



December 2014

PSNC Briefing 031/14: What the 2014/15 Community Pharmacy Funding Settlement means for your payments

In September 2014 PSNC announced that it had reached agreement on a 2014/15 Funding Settlement worth £2.8bn for community pharmacies in England. This will be delivered through fees and allowances (£2bn) and retained purchase margin (£800m). For more information on the settlement, please visit psnc.org.uk/funding.

Payment adjustments

In order to deliver the agreed funding in the financial year, the following adjustments were made:

- Margin adjustment of +£60m = 12p per item increase in reimbursement from October 2014
- Practice Payment adjustment of -£70m = 17p per item decrease in Practice Payment from November 2014

This is a net difference of -£10m to be delivered across the six months from October 2014 to March 2015.

Contractors will note that retained purchase margin in 2014/15 has increased from £500m to £800m. However, it should be noted that in previous years contractors have earned significantly over the £500m figure; the increase to £800m recognises this and from now on delivery of margin will be more tightly managed.

How this might affect you

When spread out across the sector, the net difference of -£10m over the six months equates to -£870 per pharmacy. In other words, pharmacies will receive on average £870 less in the second half of 2014/15 than they did in the first half.

However; it is important to note that this will vary according to your prescription volumes and item mix, and that your October payment will be different to the following five payments. This is because it will incorporate the 12p per item increase in reimbursement, but not the 17p per item decrease which only comes in from November.

Pharmacies will experience the small net decrease in payments over six months as follows:

- October payments (received in early January) will be slightly higher due to the increase in Category M prices.
- November payments (received in early February) will be lower (both in comparison to October payments and to payments from the first six months of the year) as the reduction in Practice Payment takes effect.

The table on the following page shows the likely net impact of margin increases and fee decreases on pharmacies of varying sizes in October 2014, and then from November 2014 to March 2015. It also shows the difference in income that pharmacies of varying sizes can expect to see in their payments for the second half of this financial year.

Items per month	Monthly income pre changes	Monthly income October	Monthly income Nov-March	Total H1 income (Apr-Sept 14)	Total H2 income (Oct 14-Mar 15)	Total difference for H2
1,000	£1,849	£1,969	£1,969	£11,092	£11,812	£720
2,000	£4,263	£4,503	£4,299	£25,580	£25,999	£419
3,000	£9,148	£9,508	£8,995	£54,888	£54,483	-£405
4,000	£11,560	£12,040	£11,356	£69,358	£68,818	-£540
5,000	£13,895	£14,495	£13,640	£83,372	£82,697	-£675
6,000	£16,231	£16,951	£15,925	£97,387	£96,577	-£810
7,000	£18,567	£19,407	£18,210	£111,401	£110,456	-£945
8,000	£20,903	£21,863	£20,495	£125,416	£124,336	-£1,080
9,000	£23,238	£24,318	£22,779	£139,430	£138,215	-£1,215
10,000	£25,574	£26,774	£25,064	£153,444	£152,094	-£1,350

NB. the impact may vary depending on your prescription mix

Payment fluctuation due to advance payments

Pharmacies receive a 100% advance payment for prescriptions dispensed one month after the submission of a prescription bundle; this advance is calculated as the number of items declared multiplied by the AIV from the previous month.

Contractors should be aware that advance payments can be over stated if payment levels are expected to drop in a given month, as the advance will be calculated using the previous month's AIV. This is illustrated below for a pharmacy doing 7,000 items per month with an AIV of £9.00 before the changes:

Dispensing month	Sep	Oct	Nov	Dec	Jan	Feb
Items	7,000	7,000	7,000	7,000	7,000	7,000
Advance AIV	£9.00	£9.00	£9.12	£8.95	£8.95	£8.95
Actual AIV	£9.00	£9.12	£8.95	£8.95	£8.95	£8.95
Advance payment received	Nov	Dec	Jan	Feb	Mar	Apr
Correction required in subsequent month	£0.00	£840	-£1,190	£0	£0	£0

What to do if...

Your overall payment appears to be lower than you had expected it to be

1. Visit psnc.org.uk/schedule
2. Read the *Using Your Schedule of Payment to Monitor Performance* factsheet.
3. Check through the breakdown of payments given in your Schedule using the guidance given in the factsheet.
4. Compare with previous Schedules if necessary – remember to look at several months' worth not just last month's.
5. Consider the impact of the 2014/15 Funding Settlement changes on your payment (see previous page).

6. If you can't work out why the payment is lower or if you suspect a mistake has been made, speak to PSNC (0203 1220 810 or info@psnc.org.uk) who can advise on whether to approach NHS Prescription Services for a recheck of your prescription bundle.

You want to learn more about the changes to retained purchase margin

Please visit psnc.org.uk/briefings and read *PSNC Briefing 017/14: Purchase Margin and Margin Reforms* which explains the changes to assured levels of margin and the work to reform the systems for managing margin that have been agreed as part of the 2014/15 Settlement.

You want to learn more about the contractual changes which were agreed in the 2014/15 Settlement

Please visit psnc.org.uk/briefings and read *PSNC Briefing 015/14: Changes to Contractual Requirements 2014/15* which summarises the changes being made to the community pharmacy contractual framework (CPCF). For changes to Advanced Services, read *PSNC Briefing 016/14: Advanced Services (MURs and the NMS)* which summarises the changes being made to the Medicines Use Review (MUR) service in 2014/15 and covers the re-commissioning of the New Medicine Service (NMS).