**Pharmaceutical Services Negotiating Committee**

**Funding and Contract Subcommittee Minutes**

**Wednesday 8th September 2021**

**Zoom virtual meeting commencing at 9:00 am**

**Items are confidential where marked**

**Members:**David Broome (Deputy Chairman), Peter Cattee (Chairman), Jas Heer, Tricia Kennerley, Margaret MacRury, Has Modi, Bharat Patel, Prakash Patel, Adrian Price, Anil Sharma

**In attendance:**Ifti Khan, Fin McCaul, Faisal Tuddy, Roger Nichols, Rhys Martin, Sam Fisher, Gary Warner, Mark Griffiths, Stephen Thomas, Reena Barai, Mark Burdon, Ian Cubbin, Jay Patel, Umesh Patel, Indrajit Patel, Lucy Morton-Channon, Mark Donovan, Sue Killen, Simon Dukes, Mike Dent, Gordon Hockey, Suraj Shah, Rob Thomas, Gemma Hackett, Michael Digby, Rosie Taylor, David Onuoha

1. Welcome from Chair

Peter welcomed David Broome in his new position as Deputy Chairman.

1. Apologies for absence
Apologies were received from Margaret MacRury and Anil Sharma.
2. Declarations or conflicts of interest

No conflicts of interests were declared.

1. Minutes of last meeting **(Confidential Appendix FCS 01/09/21)**and matters arising
The minutes of the meeting held on 19th May 2021 were approved.

**REPORTS**

1. CPCF negotiations
	1. Service pricing **(Confidential verbal report)**
	Mike stated that three key service pricing areas being discussed with DHSC are around VAT, the model we use for pricing services and a fixed payment for services.

	**On VAT** – DHSC are leading this and are making progress. They are in discussion with HMT and HMRC about the supervision point (i.e. for services to be VAT exempt in their entirety). DHSC indicated that resolution may require a change in law.

**On service pricing model** – PSNC proposed figures to DHSC based on ratios from COSI to price overheads and fair return into individual service fees. DHSC/NHSE&I counter proposals in Year 3 were lower, with underpinning data not yet shared. The substantive discussion on this was deferred from Year 3.

**On fixed payments for services** to recognise that contractors are setting up for services but cannot control demand, and that there is preparation and investment in services that is independent of actual service volumes (especially when referred), and equally there is an argument that not all overheads should be variably apportioned. It was collectively agreed that we will talk about fixed payments before Year 4.

* 1. OPD **(Confidential Appendix FCS 02/09/21)**

Mike gave an overview of the paper and current position. The challenge has always related to reimbursement. Local parts of the NHS may use ‘pay as prescribed’ to their advantage (e.g. start to prescribe 26 quantity where 28 would logically be given).

Currently £24m per annum in split pack fees are charged to local NHS budgets (i.e. paid from outside the contract sum), with the fees being applied to nearly a quarter of all items. The proportion of seven day prescribing within this is not known.

Gordon highlighted that likely changes to the Human Medicines Regulations (ability to dispense more/less POMs than prescribed) would remove a legal block to change, although NHS Regulations would still need to be addressed, and an appropriate funding solution found.

Concerns were raised that some differences were the result of pack sizes varying depending on the medicine’s formulation (e.g. chewable/non-chewable tablet). Should there be a universal call for 28 quantity packs? Further concerns were raised over the drug wastage impact (including with high value medicines), and the speed of development for PMRs if PSNC’s preferred option was agreed (pay as dispensed with endorsement).

The subcommittee requested work be undertaken to explore these issues, Peter invited attendees to email the office with any further areas they thought should be considered further.

1. Remuneration

C-19 cost claims update **(Confidential verbal report)**
A confidential verbal report was given to the subcommittee..

1. Reimbursement
	1. Category M July 2021 **(Confidential Appendix FCS 03/09/21)**

	The paper and analysis were noted by the subcommittee.
	2. Margin update **(Confidential Appendix FCS 04/09/21)**

	Mike noted that contractors should expect a Category M reduction for October and one in January 2022 too.

	A question was raised on whether PSNC can communicate something out to contractors to say that the Drug Tariff will see a downward adjustment over the next six to 12 months. Mike replied that DHSC are nervous about public messages regarding Tariff adjustments as it may lead the market.
	3. Reimbursement reforms **(Confidential Appendix FCS 05/09/21)**

Mike indicated that DHSC was now seeking to make progress with the reforms and noted that feedback from FunCon would be sought on any proposals. PSNC will be seeking to move cautiously on these reforms to help understand and manage risks and any unintended consequences.

It was highlighted that one of the push backs on the reforms PSNC should be focussing on is the overall losses from drug wastage in pharmacies for example, arising from average reduction in the expiry periods of certain drugs.

It was noted that if any changes will lead to a loss in productivity or make things more financially difficult for contractors, PSNC should be seeking additional funding from outside of CPCF to cover these costs. Non-Part VIIIB specials procurement proposals, for example, may affect pharmacy workload which, as a matter of principle, should be paid for separately by the DHSC.

* 1. Price concessions update **(Confidential Appendix FCS 06/09/21)**

	The number of price concessions granted have remained stable for several months. The late August price adjustment for Cetirizine solution was noted and Suraj confirmed that this was not a price concession but an announcement on a drug affected by the price change mechanism. Hopefully, this will help to open the door for PSNC to communicate price changes for other drugs affected by price change mechanism each month.

1. General funding update **(Appendix FCS 07/09/21)**

The subcommittee praised the on-going work on 'special containers but felt that DHSC is dragging its feet on approving PSNC’s outstanding requests. PSNC is still awaiting responses to many products applied for. DHSC has noted links between this and the Human Medicines Regulations, and its plans for original pack dispensing.

1. Statistics **(Appendix FCS 08/09/21)**

The statistics were noted by the subcommittee.

1. Any other business

None.