cases. For services, the fees paid to appliance contractors were estimated to be £28m in 2004.

3.2.3. As a consequence of these payment structures, appliance contractors are generally paid more than pharmacy contractors for dispensing the same item. [8]This difference increases as items become more expensive.

3.2.4. About 70% of pharmacy contractors are paid up to £600 per week for dispensing items and recovery of their costs. This typically represents less than 5.3% of their total payments from the Prescription Pricing Authority.

3.2.5. Within the secondary care payments are made directly to suppliers by trusts or through the NHS Logistics Authority.

3.2.6. Prices in secondary care are consistently lower than in primary care, in many cases by a large amount. These differences are in part explained by commercial decisions of suppliers as to where to make best returns but also because the competitive nature of secondary care limits scope for high margins.

3.2.7. In secondary care many suppliers also issue free or below cost items to hospitals. The current value of these items is estimated at £6m per annum. Such provision could unduly influence prescribing patterns in primary care.

4 Implementation Approach

4.1.1. Subject to the responses to the consultation, the Department proposes a two stage process would be used:

- Stage 1: In the short term, and after the conclusion of the consultation, implement changes to the current primary care arrangements for items and services.
- Stage 2: Move directly to discuss and implement one or more long term options to achieve optimum item and service arrangements.

4.1.2. In addition to a revised payment structure for items and services, the Department wishes to develop a code of practice for suppliers in partnership with patient groups, suppliers and contractors of items and services.

5 Development of a Code of Practice

5.1.1. Outside of the general Terms of Service outlined in the Pharmaceutical Service Regulations for contractors, no codes of practice or standards exist for

8 *There are reports that this sometimes results in prescriptions being passed on to appliance contractors by pharmacy contractors for submission to the Prescription Pricing Authority. The subsequent payment is then divided between the two parties; so called "agency arrangements". The Department of Health is also aware of instances where appliance contractors have advertised such arrangements openly on websites.*

suppliers or contractors providing these items and services to the NHS. The Department wishes to develop a code of practice for suppliers in partnership with patient groups, suppliers and contractors of items and services. Topics to address in the code include:

- Definition and specification of high quality, patient centred services including home visits and home delivery;
- The sponsorship of patient groups by suppliers;
- Marketing and "selling" of items directly to patients;
- Responsibilities of nurses sponsored by appliance contractors;
- The provision of "free" or below cost items to the secondary care which may lead to the same item being prescribed in primary care. This practice may unduly influence prescribing in primary care.
- Cessation or regularisation of "agency arrangements".

5.1.2. Where appropriate, similar provisions would be included in the Pharmaceutical Service Regulations for contractors.

5.1.3. **We welcome your comments on this proposal**.

6 Stage 1: Short Term Arrangements for Primary Care

6.1.1. The Department is considering the following two options for the implementation of stage 1.

(i) The adjustment of item reimbursement prices to reflect market prices more closely

6.1.2. Recognising the price differential between primary care and secondary care, average reimbursement prices paid to contractors would be reduced as follows:

- Dressings (including other appliances) by 5%;
- Incontinence appliances by 15%;
- Stoma appliances by 15%; and
- Chemical reagents by 15%.

Whilst these are average reductions, changes for specific classes of items within these categories would vary.

6.1.3. After these reductions have been implemented reimbursement prices would still stand at a premium to market prices.

(ii) Remunerate appliance contractors on a similar basis as pharmacy contractors

6.1.4. We would remunerate appliance contractors at or near to the current basis for pharmacy contractors. Currently appliance contractors receive an average uplift of 18% on NIC compared to an average discount of 10% for pharmacy contractors.

6.1.5. Discount clawback would apply to the reimbursement of all items.

6.1.6. The Department would also be prepared to consider a combination of the options for different categories of items.

6.1.7. **Your views are requested on the options for stage 1**.

7 Stage 2: Implementation of Long Term Options for Primary and Secondary Care

7.1.1. The following section sets out the options for stage 2 to create long term arrangements for establishing reimbursement prices for items and services in primary care and prices in secondary care.

7.1.2. For primary care, the Department sets out below three options for setting item reimbursement prices. These options run in conjunction with a [9]tendering programme for the secondary care. For services one option is shown which establishes different payment approaches for specific pharmaceutical services in primary care.

7.1.3. The options for primary care are:

- Set item reimbursement prices by:
  - Tender (option 1);
  - amending the current primary care item reference pricing system (option 2); or
  - reference to underlying cost of manufacture and distribution (option 3).
- Establish service remuneration rates for specific services (option 4).
- Do nothing (option 5).

7.1.4. The Department would be prepared to consider a mixture of the options if consultees considered this to be appropriate.

[9] *The tendering approach normally involves a number of steps, including the publishing of a notice that a commercial process is about to start, a short-listing process of those expressing an interest, and an offer stage. Negotiation is typically not involved for products but it is for services. Suppliers are asked to provide prices for equivalent items meeting a certain specification. Suppliers are typically awarded based on a 'most economically advantageous' basis. Tenders are usually not decided solely on the lowest price bid, a basket of criteria are used to select suppliers. These typically include quality of service and price.*

7.2. OPTION 1: SET ITEM REIMBURSEMENT PRICES IN PRIMARY AND SECONDARY CARE BY TENDER

7.2.1. A fair and transparent reimbursement price for the items would be established through tendering of combined primary and secondary care volumes. Item prices would be set through a series of tenders using the relevant European public procurement process. These tenders would be in classes of similar items (for instance absorbent cotton BP1988 would be in one class whilst cavity dressings would be in another).

7.2.2. The tenders would be structured so bids would be made against the following delivery points (see figure 3):

- For primary care: pharmacy contractors, dispensing doctors and independent appliance contractors;
- For secondary care: acute care trusts or the NHS Logistics Authority.

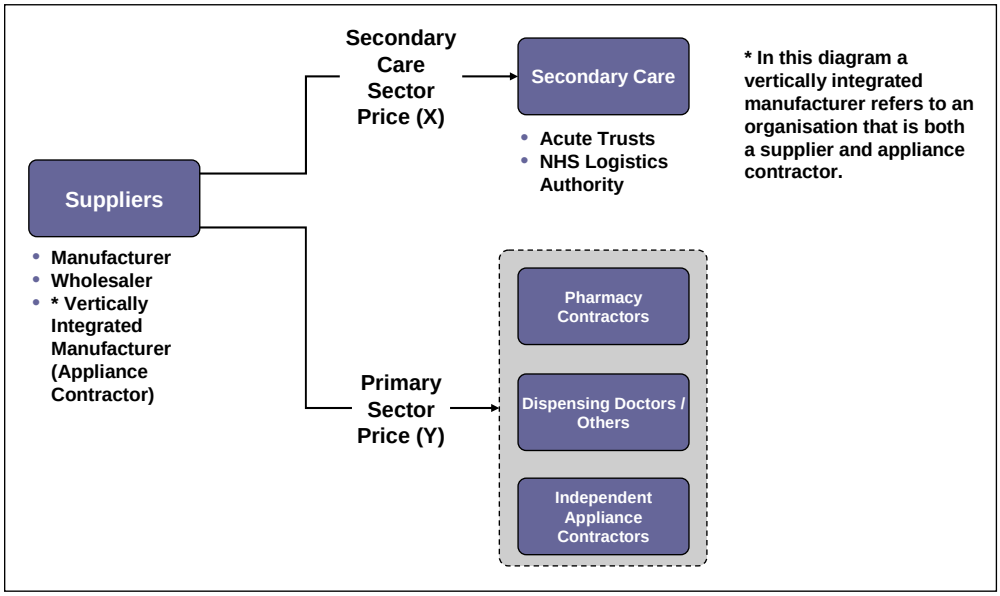

Figure 3 - Price structure for bids

7.2.3. For any one item, suppliers would be expected to tender a price for primary care and a price for secondary care. Where appropriate suppliers prices would allow for item customisation for patients.

7.2.4. Framework agreements would be awarded based on a basket of criteria including the quality of supply (eg responsiveness, punctuality and availability) and value for money. A description of the public procurement process can be accessed on the EU website at '**http://simap.eu.int/**'.

7.2.5. For items which are functionally equivalent (eg swabs) the supplier making the best offer would be nominated as the "preferred supplier" for that item class. The items of other suppliers would be listed in the Drug Tariff, but would only be reimbursed at the preferred supplier's agreed price.

7.2.6. For items which are specialised, the supplier making the best offer would be nominated as the "preferred supplier" for that item. Other supplier's items would be listed in the Drug Tariff, but would only be reimbursed at the price agreed with the preferred supplier. Preferred suppliers would be highlighted in the Drug Tariff and the Logistics on Line catalogues. GPs and nurses would be educated in the significance of using preferred suppliers.

7.2.7. Where contractors feel they can improve on prices, they could enter into separate agreements with suppliers.

7.2.8. A discount scale based on contractors' net ingredient cost (NIC) would be applied to contractors' reimbursement.

7.2.9. It is likely that the tenders would be run in phases; classes within stoma and continence care phased before those of dressings and other appliances and chemical reagents.

7.2.10. As now, the current "reference" pricing approach would be used to set the price of new items. There would be periodic comprehensive tenders for all items by NHS PASA and reimbursement prices revised as appropriate.

7.2.11. There would be no change for arrangements in secondary care.

7.2.12. **The Department requests comments on this option**.

7.3. OPTION 2: SET ITEM REIMBURSEMENT PRICES BY RESTRUCTURING THE CURRENT PRIMARY CARE REFERENCE PRICING SYSTEM AND SET SECONDARY CARE PRICES BY TENDER

7.3.1. A review of the current reference pricing system (Drug Tariff) would be undertaken by specialists to identify items which are functionally equivalent. For instance, all dressings from all suppliers which have a similar feature such as dimension and clinical performance. Item reimbursement prices for the provision of items would be reset on the basis of this review. Item reimbursement prices would be related to those in the secondary care, taking into account the different costs in primary care and a fair return to suppliers.

7.3.2. Items for the secondary care would be re-tendered through normal public procurement rules by NHS PASA with stoma and continence care phased before dressings and reagents.

7.3.3. A discount scale based on contractors' net ingredient cost (NIC) would be applied to contractors' reimbursement.

7.3.4. As now, the current "reference" pricing approach would be used to set the price of new items.

7.3.5. **The Department requests comments on this option**.

7.4. OPTION 3: SET ITEM REIMBURSEMENT PRICES IN PRIMARY CARE BY REFERENCE TO THE UNDERLYING COSTS AND SECONDARY CARE PRICES BY TENDER

7.4.1. Reimbursement prices for primary care would be established based on the underlying costs of items. This would require a transparent understanding of the cost of sales and distribution with suppliers both wholesalers and manufacturers. A margin would then be agreed to provide a fair return to the suppliers.

7.4.2. A discount scale based on contractors' net ingredient cost (NIC) would be applied to contractors' reimbursement. The level of discount applied would reflect the more accurate understanding of underlying costs and economies of scale.

7.4.3. This option may be applicable to all items or more appropriate for specific classes of items for primary care.

7.4.4. The Department would work in partnership with relevant suppliers to develop the cost formula to be used as a basis for setting prices and agree a fair margin. The formula would analyse the items in high demand, representing the majority of spend. Approaches for allocation or apportioning of variable costs, fixed costs and return would be negotiated.

7.4.5. Once costs and margins for the items are agreed, rates for the other items would be set based on current reimbursement differentials in the Tariff.

7.4.6. The Tariff would be reviewed periodically or when underlying costs change.

7.4.7. The mechanism for future re-establishment of reimbursement prices in primary care would involve periodic submissions of input costs for items from suppliers, broken into constituent cost elements.

7.4.8. For this to be a viable option, we would need an agreement with the main suppliers to provide the information to operate the system.

7.4.9. Prices in secondary care would be set by tender.

7.4.10. **The Department requests your comments on this option**.

7.5. OPTION 4: ESTABLISH SERVICE REMUNERATION RATES FOR SPECIFIC SERVICES IN PRIMARY CARE

7.5.1. Transparency and consistency of care would be improved by developing an agreed definition of services provided to a patient and associated fees.

7.5.2. All contractors will provide a dispensing service and will be paid a dispensing fee, as now. Contractors will also be able to opt to provide additional pharmaceutical services. These would be specified and incorporated in the terms of service. They could be paid either by a lump sum or through a higher level of dispensing fee.

7.5.3. The Department believes that delivery to the patient's home is best provided as a result of market competition rather than remunerated.

7.5.4. **The Department requests your comments on this option.**

7.6. Option 5: to do nothing

7.6.1. This option would assume that no changes were made to progress toward the achievement of the objectives set out in Section 3. The consequences of this are:

- Quality of care to the patient would not be improved;
- It would fail to bring prices close to market rates;
- It would fail to address the potential difficulties arising from nurse funding arrangements; and
- It would prevent the extension of local choice to the provision of the services.

8 Further Issues for Consultation

8.1. Service Trends

8.1.1. In the 2003 consultation and subsequently, the Department received reports on the demand for services and resources required. **The Department seeks updated responses on the type, patient demand and typical resources required for the provision of services**. These are summarised in table 2.

Service Type	Patient Demand
Home Delivery	High
Home Visits	Low
Item customisation such as flange cutting	High proportion of patients.
Phone Assistance by Contractors	Very low for routine clinical aspects. High for ordering advice aspects.
Supply of Accessories (eg wipes with stoma bags)	High

Table 2: Service profile.

8.2. Sponsorship of Nurses

8.2.1. The Department recognised in the previous consultation the importance to patients of specialist nurses and a need to preserve their services. The Department has various reports on the scale of the activity and we need to verify this. We are seeking input on the latest position on sponsorship of nursing posts. **We would welcome information including**:

- Numbers of sponsored nursing posts (eg Stoma Nurses) currently provided;
- Annual value of sponsorship to trusts; and
- Views on the implications of removing the sponsorship of nursing posts.

8.3. TENDER AND SUPPLY ITEMS TO PATIENTS WITHOUT THE USE OF A PRESCRIPTION (FP10)

8.3.1. The department has considered an option to supply items to patients without the use of a prescription. Whilst this option has the advantages of allowing substantial local decision making, it would require amending GP's Terms of Service and establishing arrangements for supply chains for each PCT. Therefore the Department is not minded to pursue the option at this time.

9 The Consultation Process and Subsequent Steps

9.1. INTERESTED PARTIES

9.1.1. The Department is consulting with a wide range of interested parties. A full list of those organisations who have been invited to contribute is contained in annex B, but the Department wishes to invite comment from anyone who feels they can contribute.

9.2. CONSULTATION CLARIFICATION AND RESPONSE

9.2.1. Responses to the consultation must reach the Department of Health by 5pm on Monday, 23 January 2006. Responses should clearly explain who the respondent is and - if applicable - who the respondent represents.

9.2.2. Copies of this paper - together with a proforma of the response document - can be found at **www.dh.gov.uk\liveconsultations**. A copy of the response document can also be found in annex E.

Responses should be sent to:

primaryandacute.part9@dh.gsi.gov.uk

or posted to:

Appliances Consultation
Department of Health
5th floor
New King's Beam House
22 Upper Ground
London
SE1 9BW

9.2.3. Questions, or points of clarification, should be sent to primaryandacute.part9@dh.gsi.gov.uk - a proforma for this purpose is available on the Department's website as part of this consultation. We will endeavour to resolve all queries in a timely fashion.

For general enquiries please contact Sue Crispin on 0118 9808 812

9.3. CONSULTATION PROCESS

Confidentiality Disclaimer

9.3.1. The information you send us may need to be passed to colleagues within the Department of Health, and/or published in a summary of responses to this consultation. We will assume that you are content for us to do this and, if you are replying by e-mail, that your consent overrides any confidentiality disclaimer that is generated by your organisation's IT system, unless you specifically include a request to the contrary in the main text of your submission to us.

Regulatory Impact Assessment

9.3.2. As part of modernising Government, the Department of Health is committed to better regulations and the removal of unnecessary ones. A Regulatory Impact Assessment (RIA) helps assess proposals for change and the impact of various options identified. A partial RIA is required as part of the consultation process and this can be found at annex A. The responses will contribute to the final RIA.

Cabinet Office Code of Practice on Consultations

9.3.3. This consultation is carried out in the context of the following criteria contained in the *Cabinet Office Code of Practice on Consultation*:

1. Consult widely throughout the process, allowing a minimum of 12 weeks for written consultation at least once during the development of the policy

2. Be clear about what your proposals are, who may be affected, what questions are being asked and the timescale for responses
3. Ensure that your consultation is clear, concise and widely accessible
4. Give feedback regarding the responses received and how the consultation process influenced the policy
5. Monitor your department's effectiveness at consultation, including through the use of a designated consultation co-ordinator
6. Ensure your consultation follows better regulation best practice, including carrying out a Regulatory Impact Assessment, if appropriate

9.3.4. Respondents are invited to comment on the extent to which the criteria have been adhered to and to suggest ways for further improving the consultation process. Comments or complaints about the consultation process should be directed to:

Consultations Co-ordinator
Department of Health
Skipton House
80 London Road
London
SE1 6LH

E-mail: **steve.wells@dh.gsi.gov.uk**

9.3.5. Comments should not be sent to this address. They should be sent to:

primaryandacute.part9@dh.gsi.gov.uk

or posted to:

Part IX Consultation
Department of Health
5th floor
New King's Beam House
22 Upper Ground
London
SE1 9BW

Annex A Partial Regulatory Impact Assessment (RIA)

A.1. Title of Proposal

A.1.1. Arrangements for the provision of products and related services for Dressings, Appliances, Incontinence Appliances, Stoma Appliances and Chemical Reagents to Primary and Secondary Care.

A.2. Purpose and intended effect

Objectives

A.2.1. The Department of Health (the Department) wishes to make changes to the arrangements in England for the supply of dressings, appliances, incontinence appliances, stoma appliances and chemical reagents and associated services in primary and secondary care. The objectives are to:

- Maintain, and where applicable improve, the current quality of care to patients;
- Secure value for money for the NHS;
- Ensure equitable payment for equivalent services and transparent reimbursement pricing;
- Work in partnership to deliver fair prices for the NHS and reasonable returns for suppliers and contractors;
- Facilitate the introduction of innovative solutions;
- Maintain local choice in the provision of services; and
- Keep administration arrangements to the necessary minimum.

A.2.2. The Department proposes to implement new arrangements during 2006 and 2007.

Background

A.2.3. The NHS spends in excess of £631m per annum on items and services for dressings, incontinence appliances, stoma appliances, chemical reagents and other appliances in primary and secondary care. Spend in primary care represents [10]£542m per annum. The estimated spend on these items in secondary care is at least £89m per annum.

[10] *Net Ingredient Cost (NIC) prior to deductions, but before appliance contractor uplifts and other adjustments.*

A.2.4. There are in 8,400 different items from 209 different suppliers in these five main groups covering a broad range, from new and innovative items to older commodity-like items.

A.2.5. In primary care, these items and services are typically dispensed to patients with a prescription by appliance contractors and pharmacy contractors. Occasionally, these items are dispensed by dispensing doctors or personally administered by doctors. Patients may also receive items through the post or from specialist nurses treating them.

A.2.6. To provide NHS services, an appliance contractor has to be included on a PCT's pharmaceutical list (and additionally provide certain declarations concerning their fitness to practise). The NHS Act 1977 and the NHS (Pharmaceutical Services) Regulations 2005 as amended govern whether or not a new contractor can be admitted to the PCT's list. Known as "control of entry", further information about this system is available on the Department's website at **http://www.dh.gov.uk/PolicyAndGuidance/MedicinesPharmacyAndIndustry/fs/en**

A.2.7. Some contractors provide additional services to patients which include providing advice, home visits, and item customisation. Some contractors sponsor nursing posts in primary and secondary care.

A.2.8. [11]There are 146 appliance contractors, 9,759 pharmacy contractors and around 1,200 dispensing doctors who were actively dispensing items and services in England in 2004.

A.2.9. Contractors and dispensing doctors procure items either directly from the manufacturer or from wholesalers. Some of these manufacturers of items are also approved contractors. Wholesalers supply mainly pharmacy contractors and dispensing doctors. Suppliers, as defined in this document, refer to both item manufacturers and wholesalers.

A.2.10. In secondary care, prices are generally set by [12]tendering. The largest single channel for these items in secondary care is through the NHS Logistics Authority.

A.2.11. The payment system for items and services has been unchanged for almost 20 years.

A.2.12. Payments are made to contractors by the Prescription Pricing Authority based on an item's reimbursement price in the Drug Tariff. In summary:

- Pharmacy contractors are paid the Tariff amount less a discount clawback (typically around 10%). The clawback depends on the total number of prescriptions dispensed and is relates to the discount available to the

11 *Figures relate to 2003-04 from the published Statistical Bulletin – General Pharmaceutical Services in England and Wales for pharmacy contractors and appliance contractors. Figures for appliance contractors are those who dispensed during 2003-04.*

12 *The tendering approach normally involves a number of steps, including the publishing of a notice that a commercial process is about to start, a short-listing process of those expressing an interest, and an offer stage. Negotiation is typically not involved for products but it is for services. Suppliers are asked to provide prices for equivalent items meeting a certain specification. Suppliers are typically awarded based on a 'most economically advantageous' basis. Tenders are usually not decided solely on the lowest price bid, a basket of criteria are used to select suppliers. These typically include quality of service and price.*

pharmacy contractor from the suppliers. Further allowances and adjustments are made in certain cases.

- Appliance contractors are not subject to the discount clawback. They are paid an uplift of 16-25% on [13]Net Ingredient Cost, to cover funding of services such as home delivery. As a consequence of these payment structures, appliance contractors are generally paid more than pharmacy contractors for dispensing the same item. Further allowances / adjustments are made in certain cases. For services, the fees paid to appliance contractors were estimated to be £28m in 2004.

A.2.13. Within secondary care payments are made directly to suppliers by trusts or through the NHS Logistics Authority.

A.2.14. Prices in secondary care are consistently lower than in primary care, in many cases by a large amount. These differences are in part explained by commercial decisions of suppliers as to where to make best returns but also because the competitive nature of secondary care limits scope for high margins.

A.2.15. In secondary care many suppliers also issue free or below cost items to hospitals. The current value of these items is estimated at £6m per annum. Such provision could unduly influence prescribing patterns in primary care.

Rationale for Government Regulation

A.2.16. There are no EU directives which necessitate this consultation.

A.2.17. The government currently regulates supply of these items and services in primary care in the Drug Tariff Terms of Service for Contractors.

A.2.18. If no change is made then the current system would continue and:

- Quality of care to the patient would not be improved; and
- It would fail to bring prices close to market rates.

A.3. CONSULTATION

Within Government

A.3.1. In preparing this document, the Department has consulted with the Prescription Pricing Authority, the NHS Purchasing and Supply Agency and the NHS Logistics Authority. Where appropriate, legal advice has been sought.

Public Consultation

A.3.2. The Department has identified all key stakeholders and a full list is contained within the consultation document. Appropriate mechanisms have been set up for these stakeholders to respond. In addition the Department will notify key stakeholders directly that the consultation is taking place. Where appropriate, meetings for the purpose of clarification will be held.

[13] *Net Ingredient Cost refers to the cost of drugs before discount and does not include any dispensing costs or fees*

A.4. OPTIONS

A.4.1. This partial RIA sets out the understanding of the Department of the impact on suppliers and dispensers of options dealing with treatment of items in part IX of the drug tariff, their associated services and the related items in secondary care. A full RIA will be developed following a review of responses to the consultation document (of which this document is part) to include decisions on options to progress.

Summary of Options

A.4.2. The Department is proposing a two stage approach to implementing the new arrangements.

A.4.3. The first stage would include interim adjustment to payments in primary care and the development of a code of practice for suppliers in partnership with patient groups, suppliers and contractors of items and services. This would tackle the key topics including patient service specification, sponsorship of nurses and patient groups and the direct marketing of items to patients.

A.4.4. For the second stage in primary care, the Department proposes three options. The options are to set reimbursement prices by:

- Tendering (option 1);
- Restructuring the current primary care reference pricing system (option 2); or
- Reference to the underlying costs (option 3).

A.4.5. There is also an option to establish service remuneration rates for specific services in primary care (option 4).

A.4.6. It is proposed to run a tendering programme for secondary care in conjunction with each of these options.

A.4.7. In addition to the above options, there is an option to “do nothing” (option 5).

Development of a Code of Practice

A.4.8. No codes of practice or standards exist for suppliers or contractors providing these items and services to the NHS outside of the general Terms of Service outlined in the Pharmaceutical Service Regulations for contractors. The Department wishes to develop a code of practice for suppliers in partnership with patient groups, suppliers and contractors of items and services. Topics to address in the code include:

- Definition and specification of high quality, patient centred services including home visits and home delivery;
- The sponsorship of patient groups and nursing posts by suppliers; and

- Marketing and “selling” of items directly to patients.

A.4.9. Where appropriate similar provisions would be included in the Pharmaceutical Service Regulations for contractors.

Stage 1: Short Term Arrangements for Primary Care

A.4.10. The Department is considering the following two options for the implementation of stage 1:

(i) The adjustment of item reimbursement prices to reflect market prices more closely

A.4.11. Recognising the price differential between primary care and secondary care, reimbursement prices paid to contractors would be reduced on average as follows:

- Dressings (including other appliances) by 5%;
- Incontinence appliances by 15%;
- Stoma appliances by 15%; and
- Chemical reagents by 15%.

Whilst these are average reductions, changes for specific classes of items within these categories would vary.

A.4.12. After these reductions, reimbursement prices would still stand at a premium to market prices.

(ii) Remunerate appliance contractors on a similar basis as pharmacy contractors

A.4.13. We would remunerate appliance contractors at or near to the current basis for pharmacy contractors. Currently appliance contractors receive an average uplift of 18% on NIC compared to an average discount of 10% for pharmacy contractors.

A.4.14. Discount clawback would apply to the reimbursement of all items.

A.4.15. The Department would also be prepared to consider a combination of the options for different categories of items.

Stage 2: Implementation of Long Term Options for Primary and Secondary Care

A.4.16. The following section sets out the five options for stage 2. The Department would be prepared to consider a mixture of these options if consultees considered this to be appropriate.

Option 1: Set item reimbursement prices in primary and secondary care by tender

A.4.17. Reimbursement prices for the items would be established through tendering of combined primary and secondary care volumes. Item prices would be set through a series of tenders using the relevant European public procurement process. These tenders would be in classes of similar items (eg absorbent cotton BP1988). The

tenders would be structured so bids would be made against the following delivery points:

- For primary care: pharmacy contractors, dispensing doctors and independent appliance contractors; and
- For secondary care: acute care trusts or the NHS Logistics Authority.

A.4.18. For any one item, suppliers would be expected to tender a price for primary care and a price for secondary care. Where appropriate suppliers prices would allow for item customisation for patients.

A.4.19. Framework agreements would be awarded based on a basket of criteria including the quality of supply (eg responsiveness, punctuality and availability) and value for money.

A.4.20. For items which are functionally equivalent (eg swabs) the supplier making the best offer would be nominated as the "preferred supplier" for that item class. The items of other suppliers would be listed in the Drug Tariff, but would only be reimbursed at the preferred supplier's agreed price.

A.4.21. For items which are specialised the supplier making the best offer would be nominated as the "preferred supplier" for that item. Other supplier's items would be listed in the Drug Tariff, but would only be reimbursed at the price agreed with the preferred supplier. Preferred suppliers would be highlighted in the Drug Tariff and the Logistics on Line catalogues. GPs and nurses would be educated in the significance of using preferred suppliers.

A.4.22. Where contractors feel they can improve on prices, they could enter into separate agreements with suppliers.

A.4.23. A discount scale based on contractors' net ingredient cost (NIC) would be applied to contractors' reimbursement.

A.4.24. As now, the current "reference" pricing approach would be used to set the price of new items. There would be periodic comprehensive tenders for all items by NHS PASA and reimbursement prices revised as appropriate.

A.4.25. There would be no change for arrangements in secondary care.

A.4.26. The risks of this option include that if payments reduce in primary care and pressure is put on supplier margins, then suppliers may seek to offset this through increasing prices in secondary care. Competitively tendering supply in secondary care provides mechanisms to limit this. This also applies to options 2, 3 and 4.

Option 2: Set item reimbursement prices by restructuring the current primary care reference pricing system and set secondary care prices by tender

A.4.27. A review of the current reference pricing system (Drug Tariff) would be undertaken by specialists to identify items which are functionally equivalent. For instance, all dressings from all suppliers which have a similar feature such as dimension and clinical performance. Item reimbursement prices for the provision of items would be reset on the basis of this review. Item reimbursement prices would be related to those in the secondary care, taking into account the different costs in primary care and a fair return to suppliers.

A.4.28. Items for secondary care would be re-tendered in phases through normal public procurement rules by NHS PASA

A.4.29. A discount scale based on contractors' net ingredient cost (NIC) would be applied to contractors' reimbursement.

A.4.30. As now, the current "reference" pricing approach would be used to set the price of new items.

Option 3: Set item reimbursement prices in primary care by reference to the underlying costs and secondary care prices by tender

A.4.31. Reimbursement prices for primary care would be established based on the underlying costs of items. This would require a transparent understanding of the cost of sales and distribution with both wholesalers and manufacturers. A margin would then be agreed to provide a fair return to the suppliers.

A.4.32. A discount scale based on contractors' net ingredient cost (NIC) would be applied to contractors' reimbursement. The level of discount applied would reflect the more accurate understanding of underlying costs and economies of scale.

A.4.33. This option may be applicable to all items or more appropriate for specific classes of items for primary care.

A.4.34. The Department would work in partnership with relevant suppliers to develop the cost formula to be used as a basis for setting prices and agree a fair margin. Approaches for allocation or apportioning of variable costs, fixed costs and return would be negotiated. Once costs and margins for the items are agreed, rates for the other items in similar sections would be set based on current reimbursement differentials in the Tariff.

A.4.35. The Tariff would be reviewed periodically or when underlying costs change.

A.4.36. For this to be a viable option, we would need an agreement with the main suppliers to provide the information to operate the system.

A.4.37. Prices in secondary care would be set by tender.

Option 4: Establish service remuneration rates for specific services in primary care

A.4.38. Transparency and consistency of care would be improved by developing an agreed definition of services provided to a patient and associated fees.

A.4.39. All contractors will provide a dispensing service and will be paid a dispensing fee, as now. Contractors will also be able to opt to provide additional pharmaceutical services for which they would receive a higher level of remuneration. These would be specified and incorporated in the terms of service. They could be paid either by a lump sum or through a higher level of dispensing fee.

A.4.40. The Department believes that delivery to the patient's home is best provided as a result of market competition rather than remunerated.

A.4.41. Risks of this option may include that future services may be provided by different nurses than patients currently know. Given that the patients concerned are a vulnerable group, any change in provider would need to be managed sensitively.

Option 5: To "do nothing"

A.4.42. This option would assume that no changes were made to progress toward the achievement of the objectives set out in section A.2.

A.5. COSTS AND BENEFITS

Sectors and groups affected

A.5.1. This will affect both primary and secondary care within the NHS. It will also affect dispensing contractors which includes both community pharmacies, appliance contractors. Manufacturers and wholesalers will also be affected.

A.5.2. The views of clinicians and patient groups will need to be considered.

A.5.3. There are no identified racial equality impacts.

Costs and benefits

A.5.4. The consultation paper has described a number of options for improving the quality of care to patients and value for money for the NHS.

A.5.5. Services provided to patients would be addressed directly through a code of practice (see A.4 Options and A.8 Enforcement, Monitoring and Sanctions) rather than by the current and more informal approach. The code of practice will regularise and improve practices such as sponsoring of nursing posts, direct marketing and free supply of items to trusts. This code will be negotiated with patient groups and suppliers and would be developed to minimise the burden on suppliers and contractors.

A.5.6. Other than “Do Nothing”, the options set out would reduce the overall cost of the provision of items in the NHS. Ingredient costs in primary care would move closer to market rates. Furthermore fees for associated services would come closer to their true cost of provision whilst allowing a fair return.

A.5.7. We will be seeking further information from industry and other interested parties on the potential benefits and cost implications of changes.

A.5.8. There are no identified social and environmental impacts.

A.6. IMPACT ON SMALL FIRMS

A.6.1. There are two groups of small businesses that are potentially affected by the proposals; suppliers and contractors.

A.6.2. We can see from PPA payment data to the contractors, that item payments are typically less than 5.3% of their tariff income. They would therefore be a correspondingly smaller part of their total income.

A.6.3. Small suppliers (indeed all suppliers) are equally affected by both the challenges and opportunities of these options.

A.6.4. The Department will consult fully with the relevant trade associations and small businesses as part of the public consultation. It was concluded that it was better to consult openly with all interested parties potentially affected by the proposals at the same time rather than to discuss the proposals just with small

businesses. This avoids the potential for misunderstanding and misinformation from businesses not consulted.

A.7. COMPETITION ASSESSMENT

A.7.1. The consultation relates to the supply of dressings, stoma products, continence care products and reagents to primary care and related items to secondary care.

A.7.2. In primary care, suppliers deliver items to contractors. Contractors provide items to patients. Suppliers also supply items to acute care directly or via nationally negotiated contracts within NHS PASA via NHS's logistics capability.

A.7.3. There is no significant market concentration in the contractor group. Amongst suppliers, in certain sub-categories, there are known suppliers with established market shares.

A.7.4. None of the options covered would change the market structurally.

A.7.5. The intention to develop a code of practice is not to impose widespread regulation on the market. The Department intends to agree a common standard for operating with contractors that represents best value and service. The Department does not anticipate that changes proposed in the code of practice will involve high cost, significant organisational change or barriers to competition.

A.7.6. The results indicated by the use of the competition filter indicate that there is no requirement to undertake a full competition assessment.

A.8. ENFORCEMENT, MONITORING AND SANCTIONS

A.8.1. Systems already exist within the PPA and NHS PASA to capture and monitor routine activity in primary and secondary care.

A.8.2. Enforcement approaches and sanctions are built into the contracts for supply to both primary and secondary care. In primary care, Terms of Service exist with contractors could be used to supplement the Code of Practice.

A.8.3. The negotiation of the planned Code of Practice will address the regulation, enforcement and sanctions relating to certain operating practices as described in section A.4.

A.8.4. The Department of Health will review the effects of any changes related to the options set out above. The PPA and NHS Logistics Authority data will be available to establish the pattern of change by area. The current benefits tracking process used in NHS PASA and data provided by the PPA would be used to track benefits.

A.9. CONTACT

A.9.1. Points of clarification or questions on this consultation can be sent to:

primaryandacute.part9@dh.gsi.gov.uk

Posted to:

Part IX Consultation
Department of Health
5th floor
New King's Beam House
22 Upper Ground
London
SE1 9BW

For general enquiries contact Sue Crispin on 0118 9808 812

Annex B List of Consulted Organisations

The following lists the organisations that have been consulted on this paper.

Stakeholder Group	Organisation
Department of Health and NHS organisations	• All Chief Executives • Procurement Board Leads • Collaborative Procurement Organisations • Monitor – Foundation Trusts • NHS Purchasing and Supply Agency • NHS Logistics Authority • Prescription Pricing Authority • Counter Fraud and Security Management Service • Health Industry Taskforce (HITF) • NHS Confederation
Other government	• Treasury • Department of Trade and Industry (DTI) • Devolved Administrations (Wales, NI, Scotland) • Office of the Deputy Prime Minister (ODPM) • Office of Fair Trading
Trade associations	• British Healthcare Trades Association • Association of British Healthcare Industries • Pharmaceutical Services Negotiating Committee • National Pharmacy Association • British Association of Pharmaceutical Wholesalers • British In-Vitro Diagnostics Association • Surgical Dressings Manufacturers Association
Physician and nursing associations	• General Practitioners Committee • Royal College of General Practitioners • Royal College of Nursing • Stoma Nurses Association • Tissue Viability Nurses Association • Infusion Nurses Society
Patient associations	• British Colostomy Association • Continence Foundation • Ileostomy and Internal Pouch Support Group • Ostomy Patients Group • Urostomy Association • The Patients Association • Patients Industry Professionals Forum
Suppliers and pharmacies	• Appliance Contractors representative groups • Pharmacy contractors representative groups • Part IX Suppliers representative groups

Annex C Glossary of Terms

Term	Definition
Contractors	Appliance contractors, community pharmacies and dispensing doctors approved to provide the items contained under Part IX of the Drug Tariff.
Drug Tariff	The Drug Tariff is the tariff, operated by the Prescription Pricing Authority (PPA), which outlines what will be paid to contractors for NHS services provided. Further information on the Part IX Drug Tariff can be found at www.ppa.org.uk/ppa/edt_intro.htm
Fees (Cost of)	The total amount of dispensing fees.
Net Ingredient Cost (NIC)	Net Ingredient Cost refers to the cost of drugs before discount and does not include any dispensing costs or fees
NHS Logistics Authority (NHS LA)	NHS Logistics is a Special Health Authority - one of more than 600 separate organisations that make up the National Health Service. The NHS Logistics Authority provides support for the operational activity of the NHS by providing the physical supply of goods required for health care.
OJEU	All procurement in the public sector is subject to EU Treaty principles of non-discrimination, equal treatment and transparency. The EU Public Procurement Directives require contracting authorities to provide details of procurements in a prescribed format, which are then published in the Official Journal of the European Union (OJEU). In accordance with European legislation, the majority of supply and service procurements with an estimated value of €200,000, and works contracts with an estimated value of €5,000,000 must be advertised in the OJEU.
On Cost Allowance	This sliding scale allowance is paid based on the prescriptions dispensed during the relevant month. (Ref Drug Tariff Part VIB).
Part IX	Regulation 56 of the National Health Service (Pharmaceutical Services) Regulations 2005 provides that the Secretary of State shall compile and publish a statement, referred to as the Drug Tariff, which shall include, among other things, the list of appliances and chemical reagents approved by the Secretary of State for the supply to persons under Section 41 of the NHS Act 1977. The Prescription Pricing Authority (PPA) deals with applications on behalf of the Secretary of State. This list - Part IX of the Drug Tariff - is of the appliances and chemical reagents which general practitioners are able to prescribe at the NHS expense.
PPA	See Prescription Pricing Authority
Prescription Pricing Authority (PPA)	For the purposes of this consultation the PPA calculate and make payments for amounts due to pharmacists and appliance contractors, and calculate amounts due to general practitioners, for supplying drugs and appliances prescribed under the NHS.
Primary Care	Basic or general health care focused on the point at which a patient ideally first seeks assistance from the medical care system.
Purchasing and Supply Agency (NHS PASA)	The NHS Purchasing and Supply Agency is an executive agency of the Department of Health, established on 1 April 2000. Formed as a result of recommendations contained in the Cabinet Office Review of NHS Procurement (published in June 1999) the Agency, together with its sister organisation the NHS Logistics Authority, replace the special health authority NHS Supplies.
Reimbursement	Payment for items
Remuneration	Payment for services

Term	Definition
Supplier	A supplier is either manufacturer of items or a wholesaler of items. This is treated interchangeably throughout the consultation document.
Tendering	The tendering approach normally involves a number of steps, including the publishing of a notice that a commercial process is about to start, a short-listing process of those expressing an interest, and a final offer stage. Negotiation is typically not involved for products. Suppliers are asked to provide prices for equivalent items. Suppliers are typically awarded based on a 'most economically advantageous' basis.

Annex D Chemical Reagents and Other Appliances

A more detailed description of the categories of chemical reagents and other appliances is shown in the table below.

Part IX classification	Examples of areas covered
Chemical Reagents	• Detection strips, urine • Detection strips, blood for glucose • Detection strips, blood for ketones (beta-hydroxybuterate) • Detection strips, blood for determination of International Normalised Ratio (INR)
Appliances	• Catheters, Urinary, Urethral • Emollients • Eye Baths • Eye Drops Dispensers • Eye Shades • Finger Cots • Finger Stalls • Gauzes • Gauze Pads / Swabs • Gauze Tissues • Head Lice Device • Hypodermic Equipment • Stockinette • Surgical Adhesive Tapes • Surgical Sutures • Syringes • Test Tubes • Tracheostomy and Laryngectomy Appliances

Annex E Consultation Response Proforma

The following response proforma can be found separately on the Department of Health's website at **www.dh.gov.uk\liveconsultations** for electronic submission.

Respondent Details (Please provide the details of a single point of co-ordination for your response)

Title	Mr / Mrs / Miss / Ms / Dr. / Professor / Other
Full Name	
Organisation	
Your Role	
Address (including postcode)	
Email Address	
Phone Contact	

If you are replying on behalf of a group of respondents or a number of organisations, please complete the following information:

Organisations represented within this response	

Response details

Date of response:	**Closing date:** 5pm on Monday, 23 January 2006
Confidentiality: Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004). If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this it would be helpful if you	

could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Department will process your personal data in accordance with the DPA and in the majority of circumstances; this will mean that your personal data will not be disclosed to third parties.

Please provide your comments against the appropriate comment box. If you have a general comment on the Consultation then please complete the box on page 41 of this document.

Section 5: Development of a Code of Practice to address the key topics including patient service specification, sponsorship of nurses and patient groups and the direct marketing of items to patients

Comments:

Section 6 (i) Stage 1: Short term arrangements for primary care - The adjustment of item reimbursement prices to reflect market prices more closely

Comments:

Section 6 (ii) Stage 1: Short term arrangements for primary care - Remunerate appliance contractors on a similar basis as pharmacy contractors

Comments:

Section 6 Stage 1: Short term arrangements for primary care - General Comment

Comments:

Section 7.2 Stage 2: Implementation of long term options for primary and secondary care

Option 1: Set item reimbursement prices for primary care by tender and set secondary care prices by tender

Comments:

Section 7.3 Stage 2: Implementation of long term options for primary and secondary care

Option 2: Set item reimbursement prices by restructuring the current primary care reference pricing system and set secondary care prices by tender

Comments:

Section 7.4 Stage 2: Implementation of long term options for primary and secondary care

Option 3: Set item reimbursement prices in primary care by reference to the underlying costs and secondary care prices by tender

Comments:

Section 7.5 Stage 2: Implementation of long term options for primary and secondary care

Option 4: Establish service remuneration rates for specific services in primary care

Comments:

Section 7.6 Stage 2: Implementation of long term options for primary and secondary care

Option 5: To do nothing

Comments:

Section 7 Stage 2: Implementation of long term options for primary and secondary care

General Comment

Comments:

Section 8.1 Service Trends:

In the 2003 consultation and subsequently, the Department received reports on the demand for services and resources required. The Department seeks updated responses on the type, patient demand and typical resources required for the provision of services. Please provide your views on each of these.

Comments:

Section 8.2 Service Trends:

The Department recognised in the previous consultation the importance to patients of specialist nurses and a need to preserve their services. We are seeking input on the latest position on sponsorship of nursing posts. We would welcome information including:

- Numbers of sponsored nursing posts (eg Stoma Nurses) currently provided;
- Annual value of sponsorship to trusts; and
- Views on the implications of removing the sponsorship of nursing posts.

Comments:

General comments on the consultation

Comments: