

Community pharmacy funding and capacity

Introduction

Community pharmacy is uniquely placed in the English healthcare landscape. Like General Practice, pharmacies are private contractors who receive the vast majority (typically more than 90%) of their income from the NHS.



However, unlike General Practice, whose funding has been boosted significantly over a multi-year period¹, pharmacy funding has been stringently restricted. When inflation and increases in business and staffing costs are taken into account, funding for community pharmacy is decreasing year on year.



Unlike most other businesses, pharmacies cannot raise their prices to their primary customers (NHS patients) to address this funding squeeze. This is unsustainable, and ultimately, it will be patient services that are negatively affected.

A five-year Community Pharmacy Contractual Framework (CPCF) deal was agreed in summer 2019. This was ambitious and set out a range of services which pharmacies would implement by 2023/24. It was agreed funding for this would remain flat, on the grounds that legislative and regulatory changes would be enacted to allow pharmacies to make efficiency savings and increase their capacity.

Since the CPCF agreement, the COVID-19 pandemic has placed significant additional pressures on pharmacies, and frustratingly, limited progress has been made on releasing capacity within the sector, as the planned legislative and regulatory changes have not been enacted. Costs and workload have continued to rise, and pharmacies have also taken on a range of new services. The result of these combined factors is that pharmacies are facing unsustainable operational and financial pressures.

We have been arguing strongly for an uplift in funding to recognise the pressures that the, already underfunded, sector is experiencing. Unfortunately, Government has rejected our bids and no further support was announced in the recent Spending Review and Autumn Budget.

Key Messages

In effect, the NHS acts as a monopsony purchaser for community pharmacies, but it consistently declines to link pharmacy funding to the value they deliver and pursues services funded at minimum delivery cost, not recognising the growing overheads that pharmacies are facing (and which must be covered, if they are to stay open and be able to deliver those NHS services to patients in the first place).

Urgent attention is needed from policymakers just to maintain the system in its current form. The alternative will be that pressures on pharmacy teams and businesses continue to grow at an unsustainable rate, with increasing instances of staff burnout and stress; that delivery of services to patients and local communities is increasingly disrupted; that more pharmacies close (and often this happens in deprived areas); and that people are unable to access their medicines and other pharmaceutical services at their chosen time or place. This will also, of course, have huge

¹ <https://www.instituteforgovernment.org.uk/publication/performance-tracker-2021/general-practice>

implications for the wider primary healthcare landscape, with pharmacies increasingly being unable to support General Practice and local healthcare initiatives.

Our key messages to policymakers are:

1. Pharmacies are ready to take further pressure off GPs and support the NHS pandemic recovery efforts, given the right support and investment.
2. So that patients and the public can continue to rely on the pharmacy services they use and value and (to allow pharmacies to do even more to support NHS objectives) pharmacies must be funded fairly now and in the future, and they must be helped to free up capacity.
3. Increased investment in pharmacy in the short-term, will save NHS money in the long-term.
4. In line with support given to the wider NHS, funding needs to be provided to future-proof community pharmacy against future pressures over which they have no control.
5. We want to work with HM Government and the NHS to develop a vision for the future of community pharmacy to ensure that best use is being made of this exceptional local healthcare resource.



Historical context

HM Government decided in 2016 to reduce overall pharmacy funding, the justification being that there were too many pharmacies operating in the market. We disagreed with this premise but asked that if they did wish to reduce the number of pharmacies, they talked to us about it to see if this could be achieved in a managed way, rather than by imposing a blunt financial squeeze on the entire sector. Unfortunately this did not happen and overall funding was cut from £2.8bn in 2015/16 to £2.592bn in 2017/18 (8% decrease), and the annual agreed funding has remained flat ever since.

As a result, many pharmacies have been forced to close, but, because of significant barriers to closure (including the risk of personal bankruptcy to small business owners), not as many as HM Government predicted. The result of this is that there is still not enough funding to ensure all the pharmacies currently operating can do so sustainably. These decisions have also caused several associated problems with workforce including staff retention, staff morale and burnout. There are currently a record number of pharmacist vacancies, which is pushing up the price of locum pharmacists to unsustainable levels. Ultimately, it is the patients who lose as patient access, choice and safety is reduced. We must be honest about the severity of the current landscape: many in the sector are on the verge of breaking.

Funding squeeze

Current pharmacy funding is “flat”, meaning the total available funding envelope has been pegged at £2.592 billion for a significant multi-year period. In practice this means real terms funding is reducing year on year, as inflationary pressures are not taken into account. Despite pharmacies being a significant part of the NHS (90% of their income comes from the NHS), pharmacy funding has not received the NHS annual funding growth (3.4% per annum between 2019/20 and 2023/24).

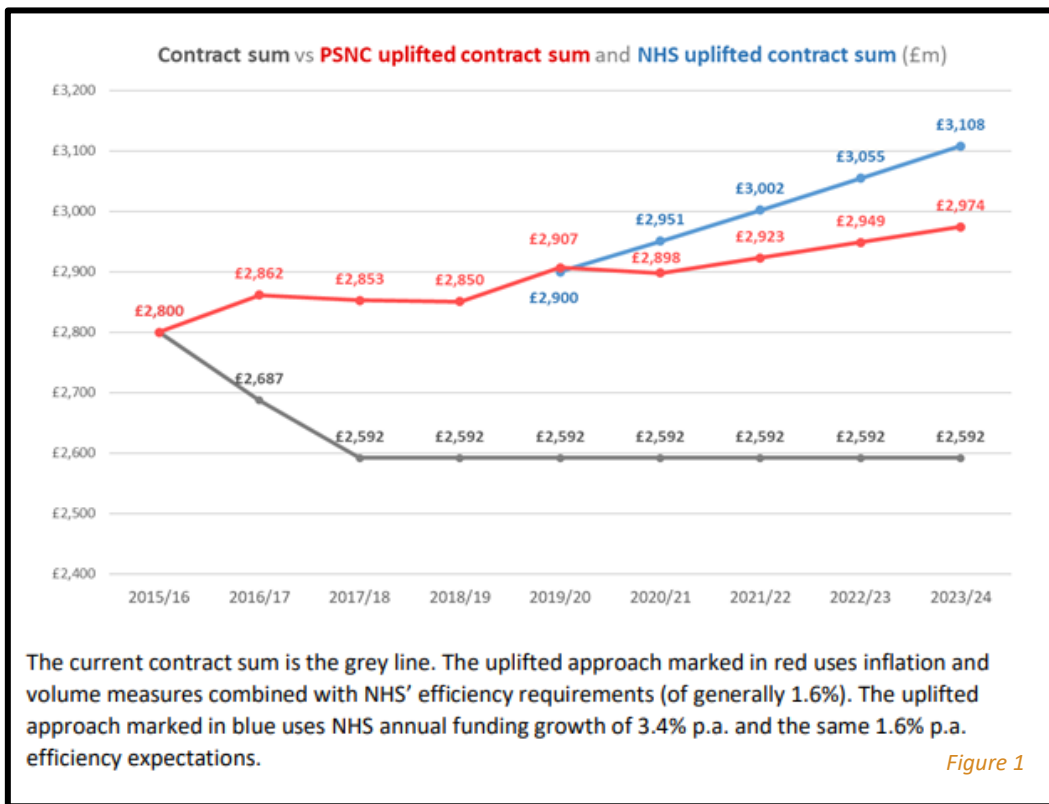


Figure 1 illustrates the increasing gap between what we reasonably believe pharmacies should receive and what they currently receive.

Pharmacies are currently making massive efficiency savings in order to manage this funding squeeze and to keep delivering the services set out in the CPCF. The increase in demand for clinical services, the shrinking funding envelope, and general economic inflationary pressures all taken together mean that we estimate an efficiency demand of between 37% and 50% will have been required by the pharmacy sector from the implementation of funding cuts in 2015/16 until year 4 (2022/2023) of the current five-year CPCF.

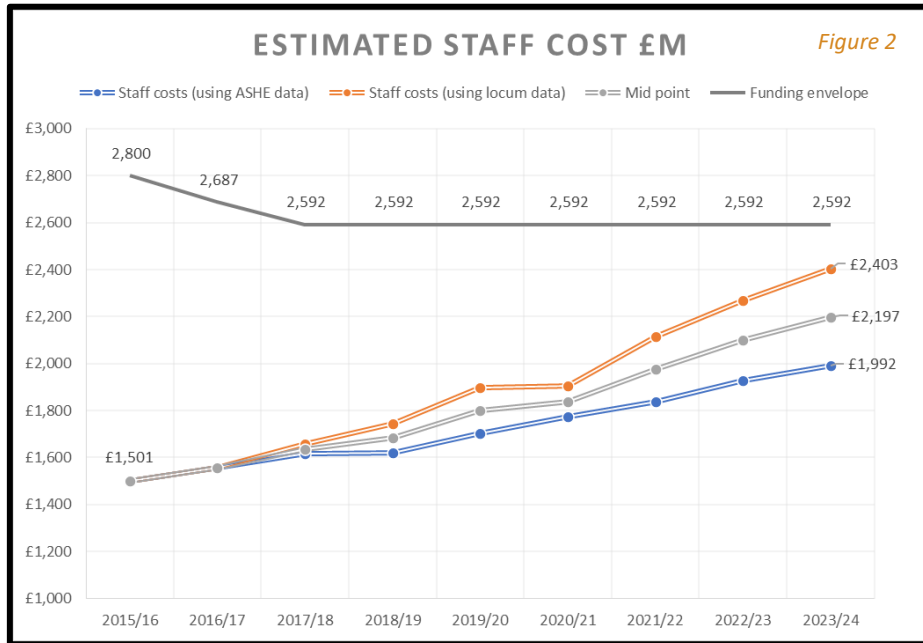
Workforce crisis

One of the most pressing concerns the community pharmacy sector faces is a growing workforce challenge. Businesses are already struggling to recruit, and we see huge workforce pressures on the horizon in the medium term. There are a number of reasons for this, among them:

- Reduction in number of students training to be a pharmacist;
- Workforce issues related to Brexit; and
- Pharmacists choosing to work elsewhere in primary care, rather than in the very pressured community pharmacy sector.

To avoid service disruption, pharmacies are turning to locum pharmacists to fill the vacancies, but the rising demand is increasing locum fees with costs estimated at 40% higher than at the start of the five-year CPCF.

Staff costs have grown massively since 2015/16. Assuming staff costs were 53% of business costs in 2015/16 (the figure indicated by the Government’s most recent Community Pharmacy Cost of Service Inquiry²), then our mid-point estimate puts staff costs at 84% of the current available funding envelope by year 4 (2022/2023) of the five-year CPCF. This is shown in Figure 2.



The recently announced increase in the National Minimum Wage will further contribute to the cost pressures for contractors. Figure 3 illustrates the disparity in growth between pharmacy funding and pharmacy costs. Logically, for any viable business, costs will always be lower than income, so it’s clear that pharmacies are mitigating against these challenges in a variety of ways. This is leading to the operational stress we are seeing in pharmacies nationwide and suggests that many are currently operating at the very edge of what is possible.

² <https://psnc.org.uk/funding-and-statistics/pharmacy-funding/cost-of-service-inquiry/>

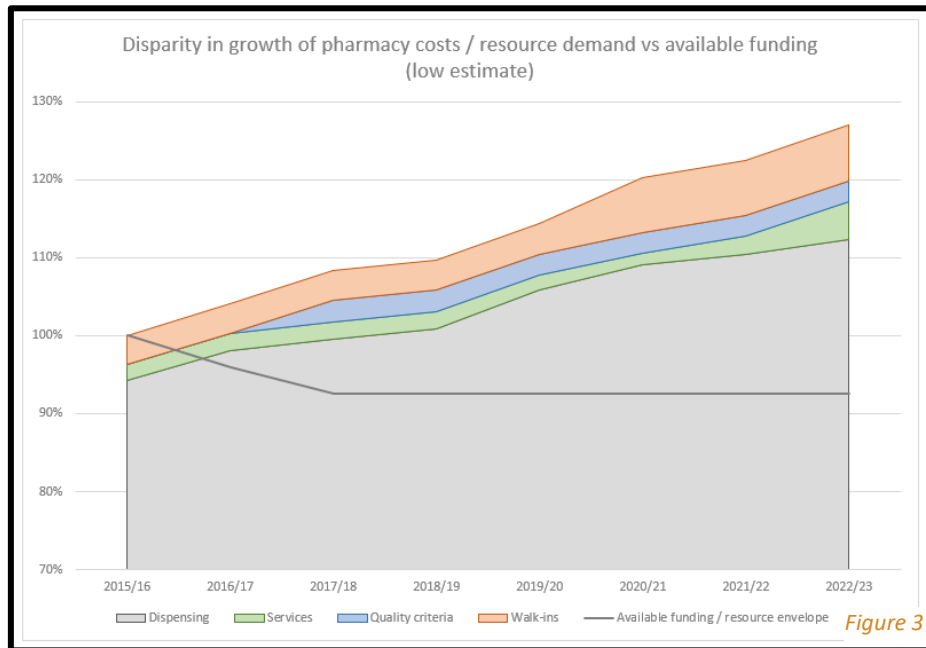


Figure 3

COVID services

The COVID-19 pandemic has shown just how valuable the network of community pharmacies is. Pharmacies’ doors remained open for the duration of the pandemic when other areas of the NHS became harder to access. Pharmacies also contributed significantly to the vaccination efforts, delivering around 22 million COVID vaccinations so far. As well as this, pharmacies distributed a total of almost 15 million lateral flow devices in just 6 months, with 97% of pharmacies taking part in the service. This service is placing an ongoing burden on pharmacies as recent surges in demand for tests do not match the supplies that pharmacies are able to obtain from the UK Health Security Agency (UKHSA). Pharmacies were also commissioned to provide a prescription delivery service during the pandemic to ensure vulnerable or self-isolating patients could continue to receive the medicines they rely on. These services were all funded from outside of pharmacy’s core funding, at appropriate rates, and the sector’s willingness to embrace them and success in delivering them show just how much the sector can achieve when it has the right support to do so.



As well as offering these COVID-specific services, pharmacies continued to offer other essential services to their communities including:

- Dispensing over 1 billion prescriptions per year on behalf of the NHS;
- Providing hundreds of thousands of NHS clinical services every year;
- Administering record numbers of flu vaccinations, almost 5 million this autumn;
- Relieving pressure on General Practice and hospitals by advising patients with minor ailments, through the NHS Community Pharmacist Consultation Service, as well as offering unfunded advice to walk-in patients (it is estimated that pharmacies give around 58 million consultations per year to patients walking into their local pharmacy, and that this saves some 20 million GP appointments annually).

COVID costs

Pharmacies, like many businesses, had to comply with strict social distancing regulations to ensure their premises were COVID-secure. This was especially important given the sick and vulnerable people that regularly visit pharmacies, and required all pharmacy staff to wear personal protective equipment (PPE), at all times. There were widespread shortages of PPE at the start of the pandemic, and pharmacies struggled to secure enough stock, at reasonable prices. The medicines market was also subject to shocks at the start of the pandemic, and pharmacies had to cover a range of other costs such as to fund enhanced cleaning regimes, safety features within pharmacy premises, and staff absences.



These additional costs had a significant impact on pharmacies' cash flow, and we asked the Government to step in to provide funding in the form of grants, to ensure that pharmacies were not financially disadvantaged as a result of, rightly, following Government guidance. The Government provided support in the form of £370 million in emergency loans, but it indicated that these would need to be paid back in full. The sector was united in believing that this was unacceptable. The All-Party Parliamentary Group for Pharmacy (APPG) engaged MPs on this issue and wrote to the Chancellor urging him to convert the loans into grants, with many recognising the position as unjust. Through continued efforts, a commitment was secured to reimburse all pharmacies for their COVID costs. These costs had to be claimed for, and the original loans would still need to be paid back.

We are pleased to report that the vast majority of pharmacies have now received payment and we hope that post-payment verification arrangements will be settled very soon. On behalf of all community pharmacies, we would like to thank all those MPs who helped us to secure this much-needed funding.

Primary care

Community pharmacies are increasingly becoming the first port of call for people needing healthcare advice. Contractor reports tell us that the number of people walking into pharmacies requesting advice increased significantly during the COVID pandemic when GPs and other health providers were not as accessible. They also tell us that these changed significantly in nature, with pharmacies starting to see many more serious, 'GP displacement' cases, i.e. people who ordinarily would have been dealt with by the GP. None of these consultations are specifically funded.

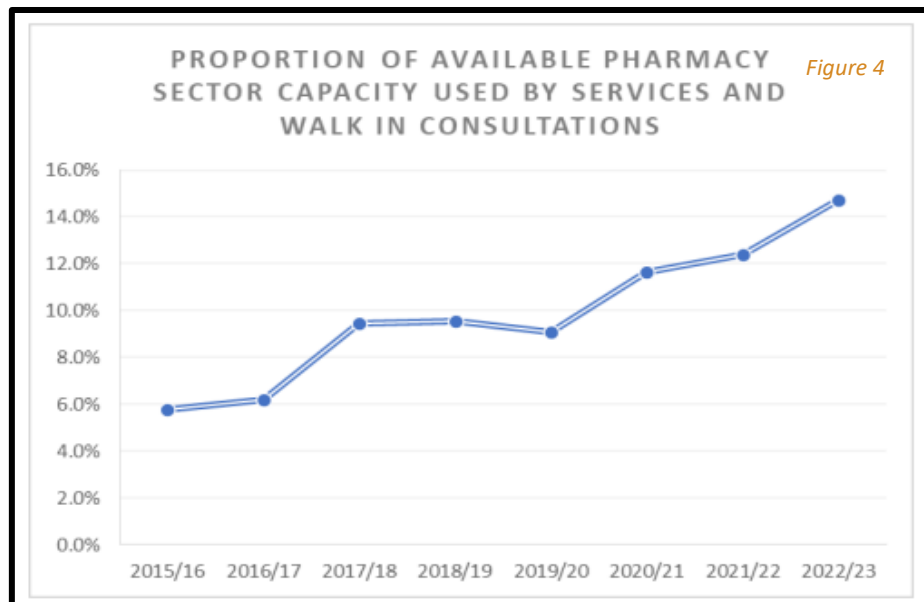


In January 2021, an audit was carried out to quantify the pressures pharmacies are under as a direct result of providing informal patient consultations, often on a walk-in basis. We found that pharmacies were undertaking some 58 million informal consultations per year, none of which have specific funding attached to them.

We particularly welcome the Secretary of State's recent intervention to further incentivise GPs to use the Community Pharmacist Consultation Service (CPCS) – this allows GP practices to refer people with minor conditions for a consultation in a pharmacy (which the NHS provides funding for)- and it should go further in helping to reduce pressure on GPs, and ensuring that patients are seen in the most convenient and appropriate setting.

Whilst the CPCS is an important service, it has limitations. GPs report that that the service in its current form is bureaucratic for them and takes up significant admin resource to make formal referrals to a pharmacy. Better, we believe, for GPs to be able to refer patients informally to a pharmacy, or for patients to be able to walk straight into a pharmacy, to receive the service. Pharmacy teams would also welcome this, as long as appropriate funding was in place to support the work, and that digital links back to the GP practice were retained.

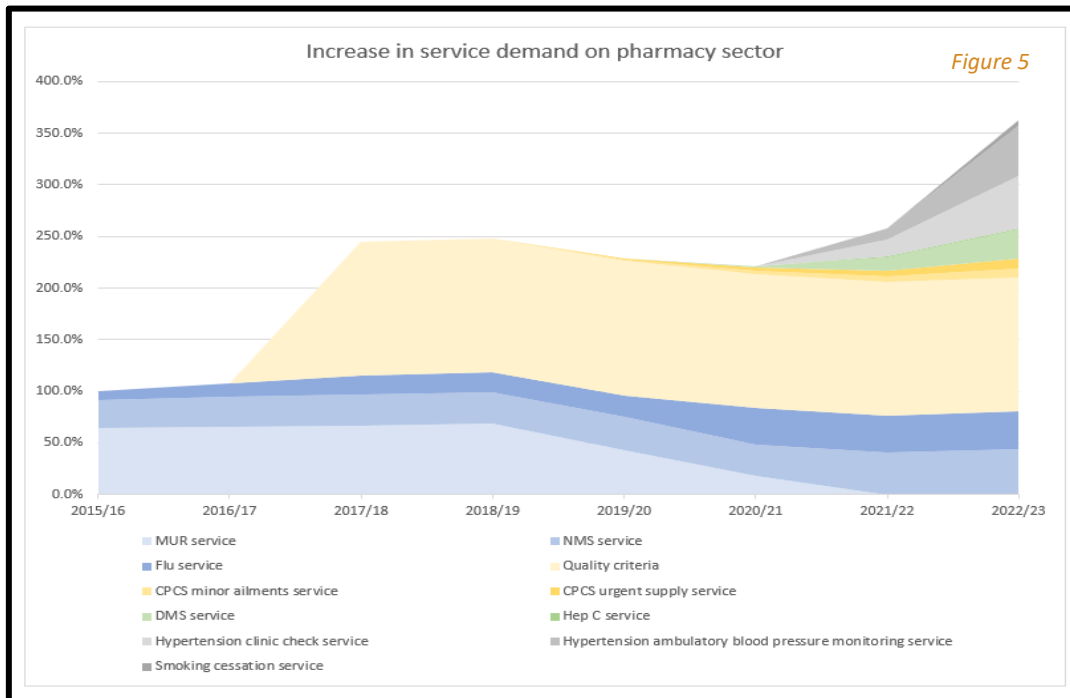
To ensure the sector is sustainably funded in the future, it is crucial we ensure that these walk-in consultations are funded, and that we plan for projected increases in demand. We need to work to increase capacity today so that pharmacies can continue to provide every patient with the high-quality care they need. Figure 4 illustrates the increasing proportion of pharmacy teams' time that is now spent assisting with walk-in consultations and other services, rather than traditional dispensing roles.



Future Modelling

Our modelling (Figure 5) suggests that pressures on pharmacies are set to increase. We estimate that staff time demand for clinical services will have increased by over 87% by 2022/23 compared against 2018/19 levels (2.21million staff hours vs 1.18million staff hours). This means more staff time is needed, and this must be funded.

This is unsustainable and urgent action is needed to mitigate these challenges. Pharmacies want to continue to provide new services and increase patient access to healthcare - that's part of their job. But they cannot do so without fair support and funding.



Recommendations

Pharmacies across the country stand ready to do more to help the NHS clear the backlog of work and care caused by the pandemic, as well as provide a sustainable primary care landscape to complement the changing habits of the public. Pharmacies could do more to help meet key NHS objectives and could often do this at a lower cost to the Treasury than some other care providers. But for this to happen, pharmacies need to have a sustainable business model and sufficient capacity.

Pharmacies are ready to take further pressure off GPs and support the NHS pandemic recovery efforts, given the right support and investment.

There were 312m GP appointments in 2019³. A 2015 study showed that 13% of GP appointments are for minor ailments which could be treated in pharmacies⁴. Using these figures gives a total of around 40m GP appointments per year that could be transferred to community pharmacy. From our own audit data we know that pharmacies are able to deliver appropriate healthcare advice to patients with minor conditions and that increasing numbers of people are seeking this help from pharmacy. We support the Secretary of State's view that pharmacy's role in this area could be expanded.

We also believe that pharmacies could do more to support NHS vaccination programmes. This year pharmacies have so far delivered over 5million flu vaccinations (compared to 2.8m in the last flu vaccination season). With the right support, pharmacies could provide other NHS vaccinations, freeing up capacity within GP practices and improving accessibility for patients. Pharmacy owners also identified 5,376 pharmacies which they thought could operate as COVID vaccination sites – yet by December 2021, just 1,451 these were approved, and we would like to see many more pharmacies supporting any future booster campaigns.

And this is in addition to greater potential roles in preventative healthcare and supporting patients with long term conditions, in a way that is convenient and highly accessible to patients and local communities.

So that patients and the public can continue to rely on the pharmacy services they use and value, (and to allow pharmacies to do even more to support NHS objectives) pharmacies must be funded fairly now and in the future, and they must be helped to free up capacity.

Our estimates show that the combined effects of flat funding, increasing services workload, workforce issues and rising costs are having a significant impact on all pharmacy businesses. We estimate an efficiency demand of between 37% and 50% will have been required by the pharmacy sector from the implementation of funding cuts in 2015/16 until year 4 (2022/2023) of the five-year CPCF. This is clearly not sustainable, and to manage, pharmacies are increasingly having to look for ways to control their costs – this may include by reducing service provision, staffing and opening hours, all of which will have a negative impact on healthcare and patients. To enable current service levels to be maintained, sustainable funding and the long-overdue help to free up capacity is urgently needed.

Increased investment in pharmacy in the short term, will save NHS money in the long term.

According to NHS England the average cost of a GP appointment is around £30⁵, meaning the cost to provide 40m minor ailments GP appointments per year is £1.2bn. The cost to transfer these to pharmacies as CPCS minor ailments consultations, at a current cost of £14 per consultation, would only be £560m, resulting in a **53% cost reduction**. For every 1 million appointments transferred, the NHS would make a net saving of £16m, i.e. the cost for GPs is £30m but the cost to pay pharmacies via the CPCS instead would be £14m.

In line with support given to the wider NHS, funding needs to be provided to future-proof community pharmacy against future pressures over which they have no control.

Community pharmacy owners are facing a range of increasing costs over which they have no control and which they cannot claim back from the users of their services. As highly efficient businesses already, there is little more they can

³ <https://www.gponline.com/general-practice-delivered-122m-appointments-every-weekday-2019/article/1672440>

⁴ <https://bmjopen.bmj.com/content/5/2/e006261.full>

⁵ <https://www.england.nhs.uk/2019/01/missed-gp-appointments-costing-nhs-millions/>

do to constrain these costs without negatively impacting the services they offer. Pharmacies are also facing a range of operational pressures which are putting unsustainable pressures on their teams. Pharmacies did eventually receive funding to cover their COVID-19 costs, but only after a long period of uncertainty. In future, we would ask all parts of Government and NHS to treat pharmacies as the critical part of the NHS that they are, and to give the sector confidence that when it rises to whatever the next challenge is, it will be fairly paid for doing so.

We want to work with HM Government and the NHS to develop a vision for the future of pharmacy to ensure that best use is being made of this exceptional local healthcare resource.

Community pharmacies are increasingly being relied upon by local communities and NHS patients as the first port of call for healthcare advice and services. Pharmacies are currently struggling to keep up with demand, and they are facing significant operational and financial challenges which, if not addressed, will limit their ability to offer more of the services that patients, the NHS and Government want in the future. We would like to work together with all parties to develop a vision for a sustainable future for the sector, to make sure that pharmacies can fulfil their maximum potential as providers of primary healthcare services.