

October 2016

PSNC Briefing 058/16: Imposition for 2016/17 and 2017/18 – Frequently Asked Questions

Following the announcement of the imposition for community pharmacy funding for 2016/17 and 2017/18, PSNC has been asked a number of questions both by contractors and the pharmacy press. This document sets out our responses to these questions and may be of interest to contractors and LPCs.

The Imposition

Q. What has PSNC done to counter the proposals and respond to the consultation?

PSNC unanimously rejected the Government's funding proposal for community pharmacy in 2016/17 and 2017/18. Throughout the consultation period PSNC has sought to understand the Government's proposals, to challenge them and highlight our concerns about the potential impact on patients and pharmacy, and to put forward constructive alternative proposals. We have also worked alongside other pharmacy organisations to build support among MPs and others who can influence policy. PSNC also commissioned PricewaterhouseCoopers to undertake an economic evaluation of twelve pharmacy services, to provide an evidence base for the value delivered by the pharmacy network.

Q. Did the campaign for community pharmacy fail?

PSNC is very disappointed to have been faced, for the first time in many years, with an unreasonable and intransigent NHS. The campaign and support across the sector, and in particular the petition and MP letters led by the NPA, has been tremendous and ministers can be in no doubt that their policy is unpopular and widely seen as unwise. The campaign has demonstrated powerfully the popularity of pharmacy in our communities and we need as a sector to continue to build on this, and ensure that the value of the campaign is not lost. We must treat the imposition as a setback and continue to battle for the future.

Q. What is next for the campaign for community pharmacy?

PSNC will study the Government's decision carefully to inform our own decisions about next steps. We will also work closely with LPCs and the other pharmacy organisations to continue to build awareness of the folly of these policies and to plan the next stages of the campaign.

Q. Will PSNC now take legal action against the NHS and Government?

PSNC will study the decision and examine what the next steps might be; this will include exploring the legal position.

Q. Is this a negotiated settlement?

This is not a negotiated settlement; PSNC unanimously rejected the NHS funding proposal for community pharmacy in 2016/17 and 2017/18. The determination by the minister sets out the funding that the Government has now imposed on the sector.

Community Pharmacy Funding

Q. How will the funding cut be implemented?

The Government will reduce Establishment payments by 20% from December 2016, and by 40% from April 2017 compared with current levels. The Single Activity Fee (SAF), which will replace the Dispensing Fee, Practice Payment, Repeat Dispensing Annual Payment and EPS payment, will be set at a level to deliver the target funding.

Q. Will there be further funding cuts in future years?

The Government has set out a funding total of £2.592 billion for 2017/18, a further reduction from the 2016/17 sum of £2.687 billion. It is too early to speculate on what funding beyond 2017/18 might be.

Q. Will there be further Category M reductions in December?

The Department of Health (DH) made reductions to Category M prices in June, in response to the preliminary findings of the 2015/16 medicines margin survey. The final outturn of the survey is not yet settled but it is likely that a further reduction will be needed, and we would expect that to take effect from December 2016.

Q. What impact will these changes have on pharmacy businesses?

The imposed cuts will have a profoundly damaging effect on contractors' finances, weakening a sector on which the NHS and its patients rely heavily. This is particularly so given the decision to make heavy cuts in the last four months of this year, resulting in a cut in income for a typical (non-PhAS) contractor of c.15% from December 2016. Combining this with a recovery of margins from the previous year through reimbursement price reductions is punitive. This will provide a damaging blow to contractors' cash flow which may well be impossible to manage. Contractors have a high fixed cost base and little discretionary spend so may have little option but to make reductions in staffing levels. We will be providing detailed information to help contractors make accurate predictions of the impact on their businesses, and encourage them to consider whether they should talk to their banks before the December changes hit. PSNC strongly advises all contractors to make whatever provisions they can for the funding reductions and to continue to take advantage of any additional locally commissioned services, that they can afford to provide.

Q. Will pharmacies close this year?

Amended regulations which will facilitate the consolidation of community pharmacies are expected to take effect late in 2016; this may enable some neighbouring pharmacies to merge their businesses. The funding cut, combined with the reductions to Category M prices following a significant over-delivery of margin last year, will have a significant and negative impact on contractors' NHS income in the later months of this year.

Community Pharmacy Services

Q. Will there be any new money for community pharmacy from national services?

A pilot urgent medicines supply service is expected to launch in the autumn, with funding taken from the national Pharmacy Integration Fund. The details of this service are still being discussed with NHS England and contractors will be updated as soon as possible. The national community pharmacy Flu Vaccination Service has also been recommissioned for this year, with funding taken from national immunisation budgets (i.e. outside of the CPCF funding).

Q. Can we expect any new national services in the future?

PSNC very much hopes that the urgent medicines supply service pilot will prove successful and will lead to discussions about long-term commissioning of a national service. PSNC set out a number of other possible service developments for community pharmacy as part of our response to the consultation on changes to community pharmacy. The NHS was not interested in taking forward these proposals, but we will continue to highlight the benefits they could bring to the NHS. A major goal for us is to secure service developments that would enable patients and the NHS to get the most benefit and best value from community pharmacy and we have recently described how this could be achieved in the [Community Pharmacy Forward View](#).

Q. Will the Chief Pharmaceutical Officer’s review lead to more services being commissioned?

The 17th December letter had no proposals for how to develop the ‘clinically focussed community pharmacy service’ it purported to want. Following PSNC’s challenge, the Chief Pharmaceutical Officer at NHS England commissioned an independent review of clinical community pharmacy services. The review, which is being led by Richard Murray, Director of Policy for the King’s Fund, is considering the evidence base for clinical community pharmacy services and it will make recommendations for future commissioning models. PSNC secured representation on the review panel, and we are seeking to ensure that it is balanced and objective, taking into account all relevant evidence of the value of services to patients.

Q. What happened to PSNC’s counter proposals and service development proposal?

PSNC’s proposals set out ways in which the NHS could develop community pharmacy services to make the financial savings it requires from pharmacy, while also allowing pharmacies to offer a more clinical service to patients. The counter proposals were rejected by the NHS and Government, but gained support elsewhere with MPs and other healthcare professionals backing some of the service proposals. We are determined to ensure patients and the NHS get the best value from the community pharmacy service. PSNC has also worked closely with other pharmacy organisations to develop the [Community Pharmacy Forward View](#) which sets out to policy makers a collective view about how the community pharmacy network can best support the high performing, affordable health and care system envisaged in the NHS Five Year Forward View.

If you have queries on this PSNC Briefing or you require more information, please email info@psnc.org.uk.