The Pharmaceutical Services Negotiating Committee's Response

to

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

January 2006

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Section 1: Introduction and Summary of Response

1.1 The Pharmaceutical Services Negotiating Committee (PSNC) is recognised by the Secretary of State for Health as the body that represents community pharmacy on NHS matters and seeks to secure the best possible NHS services provided by pharmacy contractors in England & Wales.

1.2 PSNC supports the need to review the arrangements for the provision of dressings, incontinence appliances, stoma appliances, chemical reagents and other appliances to primary care but we believe that there are better ways to achieve the Department of Health's stated objectives than those proposed in the consultation document. There is a substantial risk that some elements of the proposals as they stand will lead to unintended consequences that drive up costs to the NHS and undermine patient care, access and choice. In this response, we have sought to propose positive ways forward that will best support patients and the NHS.

1.3 NHS pharmacy contractors are not contractually obliged to supply appliances that would not normally be supplied in the course of their business. This means that if a pharmacy is faced with making a financial loss through dispensing an appliance, they will choose not to supply the product. In Section 3 of our response we have outlined a number of problems with the existing reimbursement arrangements.

1.4 The majority of patients using appliances are elderly particularly in the area of stoma care, incontinence and dressings for chronic wounds. Many patients receiving stoma and incontinence products are also amongst the most vulnerable, particularly immediately after hospital discharge. To protect patient access and choice, NHS pharmacy contractors must receive fair funding for the supply of appliances and related services.

Levelling the Playing Field

1.5 The market for the supply of appliances is complex with some appliance manufacturers operating a 'direct supply to patient' business model through vertically integrated appliance contractors. If the reimbursement price decreases are implemented as proposed, manufacturers with contracts to supply appliances to patients will retain and strengthen their position in the market. It is essential that everyone in the market has access to the product at the same price, encouraging a diverse market and helping to prevent the formation of monopolies.

1.6 PSNC supports the creation of a level playing field but it is essential that this is done without compromising patient access to products, patient choice of service provider or the quality of service provision. In our view, the only way that this can be done is by implementing changes to reimbursement and remuneration in one stage. We have set out our concerns on this in detail in section 4 of this response. The impact on the market of a two stage approach is likely to have irremediable consequences.

1.7 If the aim is a truly level playing field, then a separate discount deduction scale should be applied to appliance contractors as the result of a discount inquiry into the discounts available to them.

Establishing Service Remuneration Rates

1.8 It is important that the Department of Health and PCTs, as efficient commissioners, should be able to directly relate the price that they have paid for an appliance to the cost of the product and level of service provided. This is not currently the case.

1.9 We welcome proposals to build on the services currently being provided by NHS pharmacy contractors. This is consistent with the principles of the NHS community pharmacy contract and would allow community pharmacies the opportunity to develop their market in specialist areas.

1.10 Fixed remuneration rates for service provision should be calculated on the basis of the costs of providing a service plus a fair return to the contractor. Service standards should be produced and where appropriate translated into regulations to ensure that there is consistency in the quality of services being provided regardless of service provider.

1.11 Whilst the supply of stoma and incontinence appliances often requires the provision of related specialist services, PSNC accepts that the supply of dressings and chemical reagents is a normal part of any pharmacy business and proposes that consideration should be given to changing the Pharmacist's Terms of Service to reflect this. We set out our view on the types of services that may be required to support the use of different categories of product in section 6 of our response.

1.12 The service provided by some appliance contractors to pharmacy contractors under agency schemes enables patients to secure expert services through the pharmacy from which they obtain their medicines and other elements of care. This is valuable and convenient for patients and supports the pharmacy in their overall provision of care to the patient. Remuneration rates for the provision of services to stoma and incontinence patients should be set in such a way that allows pharmacy contractors to continue sub-contracting specialist services from appliance contractors as necessary.

Moving Forward

1.13 In preparing this response we have been acutely aware that the Department of Health wants to make changes swiftly. We are committed to working constructively with the Department of Health on setting future Tariff prices, re-structuring Part IXA of the Drug Tariff where necessary and developing standards for remunerated services, ensuring that future arrangements meet the needs of NHS patients, NHS pharmacy contractors and taxpayers.

Section 2: Understanding the Market

2.1 The market for the supply of appliances to NHS patients in primary care is complex. If the proposals outlined in the consultation document are implemented as they stand; it is likely that there will be fundamental changes to the way that the market is organised which will impact negatively on patient choice and access to care.

2.2 It is essential that before any of the proposed changes are implemented, the Department takes time to understand the market, the nature of the goods being traded and most importantly, the characteristics and needs of users of the products.

The Product

2.3 The consultation covers all medical devices and chemical reagents which are dispensed in primary care in England. The uses of these products are wide ranging, for example intrauterine devices for the control of fertility, chemical reagents which patients use to support self-management of a variety of clinical conditions, dressings which can be used in the treatment of a range of wounds including pressure sores and leg ulcers and ostomy products which are used by stoma patients.

2.4 The support a patient needs in using an appliance will vary greatly depending on their condition, the time they have been using a particular product and their physical and psychological circumstances.

2.5 The vast majority of products listed in Part IX of the Drug Tariff are proprietary products available from only one manufacturer, for example Coloplast's Assura range of colostomy bags or Hollister's Tandem range of ostomy systems. Despite this, many products such as the drainage bags used by stoma patients are relatively homogeneous with products from different manufacturers showing the same or similar characteristics.

2.6 Only a small number of products are currently listed in Part IX of the Drug Tariff generically and can be obtained by a pharmacy from a range of manufacturers, for example absorbent cotton BP 1998 (cotton wool) and absorbent lint BPC (lint).

Demand

2.7 In primary care, demand for a particular appliance is controlled by prescribers. This may be the patient's GP or increasingly a qualified nurse prescriber.

2.8 In the case of patients using stoma and incontinence products, advice and care may also be received from a 'continence adviser' or 'stoma nurse' who has specialist expertise in the use of these products. The 2003 DH Consultation on the reimbursement of appliance contractors suggested that over half of all NHS-employed stoma nurses in the UK have been sponsored by appliance contractors. There is a risk that these sponsorship arrangements lead to clinical judgement being compromised with patients being prescribed products supplied by the sponsoring company (either directly by the nurse or indirectly through a recommendation to the patient's G.P.). It is also accepted that, in the past, some nurses sponsored by a particular appliance contractor have encouraged the direction of prescriptions to that appliance contractor, for example through deals[1] that stipulate that the sponsor should be the sole dispenser of certain appliances

[1] Crackdown on NHS Sponsorship, Guardian newspaper, 2nd January 2001

to the patients at home. Both of these scenarios can lead to the creation of monopolies and in the long term, poor value for money for the NHS.

2.9 There is anecdotal evidence[2] which suggests that suppliers of certain types of appliances compete for inclusion in national contracts in secondary care by lowering prices below the competitive level. Once established on a product in secondary care, a patient is likely to remain on the product for a significant amount of time in primary care therefore losses incurred by manufacturers through the provision of these products to hospitals are funded through supplies at the normal price in the community setting. This is one explanation of the differential in prices paid for certain appliances in the primary versus secondary care sector.

2.10 Products are generally prescribed according to individual clinical need rather than price therefore the demand for these products is not considered to be price sensitive. In 2002, a Competition Commission report[3] on the merger of two suppliers of incontinence products estimated that 95% of prescriptions for incontinence products specified the brand to be dispensed rather than a more open generic prescription which could be met by a variety of brands. When a brand is prescribed, dispensers are restricted to obtaining that particular manufacturer's product rather than looking for deals from a range of manufacturers supplying products matching the generic description.

2.11 The prescribing of proprietary products combined with the relative inelasticity of demand in the market restricts competition and in the long term drives up costs for the NHS. Suppliers have no incentive to offer discounts to wholesalers or dispensers (who are obliged to dispense a prescribed branded product) and dispensers have no purchase incentives. This can be contrasted with the generic medicines market where a large number of companies supply generic medicines, generic prescribing is encouraged and efficient buying by pharmacy contractors with the incentive to buy efficiently to increase their profit margins drives down costs for the NHS.

2.12 The stronger the incentives for low cost purchasing by pharmacy contractors, the more pro-active will be the demand side of the market, increasing the competitive pressures in the market and driving down prices.

Wholesalers Role in the Supply Chain

2.13 Wholesalers support the distribution of appliances between appliance manufacturers and dispensers (pharmacies and dispensing doctors). There are two broad categories of wholesalers in the UK: full-line wholesalers which supply a very extensive range of products and short-line wholesalers which are more opportunistic and tend to cherry pick high demand products where they are able to offer competitive discounts to pharmacies.

2.14 Appliance contractors do not make the same use of wholesalers in obtaining products as pharmacy contractors. Generally they will obtain appliances direct from manufacturers and in some cases are vertically integrated with a manufacturer.

2.15 Wholesalers play a key role in allowing pharmacies to obtain products for patients quickly and easily. Full line wholesalers generally deliver to pharmacies several times a day so a pharmacy can normally obtain a product from their full line wholesaler on the same day or the following day.

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[2] Assessing the impact of public sector procurement on competition, The Office of Fair Trading, September 2004

[3] Coloplast A/S and SSL International plc: A report on the merger situation, Competition Commission, 14th June 2002

2.16 In late 2005, PSNC undertook a detailed analysis of the availability of products in Part IXA and IXR of the Drug Tariff via the normal community pharmacy supply chain. Approximately half of the appliances listed in Part IXA or IXR of the Drug Tariff were available as a standard line through one of the full-line wholesalers[4] with less than 10% of products available through short-line wholesalers. Pharmacy contractors may have incurred a charge for carriage, linked to the value of the order on 50% of the products that were only available directly from the manufacturer and a minimum order charge applied to over 15% of products which were not available as a standard line from the wholesaler. NHS pharmacy contractors are not reimbursed for any expenses they incur in obtaining products in Part IXA or IXR of the Drug Tariff.

2.17 There are a number of reasons why wholesalers may not stock certain appliances. A number of appliances, for example stoma and incontinence products, are high value and bulky which result in increased handling and storage costs for wholesalers. Some products are also very low volume so there is not sufficient demand for it to be viable for any wholesaler to stock the product. In some cases manufacturers have taken the commercial decision not to supply through wholesalers. As there is no statutory duty on wholesalers to supply a particular product to a pharmacy, if the wholesaler does not cover their costs and make a fair return through their wholesaling margin, they may choose not to supply a particular product.

2.18 A long-standing issue which has been recognised in the consultation document is the inequity in funding arrangements between pharmacy contractors and appliance contractors. This has also been recognised by the Competition Commission[3] and the Office of Fair Trading[2] who both stated in recent reports that the current remuneration structure for appliance contractors and retail pharmacies makes it financially advantageous for a manufacturer to supply products through their own vertically integrated appliance contractor, leading to distortion in the distribution of certain appliances.

2.19 It is essential that the wholesaling margins of wholesalers and appliance contractors (offering a wholesaling service to pharmacies) are protected to allow pharmacies quick and efficient access to appliances to provide to patients. Additional work involved in procuring products will drive up the costs of the NHS pharmacy service and delays during the procurement process will impact on patient care.

Supply

2.20 The dispensers of appliances to patients are pharmacy contractors, dispensing doctors and dispensing appliance contractors (DACS). There are two broad types of appliance contractors, those that are vertically integrated with an appliance manufacturer and those that are not.

2.21 There is variety in the services provided by appliance contractors with some choosing a pure distribution role and others offering specialist services such as the fitting of certain appliances. All are funded on a similar basis.

2.22 There is also substantial variety in the services currently provided by pharmacy contractors which include home delivery when required, stocking products for regular customers, referral to other health professionals and signposting to relevant patient groups, providing expert advice, flange cutting and providing samples of different ranges of products. The only nationally negotiated fees available to pharmacy contractors for providing specific services to patients using appliances are fees for measuring and fitting elastic hosiery and trusses. As outlined in section 3.5 of the document, pharmacy contractors earn very limited

[4] Study conducting using the AAH price list

purchase profit from the supply of these products, often dispensing at a loss so in cases where additional services such as flange cutting are provided to support patient care, this is funded from income made by the pharmacy contractor from the supply of other NHS services.

2.23 As illustrated in the consultation document, appliance contractors generally focus on the supply of stoma and incontinence products which tend to be high value items. Pharmacy contractors supply the full range of appliances listed in the Drug Tariff and in particular supply all reagents and the great majority of dressings and other general appliances prescribed in primary care.

2.24 The different payment structure between pharmacy and appliance contractors has led to the creation of 'agency relationships' whereby prescriptions for appliances are sent by a pharmacy contractor to an appliance contractor. In return, the pharmacy contractor receives a fee for acting as an 'agent' and handling the patient on the appliance contractor's behalf. The appliance contractor provides the pharmacy contractor with the dispensed item to hand to the patient, encouraging the growing use of the pharmacy as the principal local care resource, in conjunction with the GP practice.

2.25 Other benefits of this arrangement include the pharmacy avoiding minimum order charges when ordering appliances (as outlined in Point 2.16) and gaining quick and easy access to a wide range of products which may not be available from their full line wholesaler, minimising the time, work and therefore costs involved in sourcing products. It also gives the pharmacy contractor access to specific expertise and support when needed and in many cases income on what would otherwise have been an unprofitable prescription.

Section 3: Problems with the Existing Arrangements

3.1 An NHS pharmacy contractor is not contractually obliged[5] to supply appliances that would not normally be supplied in the course of their business. In reality, this means that if a pharmacy contractor is faced with making a financial loss on dispensing an appliance, they will choose not to supply the product, limiting patient access and damaging patient care. There are currently a number of issues with the existing reimbursement arrangements that impact on the margin a pharmacy receives for supplying a product and therefore determines whether a pharmacy chooses to supply the product to a patient.

Residual Stock

3.2 At present pharmacy contractors are not reimbursed for the residual stock left over when dispensing items in Part IXA of the Drug Tariff (dressings and general appliances). For example Promogran dressing 123cm^2 can only be purchased in packs of 10 which are priced at £144.70. If a pharmacy contractor received a prescription for 5 dressings, he would only be reimbursed for the quantity ordered and would be left with residual stock worth £72.35. This item is relatively infrequently prescribed so the contractor would have to decide whether to dispense the item and risk making a loss if he can not use the remainder of the dressings to fill another prescription or as stated in point 3.1, he may choose not to dispense the product; compromising patient access and choice.

3.3 A number of Primary Care Trusts (PCTs) including Heywood and Middleton Primary Care Trust have issued prescribing advice to nurses to limit the quantity of appliances prescribed, in this case to 14 days supply. This practice has resulted in an increased number of prescriptions being written for part-packs, financially penalising those pharmacies that opt to support patient care by dispensing the product. To ensure patient access to these products, PSNC strongly believes that NHS pharmacy contractors must be compensated for residual stock when dispensing appliances in Part IXA of the Drug Tariff.

Discount Deduction

3.4 At present there are a number of appliances including Coagucheck and Vacuum Pumps for erectile dysfunction that pharmacy contractors cannot obtain with discount. The Department of Health has, to date, refused to add these items to the Zero Discount Lists to exempt them from discount deduction. In the case of coagucheck, the reimbursement price for this product is £123.83[6]; discount is not available from the manufacturer or wholesalers so a contractor dispensing this product would make a loss of approximately £13[7] per pack dispensed.

3.5 Pharmacy contractors only earn purchase profit after discount deduction (known as 'clawback') on a very limited number of appliances. In the great majority of cases, contractors will break even after discount deduction or will dispense an individual item at a loss because the level of discount deduction exceeds the discount obtained from their supplier.

3.6 Again, as stated in point 3.1, if faced with making a financial loss through dispensing an individual product, a contractor may choose not to dispense the item. All appliances and chemical reagents listed in Part IX of the Drug Tariff should be eligible for entry into the Zero Discount List and to protect patient access to these products, if reimbursement prices for appliances decrease, consideration will need to be given to the level of discount deducted from appliances dispensed by pharmacies.

[5] Ref: The NHS (Pharmaceutical Services) Regulations 2005. Schedule 1; Part 2; 5.(2)(b)
[6] November Drug Tariff price for Coagucheck PT (48 strips)
[7] Calculation based on an average discount deduction of 10.5%

Out of Pocket Expenses

3.7 In exceptional circumstances, pharmacy contractors can claim for any expenses incurred in obtaining an appliance in Part IXB or IXC of the Drug Tariff, for example postage and packaging or wholesaler handling charges. Contractors are not reimbursed for 'out of pocket' expenses incurred in obtaining products in Part IXA or IXR of the Drug Tariff.

3.8 As outlined in section 2.16, pharmacy contractors currently incur costs in obtaining a range of products including certain laryngectomy protectors, Activon Tulle dressing and erectile dysfunction vacuum pumps. Again, as stated in point 3.1, if faced with making a financial loss through dispensing an individual product, a contractor may choose not to dispense the item. To ensure access to these appliances, pharmacy contractors must be properly reimbursed for exceptional costs incurred in obtaining products listed in Part IXA and IXR of the Drug Tariff.

Quick Fixes to the Current Problems

3.9 Some pharmacy contractors have found a number of short term solutions to overcome these problems to ensure the supply of appliances to patients. In response to requests from pharmacy contractors, some PCTs have made discretionary payments to cover the difference between the costs incurred in obtaining a particular appliance and the reimbursement price. The resulting workload for the pharmacy and PCT in putting in place such an arrangement is not a good use of NHS resources but has ensured that a patient can obtain a particular product such as coagucheck that pharmacies would not otherwise have supplied.

3.10 Where the product in question is available from an appliance contractor, a pharmacy contractor may be able to earn a small amount of income on what would have been an unprofitable prescription through an agency agreement with the appliance contractor.

Section 4: Levelling the Playing Field

4.1 The Department of Health have confirmed that there are currently no plans to intervene in the contracting arrangements between suppliers and dispensers. If the price decreases are implemented, manufacturers will retain and strengthen their position in the market. They will be able to continue selling their products at the same price with wholesalers and dispensers bearing the impact of the price decreases. For the reasons outlined in section 3 of this response, the reimbursement framework for dispensing appliances must provide NHS pharmacy contractors with a fair return or pharmacy contractors will choose not to supply appliances; undermining patient access, choice and care.

4.2 As explained in section 2.20, the market contains two types of appliance contractor, those that are vertically integrated with an appliance manufacturer and those that are not. The vertically integrated business model is in effect a 'direct supply to patient' business model. There is no significant parallel in the medicines market of a manufacturer providing direct supply to the consumer.

4.3 In the face of decreases in reimbursement prices, a vertically integrated appliance manufacturer is likely to maintain their selling price at the same level to maximise their own profit and to decrease the viability of their competitors. This will in turn lead to the creation of monopolies for the supply of certain appliances and in the long term drive up prices for the NHS. The manufacturers with contracts to supply appliances will in effect control the existence and size of the free market.

4.4 It is essential that everyone in the market has access to the product at the same price, encouraging a diverse market and helping to prevent the formation of monopolies. This could be done by introducing agreed minimum distribution margins. Any interventions that the Department of Health make must act to increase competition and plurality in the market and guard against the formation of monopolies.

4.5 Careful consideration also needs to be given to the agency schemes that currently exist offering a wide range of benefits to both patients and pharmacy contractors (as outlined in sections 2.24 and 2.25). The removal of non-vertically integrated appliance contractors from the market and the end of the current arrangements without agreeing appropriate long term reimbursement and remuneration arrangements will also remove the incentive and opportunity for pharmacy contractors and appliance contractors to agree agency schemes for the benefit of NHS patients. As outlined in section 3, a prescription may be unprofitable under the current pharmacy reimbursement arrangements. In these situations, without the opportunity to obtain a product from an appliance contractor at a level that would provide the pharmacy contractor with a fair return, a pharmacy may in future choose not to dispense the item.

4.6 PSNC supports the creation of a level playing field but it is essential that this is created without compromising patient access to products, patient choice of service provider or the quality of service provision. In our view, the only way that this can be done is by implementing changes in one stage. That is, levelling the playing field for pharmacy contractors and appliance contractors in parallel with changing the long term arrangements for reimbursing and remunerating pharmacy and appliance contractors for the supply of appliances.

4.7 If the Department's aim is to truly 'level the playing field', we do not believe that it is appropriate to apply the existing discount deduction scale for NHS pharmacy contractors to appliance contractors. As outlined in Section 2, pharmacy contractors and appliance contractors procure products differently depending on their business model and factors such as the type and volume of a particular product supplied and the source of supply. A separate discount

deduction scale should be agreed as the result of a discount inquiry into the discounts available to appliance contractors. As part of this inquiry, consideration should be given to the different levels of discount available to appliance contractors with an independent business model versus those contractors that are vertically integrated with an appliance manufacturer. A precedent for different deduction scales can be found in the scales that apply for medicines supplied by pharmacies and dispensing doctors respectively.

Section 5: Future Reimbursement Arrangements

5.1 As previously stated, to protect patient access and choice, it is essential that the future arrangements do not operate to make the supply of appliances through pharmacies unviable. PSNC would support a model for future reimbursement that is a variation on the options proposed in the consultation document.

Reference Pricing with Margin Protection

5.2 PSNC believes that reimbursement prices for appliances should be set with reference to the underlying costs of producing an item as well as distribution and where appropriate, research & development costs.

5.3 To ensure that everyone in the market has access to the product at the same price, the discounts offered to wholesalers including specialist appliance wholesalers and to pharmacies (where the product is not available through the regular wholesaler network) must be protected.

5.4 In the way that the Government can intervene where a manufacturer of pharmaceutical products has not kept their agreement as part of the PPRS arrangements, there must be the ability for the Department of Health to intervene if an appliance manufacturer does not provide reasonable margins to wholesalers and dispensers for the distribution of the product to NHS patients.

Discount Deduction

5.5 At the same time, consideration needs to be given to the level of discount deducted from reimbursement for the supply of appliances following any decreases in the reimbursement prices for these products. As outlined in section 3.5 of the document, pharmacy contractors currently earn very limited purchase profit from the supply of these products, often dispensing at a loss. Options include exempting appliances from discount deduction or creating a separate discount scale for the supply of appliances.

Encouraging the Competitive Market

5.6 The Drug Tariff must be structured in a way that supports competition in the market where possible. At present, the competitive market is being constrained by high levels of branded prescribing.

5.7 Possible amendments to the Tariff that we could support include listing products with similar features in generic categories and encouraging generic prescribing within those categories. This would provide the pharmacy contractor with flexibility to choose a product that meets the needs of the patient while seeking out the product that will give the pharmacy the greatest profit margin, encouraging competition in the market and in the long term driving down prices for the NHS.

5.8 We accept that for many products, generic prescribing and substitution of brands would not be appropriate. For example even though colostomy bags are relatively homogeneous, patients will over time gain confidence that a particular product will not leak and may be distressed at being asked to use another manufacturer's product. Consideration to patient sensitivities should be given in making any changes to the structure of Part IX of the Tariff and it is essential that in the cases where a particular manufacturer's brand is required, the pharmacy is appropriately reimbursed.

Section 6: Establishing Service Remuneration Rates

6.1 PSNC, together with the Department of Health and the NHS Confederation, recently negotiated a new funding framework for NHS pharmacy contractors, 'the new pharmacy contract'. The contract was introduced on the 1st April 2005 and utilises the skills and resources of community pharmacists, enabling patients to access a greater range of primary care services from their local pharmacy. The consultation document provides an opportunity to build on the services currently being provided by NHS community pharmacies to patients receiving appliances and to improve the overall quality of patient care. Changes should support patient's relationships with their local pharmacies and if at all possible should encourage the growing use of the pharmacy as the principal local care resource, in conjunction with the GP practice. This will only be possible if appropriate long term arrangements are put in place to remunerate pharmacy contractors at a level that covers the costs of services provided to patients as well as a fair return.

Fee per Service

6.2 It is important that the Department of Health and PCTs as commissioners should be able to directly relate the price that they have paid for an appliance to the product and service provided. This is not currently the case with appliance contractors who are funded on a similar basis but provide a wide variety of services. Nor is it the case for pharmacy contractors with some contractors funding services that support patient care from income made from the supply of other NHS Services.

6.3 Fixed remuneration rates for service provision should be calculated on the basis of the costs of providing a service plus a fair return to the contractor and service standards should be produced and where appropriate translated into regulations to ensure that there is consistency in the quality of services being provided, regardless of service provider.

6.4 As outlined in section 2, there is substantial variety in the nature of appliances, their clinical use, the characteristics and needs of patients using the products and the current source of supply. For example, whilst patients receiving stoma and incontinence products often require specialist support which is not provided from all pharmacies, the supply of dressings and chemical reagents is a normal part of any pharmacy business. In designing a structured service framework, separate consideration should be given to the different categories of appliance.

Incontinence and Stoma Products (Part IXB and IXC of the Tariff)

6.5 Following the lead of the Scottish Executive Health Department, we would strongly support the establishment of defined and structured services linked to the supply of stoma and incontinence products on prescription. This would be consistent with the move towards service based funding arrangements for community pharmacies and would allow pharmacy contractors the opportunity to develop their market in specialist areas.

6.6 Elements that should be considered in specifying the service and establishing a cost base include the provision of expert advice and support, supply with reasonable promptness, delivery where required to meet the patient's needs, customisation of products where appropriate (e.g. flange cutting), the supply of sample packs to patients where made available from the manufacturer so patients can exercise product choice where appropriate, referral to the patient's prescriber as necessary, notifying the prescriber in the event of unusual requests or changes in ordering patterns and signposting to local and national patient groups. Training requirements for suppliers of the products to patients should also be clearly defined and funded as appropriate.

6.7 For stoma and incontinence products, there should continue to be a system that allows community pharmacies to sub-contract specialist services from appliance contractors. Patients currently benefit from the convenience of supply and support from their local pharmacist. The pharmacist is able to receive expert advice and support from appliance contractors and where part-packs are required, waste can be minimised. Patient care is also supported by the pharmacist being aware of the appliances a patient is receiving, for example it is important that a pharmacist knows that a patient has a stoma so that consideration can be given to how the medicine will be metabolized in the body and in light of this, whether it is the most appropriate choice of medicine for the patient.

6.8 In the consultation document, the view was expressed that delivery to a patient's home is best provided by market competition. This is contrary to the Department's aim of achieving consistency of care. Where home delivery is required to support patient care, it should be appropriately funded. At present, the delivery of appliances to patient's homes is generally done in conjunction with other deliveries that the pharmacy makes, typically the delivery of oxygen cylinders. The Home Oxygen Service is in the process of being removed from community pharmacy so in future some pharmacies may no longer have resources such as a delivery van and driver to be able to make deliveries without appropriate funding.

6.9 In designing and costing the service, consideration should be given to the provision of accessory items such as free wipes and disposal bags. Alternatively these items should be added to Part IX of the Drug Tariff so that they can be provided when the prescriber believes they are necessary.

Dressings, Reagents and other General Appliances (Part IXA and Part IXR)

6.10 As outlined in section 3, NHS pharmacy contractors are not contractually obliged to supply appliances that would not normally be supplied in the course of their business. Problems with the existing arrangements have shown that where pharmacists will make a loss on dispensing an item such as vacuum pumps for erectile dysfunction, they will choose not to dispense the product.

6.11 Patient access could be guaranteed by amending the Pharmacist's Terms of Service to oblige pharmacy contractors to dispense a particular appliance. This would not be appropriate for all appliances and particularly not stoma and incontinence products where patients often require specialist support that may not be available from every pharmacy. This would be an option for items in Part IXA and IXR of the Tariff, the majority of which are currently dispensed by NHS community pharmacy contractors.

6.12 PSNC could only agree to such a change if a commitment was given by the Department of Health to reimbursing contractors for the cost of dispensing appliances with a fair return. We would also need an assurance that the current issues that impact on the margin a pharmacy receives would be resolved, ensuring that pharmacies would not incur a loss dispensing a particular appliance. We recognize that the funding arrangements for supply of medicines do not guarantee that each medicine can always be sourced at less than the net reimbursement price, but the structure of funding generally seeks to ensure this is the case. In response to the Department of Health consultation, 'Proposals to simplify the reimbursement arrangements for NHS Dispensing Contractors,' PSNC proposed[8] a number of changes to the rules surrounding payment for residual

[8] PSNC Response Department of Health Proposals to Simplify the Reimbursement Arrangements for NHS Dispensing Contractors; December 2005

stock ('broken bulk'), the zero discount arrangements and payment for 'out of pocket' expenses that would provide long-term solutions to these problems.

6.13 In setting structured remuneration rates for service provision, we believe that consideration should also be given to reviewing the fees payable for measuring and fitting elastic hosiery and trusses to reflect the costs incurred in providing these services along with a fair return. With contractors investing in their premises to support the new national pharmacy contract, an increasing number of pharmacies are installing private consultation room that would be suitable for truss fitting. Alternatively this is something that could be done during a domiciliary visit.

Section 7: Further Issues Open to Consultation

A Code of Practice for Suppliers

7.1 PSNC supports the proposal to develop a code of practice for suppliers including the incorporation of this into the NHS Pharmaceutical Services Regulations where appropriate. This would help ensure consistency of service provision regardless of the provider.

7.2 We would also support the regularisation of the agency schemes that currently operate. As set out earlier in this response, the schemes have a wide range of benefits for patients, pharmacy contractors and the NHS. To ensure the best possible patient care, it is important that future arrangements continue to support the sub-contracting of specialist services by pharmacy contractors to appliance contractors.

Tender and Supply without the Use of Prescription Form FP10

7.3 The PSNC acknowledges the proposal in paragraph 8.3 of the consultation paper not to pursue the option of a process of tendering and supply of items to patients without the use of prescriptions. The PSNC welcomes the proposal not to pursue these alternative arrangements, and believes that any departure from the current mechanisms for supply against prescription must be made only after thorough review of the supply of appliances as part of NHS pharmaceutical services.