PSNC Funding & Contract Subcommittee Agenda

for the meeting to be held on Tuesday 11th July 2017

at PSNC, 14 Hosier Lane, Farringdon, EC1A 9LQ

Starting at 13.00

Members: David Broome, Peter Cattee (Chairman), David Hamilton, Tricia Kennerley, Andrew Lane, Margaret MacRury, Garry Myers, Bharat Patel, Indrajit Patel, Adrian Price

Apologies for absence

At the time of setting the agenda no apologies for absence had been received.

Minutes of previous meeting and matters arising

The minutes of the meeting held on Tuesday 9th May 2017 were shared with the subcommittee for approval.

PSNC plan and subcommittee work plan

The subcommittee is asked to note the remit set out in the governance papers circulated with the agenda papers and the annual plan set out in the PSNC papers. Those elements that fall within the remit of this subcommittee are shown within the numbered boxes below. Underneath each of these are set out the proposed work streams, with a statement of the subcommittee's role, a report and immediate next steps.

Agenda and subcommittee work

The subcommittee is asked to review progress on the work plan areas for 2017, to address any actions required and comment on the proposed next steps.

1 **2017 plan**

PSNC will;

- Invest in research and developing the evidence base for community pharmacy services to secure existing services and support the implementation of the CPFV and service funding
- Develop proposals for the funding delivery mechanisms for a services-led contract which can be discussed with DH and NHS England
- Develop template service specifications, business cases and other resources (SDS) and offering support for local commissioning of services

a) Develop service valuation model

Report: The office has developed detailed costing models for flu and MAS along similar lines to that developed for NUMSAS. Further work is being undertaken to verify the assumptions used for staff costings. A verbal update will be given at the meeting.

The model for the NUMSAS pilot is available to contractors on the PSNC website. This suggested that the costs of delivering the service may well outweigh the funding imposed as part of the CPR.

Next steps:

- Verify assumptions used for staff costings
- Summarise how costing relates to pricing / clarify how best to factor in overhead recovery / profit

b) Develop proposals for the funding delivery mechanisms for a services-led contract which can be discussed with DH and NHS England

Report: As discussed at the January meeting, this is a long-term project intended to develop evidence based proposals for a service based funding model. It is intended that principles, alternative models and potential solutions will be presented at the October 2017 PSNC meeting.

A working group was established following the May meeting consisting of the chairs and vice-chairs of SDS and FunCon along with Tricia Kennerley (FunCon) and Sunil Kochhar (SDS). Several meetings have been held since May. The outputs from discussions so far can be found in **Confidential Appendices 2-9.**

Funding Discussions

Research into community pharmacy funding models in different countries has been assimilated into updated slides (**Confidential Appendix FCS 02/07/17)**, with a follow-up comprehensive paper detailing the models and including some examples of the types of long term condition management services in these countries (**Confidential Appendix FCS 03/07/17).**

The key learnings taken from this research and follow-up discussions with representatives of the individual countries can be found in **Confidential Appendix FCS 04/07/17.**

The PCPS was presented at the LPC Chairs and Secretaries Conference in June and the tables were asked to discuss components of the service/funding and to collate their thoughts. A summary of feedback from these table discussions can be found in **Confidential Appendix FCS 05/07/17.**

The Working Group has drafted a set of key principles for any new funding mechanism incorporating the review of the key learnings taken from other countries and the input from the LPCs. These can be found in **Confidential Appendix FCS 06/07/17**. These will be discussed in detail at the plenary meeting on Wed 12th July.

The Working Group has also been considering how GPs are paid as part of the Quality and Outcomes Framework (QOF) and whether there is any scope of expanding the current Quality Payment. This is due to be discussed at a Working Group meeting on Wed 4th July. If the amount of funding available through Quality Payments were to be increased, some sort of advance payment may be needed, in a similar way to the GP's aspiration payment. A comprehensive summary of the aspiration payment can be found in **Confidential Appendix FCS 07/07/17.**

At its May meeting, FunCon pressed the need to consider whether current arrangements for retained margin still worked for Community Pharmacy. This will be discussed in the PSNC plenary meeting on Wed 12th July. Papers can be found in **Confidential Appendix FCS 08/07/17** and **Confidential Appendix FCS 09/07/17.**

Service Modelling Discussions
The PCPS Pathway (based on learnings from the CPF2 project) will be discussed in SDS.

Next Steps:
- Develop potential funding models to present at the October PSNC meeting

2	**Funding delivery** Ensure contractors are paid as completely and accurately as possible, and continue to improve the underlying payment infrastructure

A: Funding delivery

a) Fees 2016/17 and 2017/18

Role: FunCon will monitor progress with delivery of fee-based funding and provide advice to PSNC on forecasting methodologies and changes to the Drug Tariff.

Report: We are continuing to press DH on providing data sources for useful forecasting of items and funding delivery. We have obtained their most recent suite of data which is helpful but needs to be updated to account for quality payments in 2017/18.

Next Steps:
- Monitor volume actuals and forecast to identify early if SAF payment rate should be revised
- Work with DH to monitor funding delivery and forecast accuracy.

b) VAT on new fees

Report: Following the community pharmacy funding imposition, PSNC has been in discussion with HMRC about the VAT treatment of the revised fees and payments implemented from December 2016, and in particular the VAT treatment of the Single Activity Fee. A paper has been submitted to HMRC.

Guidance will be issued to contractors as soon as the VAT treatment of the fees is determined. Until we have received a reply from HMRC we are unable to advise contractors how to account for VAT.

Once the VAT treatment of the fees has been determined this will apply retrospectively from the date of implementation, 1 December 2016, and contractors may be obliged to go back and correct their VAT returns.

We have stressed to HMRC our wish for an early decision. A verbal update on a telecom with HMRC scheduled for 4th July 2017 will be given at the meeting.

Next Steps: Meet with HMRC to discuss our paper and proposed treatment.

c) PhAS payments

Report: The office has been in correspondence with the DH concerning the level of PhAS payments, following queries from some contractors. An update on the issue is included in **Confidential Appendix FCS 10/07/17.**

d) Margins surveys

Role: FunCon will monitor progress with the margins survey, ensuring BSA maintain standards and providing advice to PSNC on draft margin figures and subsequent Drug Tariff adjustments.

Report: A report on the latest state of play with the 2015/16 margin survey is shown in **Confidential Appendix FCS 11/07/17**. A verbal update on any proposals received from DH will be given at the meeting.

The office has fed back its comments on the H1 2016/17 data, resulting in a saving of c£3m. DH has also accepted our arguments and removed one line saving a further £21m. The resulting figures are also shown in **Confidential Appendix FCS 11/05/17.**

PSNC's audit work on the survey has successfully been transferred to the PAC at Enfield.

DH sought to introduce further reforms as part of the 2016/17 consultation process, covering methodology and multiples' margins. Prof. Chris Skinner from LSE is looking into improving and deconstructing the measure of robustness of the survey.

Next Steps:

- Meet with Chris Skinner
- Respond to any further DH proposals

e) Margin delivery

Role: FunCon will monitor progress with the use of margins survey data in delivering margin based funding and setting Drug Tariff prices.

Report: Considerable work was undertaken in 2015 and 2016 with DH on developing and assessing alternatives to the current systems for delivery and measurement. Further discussions are planned with DH.

Following tripartite meetings in March, proposals for adjustments to margin were expected for the May PSNC. These were not forthcoming. A tripartite meeting was held on 27th June to explore differences of opinion held on the 2015/16 survey results. Following this DH said it would consult Ministers and make a proposal on margins adjustments in time for July PSNC.

Next Steps: Respond to DH proposals on 2015/16 as appropriate.

f) AIV

Role: FunCon will monitor movements in AIV, ensuring these are in line with expectations.

Report: The latest AIV analysis is shown in **Appendix FCS 16/07/17.**

An initial report on the office's investigations into the unexpected decline in AIV in January 2017 was shared in the May agenda. Following receipt of PCA data covering Q4, further analysis could be undertaken and a report is included as **Confidential Appendix FCS 12/07/17 .**

Q4 PCA data shows a decrease in overall NIC per item of 9p, compared to Q3. This is the net effect of a 10ppi decrease in generic NIC per item and a 1ppi increase in brand NIC per item.

Next Steps: Continue quarterly analysis of PD1 and PCA when further months' data become available.

g) Category M

Role: FunCon will monitor movements in Category M, ensuring these are in line with expectations.

Next Steps: Ensure ongoing monitoring of changes.

h) Branded generics

Role: FunCon will monitor usage and the financial implications of branded generics, advising PSNC on appropriate policy.

Report: An update on the 2016 analysis was shared with the May agenda. DH has been made aware of increasing levels of activity in the market. The office is seeking to use prescribing data to investigate regional variations in prescribing. A further meeting is to be held with Jeannette Howe to emphasise the implications for distortion of income delivery.

Next Steps:

- Model regional variation
- Meet JH

i) ETP issues & Discretionary payments

Report: Following the tripartite meeting of 2nd May 2017 between PSNC, DH and NHS England, it was agreed PSNC would provide a paper outlining the analysis conducted. This paper was subsequently provided, and an invitation was extended to both NHS England and DH to allow them to visit the PSNC office to help them go through and understand the underlying data.

The next tripartite meeting between PSNC, DH and NHS England has been scheduled for early August.

Next Steps:

- Work with DH to develop appropriate changes to the DT.
- Seek agreement with DH and NHS England on the wider issue of 'discretionary' payments; which retains contractors' right to take action individually if preferred.

B: Payment accuracy

Role: FunCon will monitor progress with payment accuracy, ensuring BSA maintains pricing standards, and providing advice to PSNC on financial aspects of policy issues.

a) CPR changes

Report: No permanent changes will be made permanent to PRISM until the JR appeal is resolved.

b) NHSBSA digitalisation project

Report & Next steps: See **Confidential Appendix FCS 13/07/17.**

c) Business intelligence reporting tool

Report: The office has received a quote for the BI intelligence tool, this is in line with the budget put aside for this work. The Office is considering the quote and is seeking super user access to contractor payment data from DH which will underpin many of the statistical reports which the office intends on generating. We are also considering the use of the BI reporting tool in generating an up to date definitive, contractor database. It would also be useful in managing large quantities of data required e.g. for the regional BG analysis.

Next steps:

- Continue to press DH for super user access to payment data
- Develop BI tool

d) Pricing Audit Centre statistics summary

Report: The latest audit report is from January 2016 – December 2016.

e) EPS audit

Report: The office has been exploring the potential to obtain EPS prescription data received into pharmacies' PMR systems. The aim of this being to explore the ability to interrogate EPS data received and processed by the pharmacy compared with that received and processed at the BSA. Exploratory discussions are taking place with system suppliers to assess the feasibility of obtaining this data.

Next steps: The office will continue to seek to obtain PMR EPS data from pharmacy system suppliers.

f) Batch accuracy and batch selection

Report: The office has reviewed the current batch selection process and we are exploring alternative models for batch selection taking into consideration the requirement to select batches from each LPC area and to manage workload capacity at PAC.

Next steps: Test the new model for batch selection at PAC.

g) Strategy meeting update

Report: The next strategy meeting is due to take place on 13th July 2017. An update will be given at the next PSNC meeting.

h) Welsh audits

Report: See **Confidential Appendix FCS 14/07/17.**

C: Drug Tariff and Supply

Role: FunCon will monitor progress with Drug Tariff and supply issues, providing advice to PSNC on financial aspects of policy issues.

a) Drug Tariff changes from 2014/15 settlement

Report: Amendments to discount deduction, Category A and Non-Part VIII reimbursement and a revised system for dealing with concession lines formed part of the 2014/15 settlement. DH reintroduced these reforms as part of the 2016/17 consultation process. Little progress has been made in recent months due to the JR and the general election.

Next Steps: Await DH proposals.

b) Current Drug Tariff issues

Setting of Category C prices

Report: The office met with DH on 4th April 2017 to discuss DH's use of the Usual Proposals (the monthly discussions between PSNC and DH on the administrative aspects of the DT). A report was included in the May FunCon agenda.

Next Steps: Await DH proposals.

c) Dispensing and Supply Team Report

Report: The Dispensing and Supply Team report is included at **Appendix FCS 15/07/17.**

Statistics

Monthly statistics are set out in **Appendix FCS 16/07/17.**

Any other business

Appendix FCS 15/07/17

Dispensing and Supply Team Report

a) Market observations

(i) Mergers & Acquisitions

No mergers and acquisitions have occurred.

(ii) Divestments & De-branding

No divestments or de-brands have occurred.

(iii) Price concessions

The table below summarises the products on price concession in April, May and June 2017.

Drug name	Pack size	April	May	June	Number of months on concession	Date entered
		Price Concessions				
Amitriptyline 50mg tablets	28	£3.50	N/A	N/A	9	Aug-16
Betahistine 16mg tablets	84	N/A	£12.55	£11.95	2	May-17
Betahistine 8mg tablets	84	N/A	£6.33	£6.33	2	May-17
Buspirone 10mg tablets	30	£9.57	£9.95	£9.57	3	Apr-17
Buspirone 5mg tablets	30	£16.50	£9.95	£9.57	6	Jan-17
Clindamycin 150mg capsules	24	£4.85	£4.85	N/A	3	Mar-17
Dapsone 50mg tablets	28	£46.19	£46.19	£45.20	13	Jun-16
Diamorphine 30mg powder for solution for injection ampoules	5	£16.52	£16.52	£16.52	4	Mar-17
Ethosuximide 250mg/5ml oral solution	200ml	£173.00	£173.00	£173.00	3	Apr-17
Exemestane 25mg tablets	30	£11.50	£12.00	£12.00	7	Nov-16
Flecainide 50mg tablets	60	£11.57	N/A	N/A	15	Jan-16
Leflunomide 10mg tablets	30	£7.76	£8.50	£8.35	6	Jan-17
Leflunomide 20mg tablets	30	£8.16	£8.50	£8.16	9	Oct-16
Lorazepam 1mg tablets	28	£6.00	N/A	N/A	7	Oct-16
Mefenamic acid 500mg tablets	28	N/A	£59.99	£55.00	2	May-17
Mirtazapine 15mg tablets	28	£3.00	£3.00	N/A	7	Nov-16
Mirtazapine 30mg tablets	28	£1.40	N/A	N/A	6	Nov-16
Mirtazapine 45mg tablets	28	£3.00	£3.00	N/A	7	Nov-16
Nitrofurantoin 100mg tablets	8	£11.20	£11.93	£14.50	15	Apr-16
Nitrofurantoin 50mg tablets	28	£20.50	£20.50	£20.50	15	Apr-16
Olanzapine 10mg tablets	28	N/A	N/A	£69.82	1	Jun-16

Drug name	Pack size	April	May	June	Number of months on concession	Date entered
		Price Concessions				
Olanzapine 15mg tablets	28	N/A	N/A	£88.95	1	Jun-16
Olanzapine 2.5mg tablets	28	N/A	N/A	£16.95	1	Jun-16
Olanzapine 20mg tablets	28	N/A	N/A	£127.12	1	Jun-16
Olanzapine 5mg tablets	28	N/A	N/A	£33.00	1	Jun-16
Olanzapine 7.5mg tablets	28	N/A	N/A	£52.44	1	Jun-16
Oxazepam 10mg tablets	28	£7.97	£7.97	£18.95	5	Feb-17
Oxazepam 15mg tablets	28	£7.97	£7.97	£7.97	5	Feb-17
Pramipexole 88microgram tablets	30	£8.50	£11.24	£11.24	3	Apr-17
Quetiapine 25mg tablets	60	N/A	N/A	£40.50	1	Jun-16
Quetiapine 100mg tablets	60	N/A	N/A	£113.10	1	Jun-16
Quetiapine 150mg tablets	60	N/A	N/A	£96.14	1	Jun-16
Quetiapine 200mg tablets	60	N/A	N/A	£113.10	1	Jun-16
Quetiapine 300mg tablets	60	N/A	N/A	£170.00	1	Jun-16
Ropinirole 5mg tablets	84	£165.00	£165.00	£165.00	12	Jul-16
Sodium cromoglicate 2% eye drops	13.5ml	N/A	£5.99	£6.99	2	Jun-17
Spironolactone 50mg tablets	28	£5.20	£5.20	£5.20	5	Feb-17
Sumatriptan 100mg tablets	6	N/A	N/A	£32.00	1	Jun-17
Sumatriptan 50mg tablets	6	N/A	£28.65	£31.85	2	May-17
Tranexamic acid 500mg tablets	60	N/A	£11.50	£11.45	2	May-17
Valsartan 160mg capsules	28	£17.25	£17.10	£17.10	12	Jul-16
Valsartan 40mg capsules	28	£8.95	£8.80	£8.80	12	Jul-16
Valsartan 80mg capsules	28	£11.50	£11.43	£11.43	12	Jul-16
Zolmitriptan 2.5mg orodispersible tablets sugar free	6	£15.22	£15.22	£17.90	6	Dec-16
Zolmitriptan 2.5mg tablets	6	£15.30	£14.99	£18.00	7	Dec-16

Key – Items in **green** have been on concession for two Category M quarters. Items in **orange** have been on concession for three or more Category M quarters.

- A total of 27 lines have been on concession in April 29 in May 38 in June. Overall there are 44 Category M products and there is 1 Category C product.

- Ten lines have been on concession for at least 3 Category M quarters (orange), with nine lines for 2 Category M quarters (green) and twenty-five lines for 1 Category M quarter (white).

The graph below summaries the price concessions granted between January 2013 and June 2017.

(iv) Branded shortages

Reports from contractors are now extremely rare.

Appendix FCS 16/07/17

Statistics

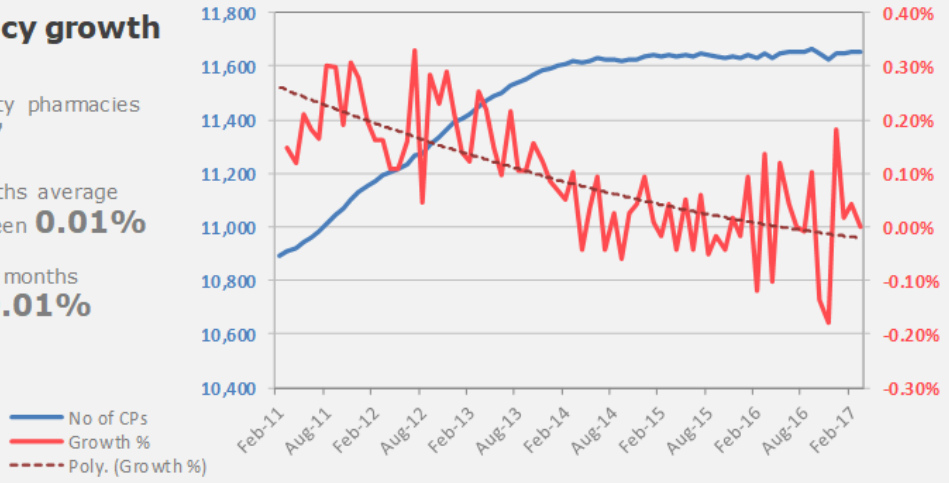
If you require any further details please email ciara.clifford@psnc.org.uk

Latest Pharmacy growth figures

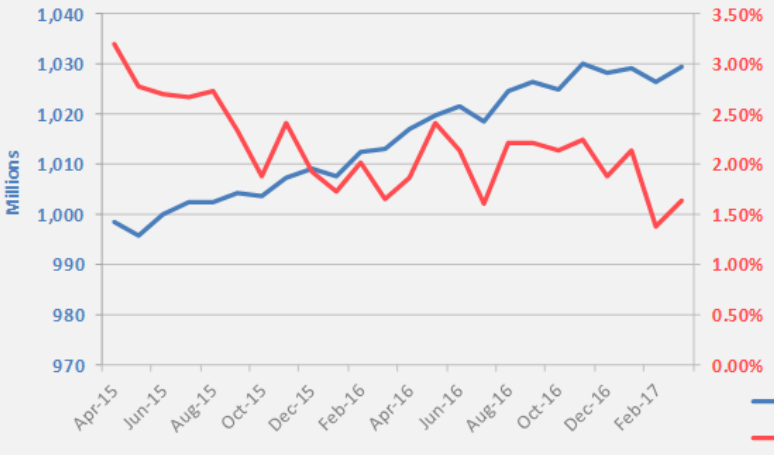
· **11,655** community pharmacies open in **March-17**

· Over the last 12 months average monthly growth has been **0.01%**

· Over the previous 24 months average growth was **0.01%**



Latest item volumes and growth rates



• 12 month prescription volume now **1.029 billion** items

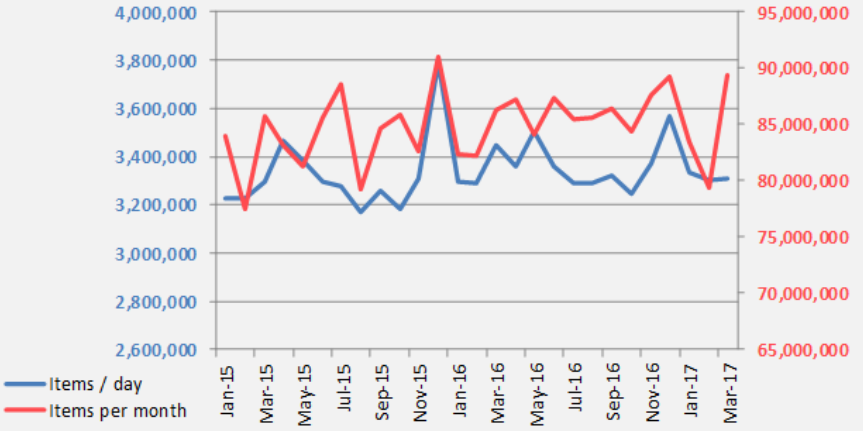
• Current annual growth rate **1.63%**

▪ Total items for 16/17 was **1.029 billion**

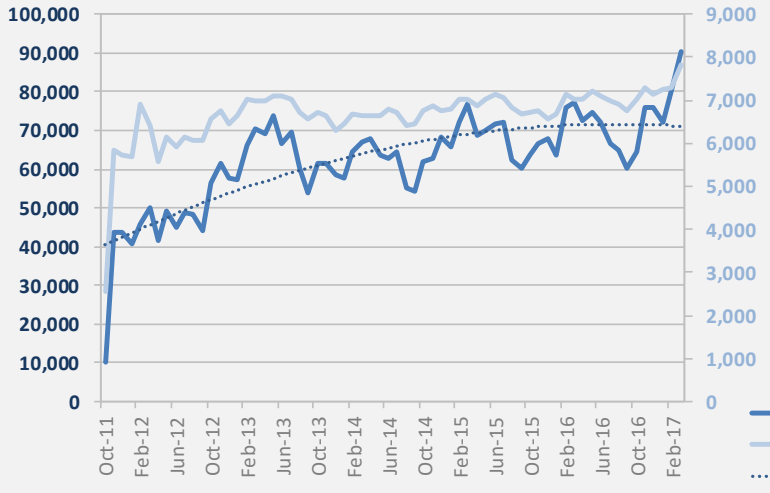
Latest items per trading day figures

• Feb-17 total items per month was **89.3m,** over 27 dispensing days, (**3.3m** items per day)

• Below peak volume of **90.9m** in Dec-15



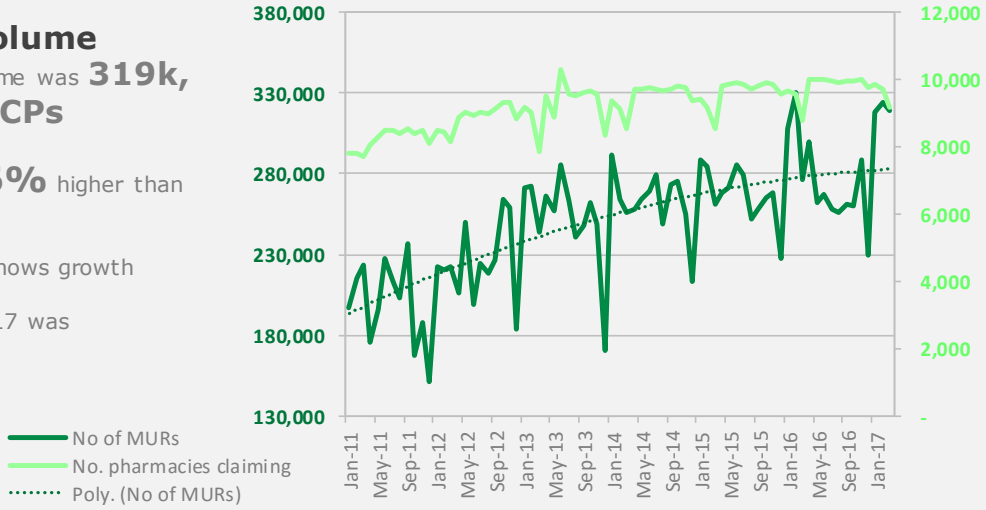
Latest NMS volume



- March -17 NMS volume was **90.3k,** claimed by **7,808 CPs**
- The volume trend shows flat growth
- Total spend for 16/17 was **£21.5m**

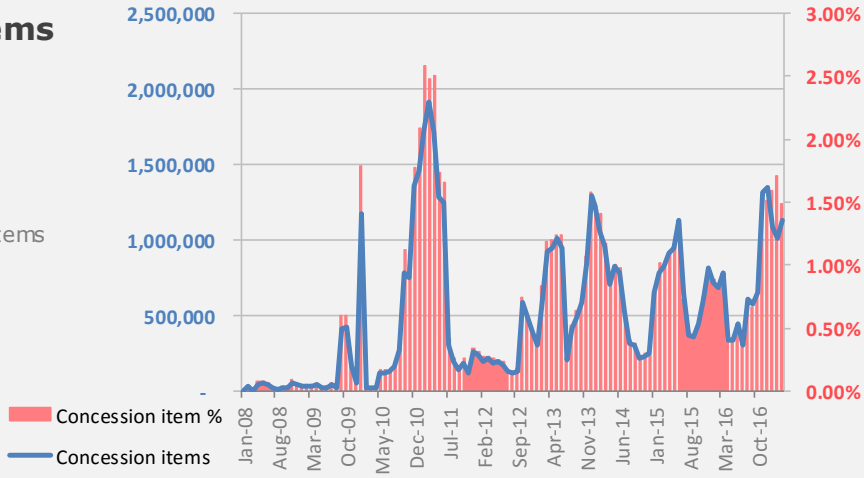
Latest MUR volume

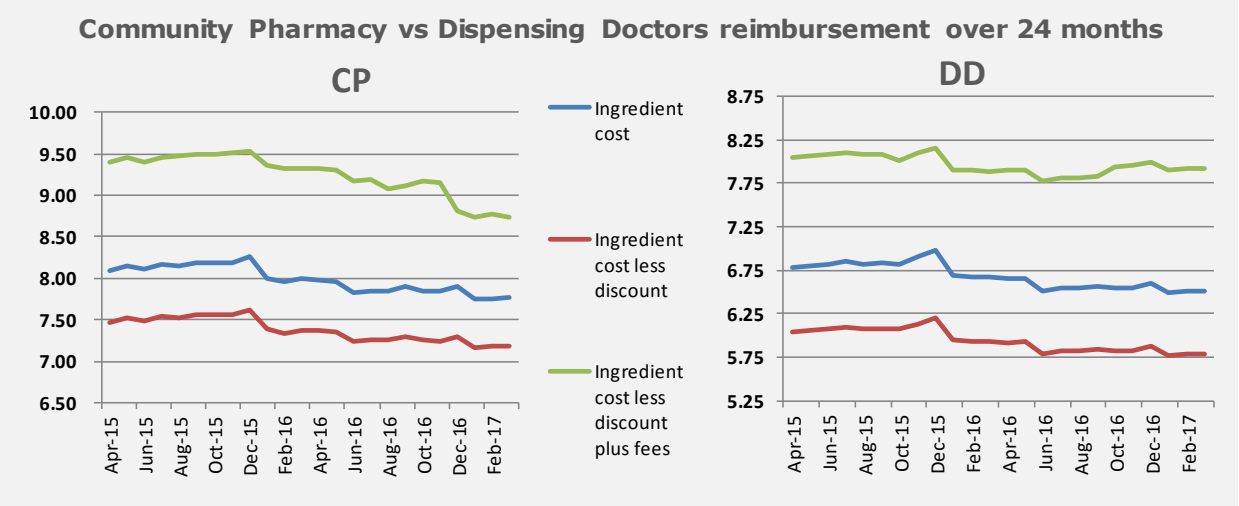
- March-17 MUR volume was **319k,** claimed by **9,161 CPs**
- March-17 is **15.6%** higher than March-16
- The volume trend shows growth
- Total spend for 16/17 was **£93.6m**



Latest concession items volume

- March 2017 concession items **increased** to **1.13m**
- Comprising **1.49%** of all items dispensed
- Below peak volume of **1.9million** in Mar-11




Community Pharmacy vs Dispensing Doctors reimbursement over 24 months
CP
DD
Ingredient cost
Ingredient cost less discount
Ingredient cost less discount plus fees
10.00
9.50
9.00
8.50
8.00
7.50
7.00
6.50
8.75
8.25
7.75
7.25
6.75
6.25
5.75
5.25
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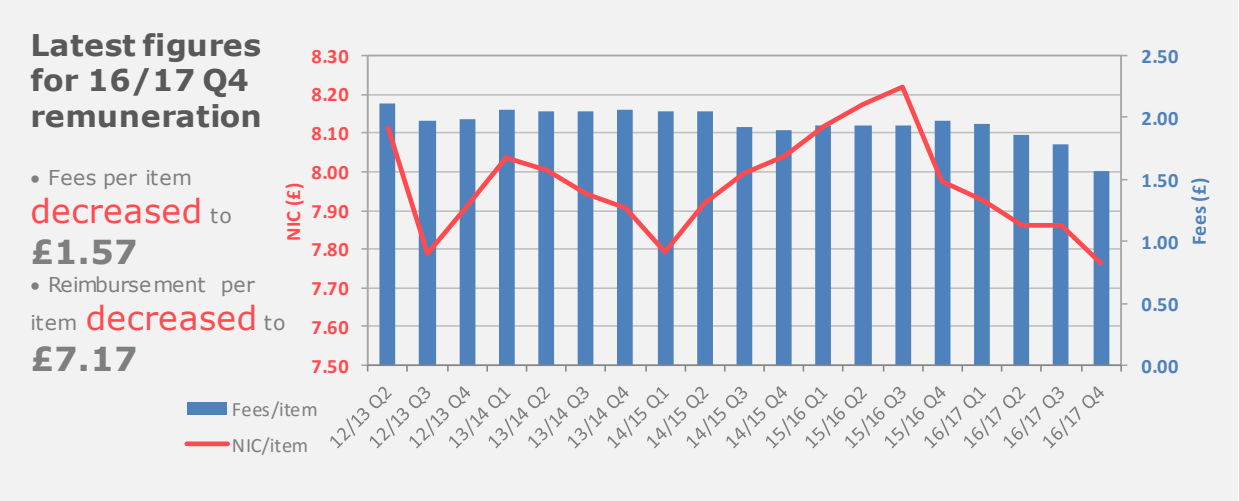
Oct-16
Dec-16
Feb-17


Latest figures for 16/17 Q4 remuneration
• Fees per item decreased to £1.57
• Reimbursement per item decreased to £7.17
NIC (£)
Fees (£)
8.30
8.20
8.10
8.00
7.90
7.80
7.70
7.60
7.50
2.50
2.00
1.50
1.00
0.50
0.00
Fees/item
NIC/item
12/13 Q2
12/13 Q3
12/13 Q4
13/14 Q1
13/14 Q2
13/14 Q3
13/14 Q4
14/15 Q1
14/15 Q2
14/15 Q3
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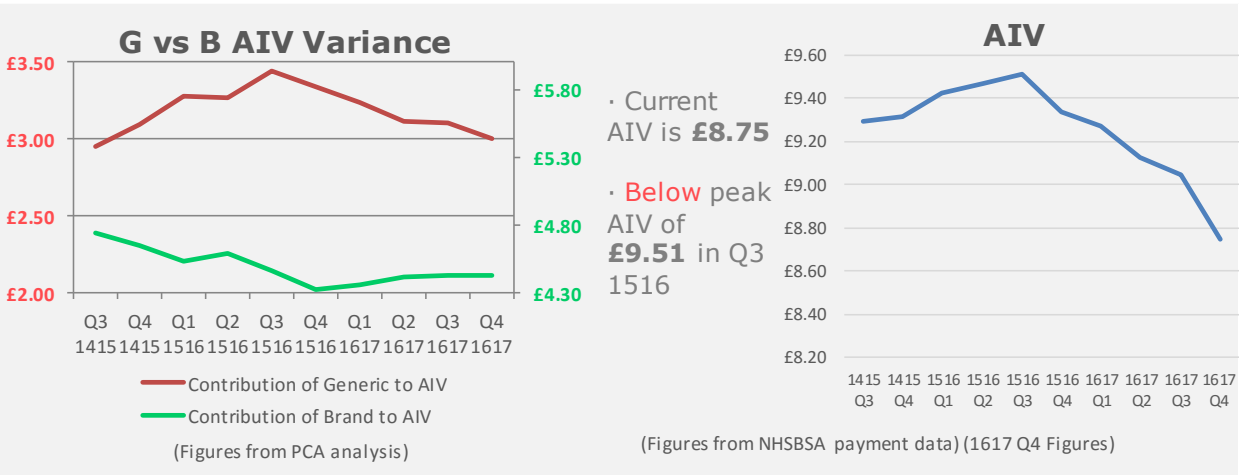
16/17 Q3
16/17 Q4


G vs B AIV Variance
£3.50
£3.00
£2.50
£2.00
£5.80
£5.30
£4.80
£4.30
Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4
1415 1415 1516 1516 1516 1516 1617 1617 1617 1617
Contribution of Generic to AIV
Contribution of Brand to AIV
(Figures from PCA analysis)
· Current AIV is £8.75
· Below peak AIV of £9.51 in Q3 1516
AIV
£9.60
£9.40
£9.20
£9.00
£8.80
£8.60
£8.40
£8.20
1415 Q3
1415 Q4
1516 Q1
1516 Q2
1516 Q3
1516 Q4
1617 Q1
1617 Q2
1617 Q3
1617 Q4
(Figures from NHSBSA payment data) (1617 Q4 Figures)

Category M

April 17 Cat M value*	£355,368,465 per quarter
July 17 Cat M value*	£349,547,262 per quarter
Movement*	-£5,821,203 per quarter

*excluding new additions to Cat M. Indicative figures based on Jan-17 to March-17 vols with estimated growth factor

- 216 increases
- 332 decreases
- 45 no change
- 3 new products, totalling 596

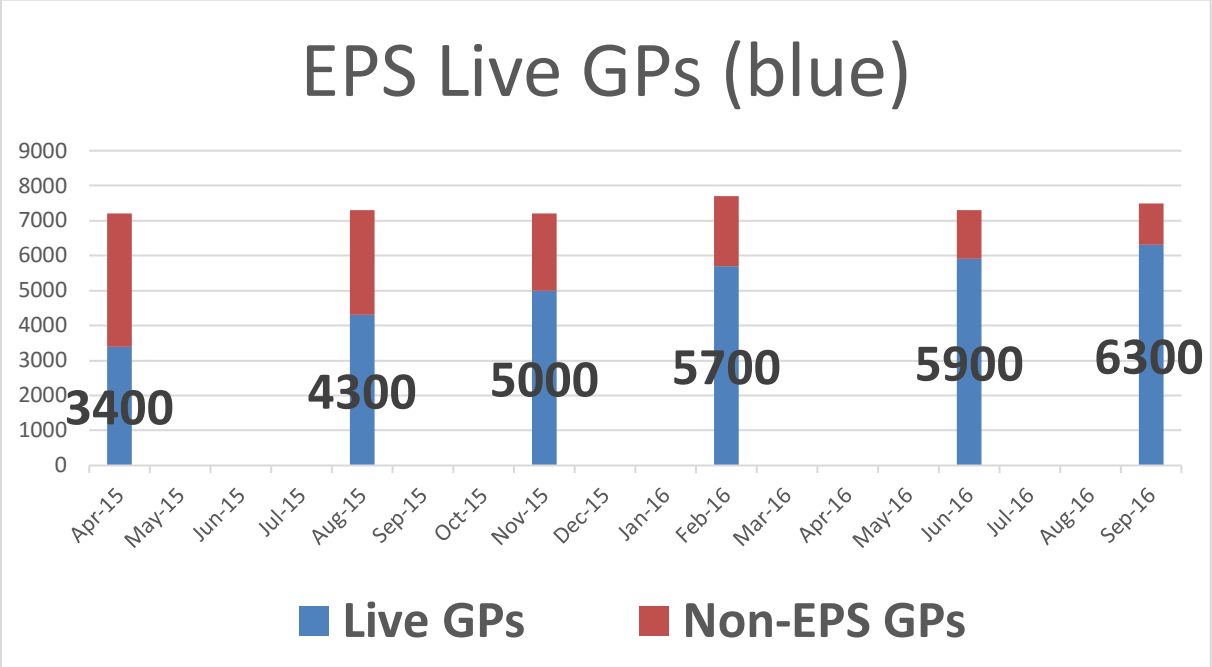
Biggest Movers (excluding new additions)

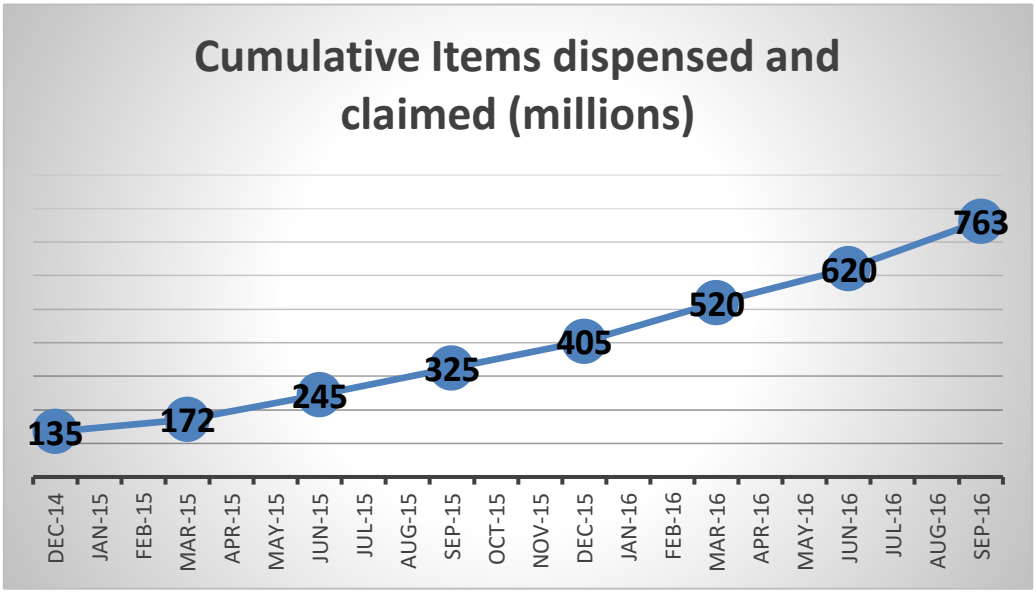
Drug Name	Pack Size	Apr-17 DT (£)	Jan-17 DT (£)	change (£)	% change
Zolmitriptan_Orodisper Tab 2.5mg	6	5.05	1.70	£3.35	197%
Buspirone HCl_Tab 5mg	30	14.74	6.97	£7.77	111%
Mirtazapine_Tab 15mg	28	4.53	2.31	£2.22	96%
Zolmitriptan_Tab 2.5mg	6	9.55	5.06	£4.49	89%
Oxazepam_Tab 15mg	28	4.82	2.72	£2.10	77%
Ropinirole HCl_Tab 2mg	28	22.76	38.74	-£15.98	-41%
Ropinirole HCl_Tab 250mcg	12	4.06	6.89	-£2.83	-41%
Lisinopril/Hydchloroth_Tab 20mg/	28	1.71	2.4	-£0.69	-29%
Metronidazole_Tab 200mg	21	2.1	2.91	-£0.81	-28%
Metronidazole_Tab 400mg	21	4.59	6.32	-£1.73	-27%

EPS Release 2 Deployment update

EPS Release 2 deployment statistics (extracted 23rd September 2016 by HSCIC)	
EPS R2 enabled GP practices	6,460 (84%)
EPS R2 enabled pharmacies	11,664 (99.2%)
Number of R2 prescription messages to date	339 million prescriptions containing 763 million items have been dispensed
Number of patient nominations set	20.5 million
Average number of nominations per live pharmacy/DAC	1,800
Average usage of site which is live (estimated)	56%

The number of GPs going live with EPS R2 continues to rapidly increase, along with the number of R2 prescriptions being processed:


EPS Live GPs (blue)
9000
8000
7000
6000
5000
4000
3000
2000
1000
0
3400
4300
5000
5700
5900
6300
Apr-15
May-15
Jun-15
Jul-15
Aug-15
Sep-15
Oct-15
Nov-15
Dec-15
Jan-16
Feb-16
Mar-16
Apr-16
May-16
Jun-16
Jul-16
Aug-16
Sep-16
Live GPs
Non-EPS GPs


Cumulative Items dispensed and claimed (millions)
135
172
245
325
405
520
620
763
DEC-14
JAN-15
FEB-15
MAR-15
APR-15
MAY-15
JUN-15
JUL-15
AUG-15
SEP-15
OCT-15
NOV-15
DEC-15
JAN-16
FEB-16
MAR-16
APR-16
MAY-16
JUN-16
JUL-16
AUG-16
SEP-16