

Interim funding arrangements to be introduced from October 2012

13 September 2012

Pharmacy contractors have today been informed about interim community pharmacy funding changes to be brought in from October 2012.

In previous years it has been possible to agree total funding in time for this to be delivered through adjustments made from the October Drug Tariff onwards. But as the 2012/13 funding agreement will take into account the results of the Cost of Service Inquiry (COSI), it has not been possible to complete the negotiations by the same time this year.

As the negotiations are not likely to be concluded in the immediate future, the Department of Health is making interim funding changes at this stage which will again be delivered by implementing adjustments to the Drug Tariff from October.

The changes will bring funding levels in line with an interim total funding figure for 2012/13 which is based on that agreed for the last financial year (£2,486m).

The changes also take into account the results of the 2011/12 margins survey, which shows that pharmacies' retained purchase margin exceeded the sum allowed by £235 million in the last financial year.

The changes being introduced will reduce practice payments by 15p per item (to 58.2p per item) and generic medicine reimbursement prices (Category M) by £72.5 million per quarter, resulting in an overall reduction in average item value (AIV) of 45p per item.

Prescription volume thresholds for the establishment payment and practice payments will increase by 3% in accordance with normal practice.

Commenting on the announcement, Sue Sharpe, CEO of PSNC, said: "Contractors will be very unhappy at the news of the cuts in practice payments and reimbursement prices and the decision by the Department of Health to adjust these from October will hit their pay at the end of the year."

"But it is essential to act now to minimise the risk of a far greater shock, if adjustments to bring funding into line had to be made in the final three or four months of the year. The changes reflect a large surplus margin earned last year - failure to make the adjustment now would lead to a surplus over allowed funding to accrue of well over £200 million."

Peter Cattee, PSNC member and Chairman of the Funding and Contract

Subcommittee, said: “The impact of the reductions will be severe. Contractors need to be mindful of the cashflow impact of these changes particularly at the end of December when final payment for October’s scripts will be received. October’s advance payment will have been based on September’s AIV which will be higher.”

Pricing inaccuracies

PSNC and the Department of Health have also agreed a payment package for pharmacy contractors to acknowledge pricing inaccuracies in 2011-12.

All contractors who were open for business throughout the period 1 April 2011-31 March 2012 will receive a maximum payment of £600 (full payment is dependent on whether the pharmacy had been first opened for business during this 1 year period). If the contractor does not request re-pricing of any months from April 2011 to March 2012, a further maximum payment of £400 will be made. Requests for re-pricing must be made by 31 December 2012.

Full details of the payment can be found in October’s Drug Tariff and will be available on the PSNC website shortly.

ENDS

Notes to Editors

- PSNC (The Pharmaceutical Services Negotiating Committee) is the body that represents community pharmacies in England and Wales on NHS matters.
- The Pharmaceutical Services Negotiating Committee (PSNC) is recognised by the Secretary of State for Health as the representative of community pharmacy on NHS matters. PSNC's main objective is to secure the best possible NHS service opportunities, remuneration, terms and conditions for NHS pharmacy contractors in England. PSNC represents and promotes the interests of 10,500 pharmacy contractors (pharmacy owners) in England. It is the role of PSNC to liaise with the Department of Health and representatives of the NHS in England to negotiate the contractual terms for the provision of NHS community pharmacy services.
- For further information please contact Amy Bourke or Sam MacAuslan on 020 618 9187 or psnc@luther.co.uk.