

July 2021

PSNC Briefing 021/21: COVID-19 Costs – Further guidance and claim-related FAQs

This briefing builds on [PSNC Briefing 016/21](#) released with the announcement of funding for COVID related costs and [PSNC Briefing 020/21](#) which gave some insight from PSNC's cost survey plus an overview of the NHSBSA claim form. These briefings provide information based on our understanding of the process following talks with the Department of Health and Social Care (DHSC).

This briefing covers:

- Further guidance on making a claim;
- Openings, change of ownership and permanent closures; and
- Claim-related FAQs.

Further guidance on making a claim

Community pharmacy contractors will need to familiarise themselves with the Drug Tariff Determination at [Drug Tariff Part VIA - Covid19 claims and recovery.pdf \(nhsbsa.nhs.uk\)](#).

DHSC and NHS England and NHS Improvement (NHSE&I) are aware of the challenges that contractors have faced providing NHS pharmaceutical services, and that during the pandemic additional detailed administration or record keeping requirements were not requested, practical, or expected.

Unfortunately, a similar approach to that used for personal protective equipment (PPE) (where a standard calculated amount was allowed, with an exception process requiring a detailed claim only if your costs were over that amount) was not permitted by HM Treasury for this claim.

Although contractors will have kept financial records for tax and financial accountancy reasons, the increased level of detail ideally needed for this claim was not set out in advance. As such, a pragmatic approach to identify COVID-related costs needs to be taken.

The acceptable evidence column in Table 1 of the determination suggests what could be used as backup. Contractors will need to use judgement when applying this to their own circumstances, making sure they could justify their claim if required to by the NHS Business Services Authority (NHSBSA). The intention is not to minimise genuine claims by insisting only on spend that can be evidenced where invoices can be separated out. For example, where you have invoices for locum costs few contractors would note on them the underlying reason why a locum needed to be booked. However, invoices may be appropriate to evidence some one-off costs (e.g. cost of webcams, additional computers, phones if these were bought by your pharmacy to support operating in the pandemic).

Where you need to compare cost against pre-COVID periods, you will need to identify a representative baseline that you can justify if needed. Given different accounting year ends between pharmacies and different circumstances, you will need to use your experience and judgement to determine what this is. You may also need to make adjustments to this baseline to recognise any further differences between the two periods to make them comparable.

Additional staff costs are not limited solely to staff paid through the payroll, and declarations may be offered where appropriate.

The determination states that pharmacies with two or more branches may provide documentation to evidence costs at company level. Where cost has been incurred at company level and not individually charged to branches, you will need to determine a reasonable and proportionate way to allocate these costs back to individual pharmacies, and retain details to support the Pre or Post Payment Verification (PPV) process (as well as being able to provide the underlying evidence for these costs).

Openings, change of ownership, and permanent closures

There are three main elements to consider here:

- Did the ODS code change (with a change of ownership)?
- Are you the current or previous owner?
- What was the date of change of ownership / permanent closure?

Underline principles

In terms of underlying principles:

- If there was a change of ownership, only the current owner is able to make a claim.
- If the pharmacy ODS code changed as part of the change of ownership, a claim can only be made from the date the ODS code changed. However, the new owner only needs to repay any advances paid to the new ODS code.
- If the pharmacy ODS code has not changed, the current owner will have the advance payment recovered through their FP34s (regardless of the date of change of ownership). However, they will be able to claim COVID costs for the whole period (including those before they purchased the business, although they may need the support of the previous owner).
- If the pharmacy ODS code is no longer in operation, no claim is possible for that ODS code. However, neither is any repayment of the advance paid to that ODS code required.

Specific scenarios

In terms of specific scenarios where pharmacies have opened or closed, our understanding is:

1. I opened (a totally new) pharmacy in the thirteen month claim period
Able to claim from date of opening; required to repay any advances if received.
2. I bought a pharmacy in or after the thirteen month claim period (**ODS code unchanged**)
Able to claim from 1/3/20, with any advances also to be repaid.
3. I bought a pharmacy in the thirteen month claim period (**ODS code changed**)
Able to claim from date of purchase (when new ODS code was issued); required to repay any advances paid to the new ODS code if received.
4. I sold a pharmacy in or after the thirteen month claim period (**ODS code unchanged**)
Not able to claim, but not required to repay advances either to NHSBSA. May be asked by new owner to support completion of claim (as the new owner would be required to repay the advances paid to the ODS code back to NHSBSA).

5. I sold a pharmacy in or after the thirteen month claim period (**ODS code changed**)
Not able to claim, but not required to repay advances either.
6. I closed and merged two pharmacies into one existing ODS code in or after the thirteen month claim period
Only able to claim for the existing ODS code, with care taken to only claim increased COVID costs due to the impact of the pandemic (rather than those as a result of the consolidation). Required to repay advances paid to the ongoing ODS code; unable to make a claim for additional COVID costs for the closed ODS code, but also not required to repay advances paid to the now closed ODS code.
7. I permanently closed a pharmacy in or after the thirteen month claim period
Not able to claim, but not required to repay advances either.

Please note that NHSBSA has recently written to pharmacy contractors stating the original amount of Advance Payments made to an ODS code – including ODS codes for pharmacies that have since been sold or closed by the contractor. NHSBSA has provided this information to contractors because so many were requesting it. These letters are not about the recovery of Advance Payments. Where contractors have sold (causing the ODS code to change) or closed pharmacies as per the scenarios above, NHSBSA will **not** seek to recover the Advance Payments in respect of those or sold or closed pharmacies.

Claim-related FAQs

Q1. have normal financial records for tax and financial reporting, but these do not show the split between additional COVID and non-COVID costs. If I'd been told in advance this level of information was needed, I would have put in place additional systems to capture this level of detail.

DHSC has not set out detailed evidence requirement so contractors will need to give this some careful thought.

Contractors should gather as much robust evidence as is possible to support their claims. The Drug Tariff determination lists some of the types of evidence that contractors might choose to provide as: invoices for locums, staff overtime payments, invoices/receipts for premises adjustments. But this is not an exclusive list. Contractors will have varying levels of evidence as no detailed record keeping requirements were set out in advance (or during) the claim period.

It may be that run rate analysis rather than categorised invoices show a reasonable and justifiable change in spend versus an appropriate pre-COVID period. Given different companies' accounting periods, the pre-COVID period for any comparison has not been defined, and also may need adjusting for non-COVID related factors to make the two periods comparable.

Evidence, if requested, will need to be submitted within five working days. As such, it is recommended this and the workings behind your claim are also retained so these can be readily submitted as part of the PPV process if requested.

Q2. Our management team and/or field team focused to a much higher extent on supporting the additional COVID demands placed on our pharmacies, including helping out in pharmacies to help fill in gaps and relieve pressure on branch staff. How do I recognise this element of COVID cost?

This will need to be estimated (over normal levels) and then apportioned to the branches that have been supported. Please keep records of how this cost has been calculated and apportioned should you need to provide this as part of evidencing your claim.

Q3. Our patient numbers declined significantly due to lockdown, our local GPs not seeing patients face to face and/or the change in prescribing locally. We were largely able to cover staff absences as the pharmacy was less

busy as a result – so my extra COVID costs were minimal but the fee income that pays for my normal cost base (which we still incurred) dropped away. How am I supported?

PSNC lobbied DHSC for income protection, which would have applied to pharmacies in this situation (i.e. where activity and income dropped significantly, although operating costs did not reduce to mirror this). However, this was not allowed by HM Treasury. We are continuing to press on the inequity this causes. You are still able to claim where incremental costs have been incurred.

Q4. Our pharmacy was closed for three months as footfall was so low. The branch staff were sent to help out in our other pharmacies. How do I recognise this in our claim?

You will only be able to claim for the incremental costs for the periods you were open, over the comparable pre-COVID period. Staff costs incurred at other pharmacies should be included in those pharmacies' claims. If you did not formally change where the staff were charged by your payroll (to recognise the cost was being incurred at a different pharmacy to usual within your company), please keep a record of the reallocation you have now had to do, and set out on the claims form what evidence you would provide should you be asked to provide evidence for PPV.

Q5. Our pharmacy was closed for infection control purposes, but this was for more than 14 days in a single period. Can I claim for this?

The claim process only covers the first 14 days of closure. Where a closure for infection control purposes has been for more than 14 days (e.g. if there was a rolling development of infection in staff), the first 14 days can still be claimed for provided it meets the other criteria (e.g. also notified to NHSE&I).

A pharmacy could have been closed for infection control purposes on more than one occasion, and where this happens the closure costs (up to 14 days for each period) would be paid per period.

Q6. I furloughed a member of staff because they were on the shielding list. Can I claim for any additional cost?

If you've incurred additional costs (e.g. employing another member of staff to cover the furloughed employee), you may choose to include this. However, in your calculations you would also need to recognise that 80% of the furloughed member of staff's costs were paid for by the government and therefore this element should not be claimed again.

Q7. Our healthcentre pharmacy had to close temporarily due to a confirmed infection in the adjoining health centre. How do I claim?

You are able to claim for closures for infection control purposes for a maximum of 14 days per period. This includes if you needed to close because the wider health centre needed to close. This is included in section 4 of the claim template, with the information required detailed in part 7d) of the determination. If you were closed for more than 14 days for infection control reasons, you would only be able to claim for the first 14 days for each period of closure.

Q8. Our focus changed as a result of the pandemic and managing queues – dealing with NHS patients meant our normal retail activity was heavily disrupted. How do I recognise the staff cost impact of this in our claim?

You are allowed to claim for the additional staff costs to deal with the increased demand in/time needed for the provision of NHS pharmaceutical services. If the proportion of your pharmacy's time spent dealing with NHS pharmaceutical services increased as a result of the pandemic (e.g. given the effect of people queuing for NHS prescriptions on OTC sales), you could choose to make an adjustment for this in your comparison with expected pre-COVID staff costs.

Q9. Some of the costs being claimed for were invoiced including VAT. Do I include the VAT element in my claim?

If you have incurred VAT on any costs, this VAT element should be recovered in the normal way through your VAT return. Any amounts claimed through this claim process should be excluding VAT.

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