Primary Care Commissioning Committee

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Details	Part 1	**X**	Part 2		Agenda Item No.	**6**
Title of Paper:	Community Pharmacy Funding Announcement					
Board Member:	Margaret O'Dwyer, Director of Commissioning					
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Presenter:	Amy Lepiorz, Deputy Director of Primary Care					
Please indicate:	For Decision		For Information	**X**	For Discussion	

Executive Summary

Summary	On the 20 October the DH published the 'Community Pharmacy in 2016/17 and Beyond-Final Package' which described changes that would be made to the funding streams for community pharmacy contractors. This paper explains these changes and starts to address the potential impact for Bury.					
Risk	**High**		**Medium**		**Low**	**X**
	This paper is for information only. PCCC have no direct responsibility for the commissioning of Pharmaceutical Services, however the change in funding may result in less community pharmacy provision for our population.					
Recommendations	The Board is asked to: • note the content of the report					

Strategic themes

To deliver improved outcomes and reduce health inequalities for patients through better preventative strategies			
To deliver service re-design in priority areas through innovation			
To develop primary care to become excellent and high performing commissioners			**X**
To develop the CCG leadership to work with the Local Authority to be excellent integrated commissioners			
To develop robust and effective working relationships will all stakeholders and partners to drive integrated commissioning			
To deliver long term financial sustainability through effective commissioning and innovative investment across the wider system			
To develop and influence the provider landscape through development of a Locality Care Organisation (LCO)			
Equality Analysis Assessed?		Supports NHS Bury CCG Governance arrangements	

Community Pharmacy Funding Announcement

1. Introduction and background

1.1 Pharmaceutical Services (those provided in community pharmacies) are defined by The NHS (Pharmaceutical and Local Pharmaceutical Services) Regulations 2013, as amended (referred to as the regulations). The regulations describe the services which all community pharmacies in England must provide- Essential Services. Various Directions articulate the services community pharmacies may choose to provide- Advanced Services.

1.2 The regulations describe the Market Entry process which must be undertaken for a pharmacy premises to enter onto the Pharmaceutical List. The Pharmaceutical List is managed by NHS England who has sole responsibility for Market Entry decisions and ensuring a contractor's compliance with the Terms of Service ('the pharmacy contract).

1.3 Entry onto the Pharmaceutical List may be via two routes- routine applications and excepted applications. Decisions on routine applications are based on the information contained in the Pharmaceutical Needs Assessment (PNA) which is produced by the local Health and Wellbeing Board (H&WB). Decisions on excepted applications are based on the content of the regulations.

1.4 Prior to 2005 pharmacy Market Entry was highly controlled with pharmacy contractor applicants having to demonstrate that a pharmacy was either 'necessary or desirable'. The NHS (Pharmaceutical Services) Regulations 2005 saw the introduction of exemptions to this test, most notably the automatic approval of applications for those pharmacies that would be open over 100 hour per week or those that would operate solely via a distance selling model ('internet pharmacies'). The 100 hour exemption stopped in 2012, but the distance selling exemption remains. Nationally there has been an 18.7% increase in the number of pharmacies between 1 April 2005 and the 31 March 2016.

1.5 Funding for Essential and Advanced Services is set nationally by the Department of Health (DH) with the national NHS England team influence. Funding is negotiated between the DH and the Pharmaceutical Services Negotiating Committee (PSNC) on an annual basis- though these timescales often slip. The negotiations involve agreement on the value of the Global Sum (the overall funding available to community pharmacy) and the breakdown of the payments pharmacy contractors can receive.

1.6 Payments are listed in the Drug Tariff and consist of payments for the cost of medication (reimbursement costs) and those for the cost of services (remuneration costs). Included in the remuneration costs is an Establishment payment (~£25k pa), which contributes to the pharmacy's running costs. In December 2015 the DH announced a consultation would begin with the view to cut the value of the Global Sum.

1.7 NHS activity accounts for ~90% of a pharmacy's income, the rest consists of retail sales and private services. This varies depending on the location of the pharmacy. Pharmacy contractors are not reimbursed for their rent and rates and are subject to standard charges made by landlords and local authorities.

2. Pharmacy Funding Announcement

2.1 In December 2015 the DH announced a consultation would begin with the view to cut the value of the Global Sum from £2.8 billion to £2.592 billion - a reduction of £208m million over the next two years.

2.2 During the consultation phase a lot of media and political interest was generated, however PSNC and the DH were unable to come to a decision all parties agreed upon. On the 20 October 2016 the DH published the 'Community Pharmacy in 2016/17 and Beyond- Final Package' (enclosed)- which described the funding package which would start to take effect from the 1 December 2016.

2.3 The announcement means pharmacy contractors will receive an annual funding reduction of 4% compared with last year, but due to the timing of implementation it will mean that contractors will see their funding for December 2016 to March 2017 fall by an average of 12% compared with current levels. This will be followed by a reduction in 2017/18 which will see funding levels from April 2017 drop by around 7.5% compared with current levels.

3. Implementation of the Announcement

3.1 The reduction in funding will occur by consolidating a range of remuneration fees into one single payment and the abolishment of Establishment Payments.

3.2 The announcement also includes a new Pharmacy Access Scheme. The scheme ensures that those pharmacies that were on the Pharmaceutical List by the 1 September 2016, are more than a mile from the nearest pharmacy and not within the top 25% for NHS dispensing will see a smaller reduction in their funding. In the Bury Health and Wellbeing Board area there are no pharmacies that qualify for this scheme.

3.3 A Quality Payments Scheme is being introduced from the 1 April 2017 with nationally defined criteria.

3.4 An Urgent Medicines Supply Service is being piloted from the 1 December 2016 and is due to go live in January 2017 in the North West. This will allow patients ringing NHS111 to access repeat medication directly from a pharmacy if they run out during the Out of Hours period.

3.5 Further announcements are due around reimbursement rates and potential changes to these.

4. Impact to the Bury Population

4.1 Bury currently has 43 community pharmacies with in the Health and Wellbeing Board area. It is difficult to predict which, if any, of our pharmacies may no longer be financially viable following the announcement. Nationally, it is commented that between 8-25% of pharmacies may close.

4.2 Due to the unpredictability of the impact of this announcement it is difficult to assess how this may affect the Bury population e.g. which areas are more vulnerable to a reduction in services than others.

5. Considerations for the PCCC

5.1 This paper is to make the committee aware of the funding announcements.

5.2 Though the CCG does not have commissioning responsibility for Essential and Advanced services it can and does commission local services which provide a further income source to pharmacy contractors.

5.3 The Health and Wellbeing Board identify the pharmaceutical needs for the Bury area, as well as identifying which pharmacies are necessary to providing pharmaceutical services to an area. As a member of the Health and Wellbeing Board the CCG should be satisfied that the PNA is robust enough to support NHS England in any future Market Entry decisions.

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Department of Health

Community pharmacy in 2016/17 and beyond

Final package

October 2016

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Executive summary

This document sets out the package of reforms that has been developed and approved by Department of Health Ministers, following consultation with the Pharmaceutical Services Negotiating Committee (PSNC) and other key stakeholders, including patient and public representatives. This included consideration of a set of alternative proposals put forward by the PSNC. We also received written responses from 126 organisations and individuals. These responses have been taken into account in the decision-making process.

1. The consultation process

1.1. The Government set out initial proposals for community pharmacy in 2016/17 and beyond in the open letter to the PSNC and other stakeholders on 17 December 2015. The consultation ended on 24 May 2016, although confidential discussions continued beyond that date.

1.2. Following considerations over the summer, the Government put revised proposals to the PSNC on 9 September 2016, and the PSNC issued their final response to the proposed package of measures on 13 October 2016.

1.3. This process has been led by the Department of Health, supported by NHS England. Given the context of the Spending Review 2015, and to facilitate a clear accountability framework, Department of Health Ministers have taken responsibility for implementing the proposals and so the implementing measures in the Drug Tariff will be determinations on behalf of the Secretary of State for Health.

1.4. The Government has endeavoured as far as possible to collaborate with the PSNC, as per our consultation model of engagement with them. On this occasion, agreement has not been reached.

2. Timetable for measures to be introduced

2.1. The Government intends to implement the funding changes from 1 December 2016, through amending the December Drug Tariff. Other elements of the package are also expected to be implemented in December, such as market entry regulation changes to facilitate the consolidation of pharmacies. Others are expected be introduced later, for example some changes to drug reimbursement.

3. Summary of measures being pursued

Funding settlement

3.1. The Government usually only announces one year settlements in relation to pharmacy remuneration. However, it is desirable that we offer a level of certainty and stability to pharmacy businesses, given the reduction in funding. As such, contractors providing NHS pharmaceutical services under the community pharmacy contractual framework (CPCF) will receive:

2016/17	£2.687 billion
2017/18	£2.592 billion

3.2. This represents a 4% reduction in funding in 2016/17 and a further 3.4% reduction in 2017/18.

3.3. Decisions relating to community pharmacy remuneration for 2018/19 and beyond will be subject of future consultation.

Fees and services

3.4. We are making the following changes to fees and allowances which will be reflected in the Drug Tariff from 1 December 2016:

- consolidating a range of fees into a single activity fee;
- phasing out establishment payments; and
- introducing a Pharmacy Access Scheme.

3.5. A quality payments scheme will also be introduced, with the first payments being made with the reconciliation payments in respect of April 2017 dispensed prescriptions.

3.6. In addition, NHS England will be commissioning a new urgent medicines supply pilot as an advanced service, which will require changes to Directions.

3.7. These changes are described in more detail below.

Single activity fee

3.8. The single activity fee will subsume a range of dispensing-related fees into one, simplified payment. This will include the following fees:

- the professional fee (also known as the dispensing fee);
- the practice payment;
- the repeat dispensing payment; and
- the monthly electronic prescription service (EPS) payment.

3.9. The one-off set-up payment for EPS release 2 will not be consolidated into this payment. This document should be treated as notice that the one-off set-up EPS release 2 payment will cease from April 2017.

3.10. The expected level of the single activity fee in the December Drug Tariff is £1.13 per item.

3.11. Additional fees paid for dispensing prescriptions for specific types of product such as unlicensed medicines, appliances, controlled drugs etc., will remain as separate fees.

Phasing out establishment payments

3.12. The single activity fee above will be implemented alongside the phasing out of establishment payments.

3.13. Community pharmacies currently receive an establishment payment as long as they dispense above a certain prescription volume. Currently, the payment starts at £23,278 per annum for pharmacies dispensing 2,500 items per month, going up to £25,100 per annum for pharmacies dispensing 3,150 or more items per month.

3.14. The establishment payment will be gradually phased out over a number of years.

3.15. On 1 December 2016 it will be reduced by 20% compared to 2015/16 levels (equivalent to a 6.7% reduction overall in 2016/17). By way of illustration, the top establishment payment of £25,100 per annum, equivalent to £2,092 per month, will reduce to £1,673 per month.

3.16. On 1 April 2017 it will be reduced by 40% compared to 2015/16 levels. By way of illustration, the top establishment payment will reduce to £1,255 per month.

3.17. It is proposed that the establishment payment will cease by the end of 2019/20. The phasing in future years beyond 2017/18 will be subject to future consultation.

Pharmacy Access Scheme

3.18. The Government believes efficiencies can be made within community pharmacy without compromising the quality of services or public access to them.

3.19. We are introducing a Pharmacy Access Scheme (PhAS) to support access where pharmacies are sparsely spread and patients depend on them most.

3.20. A pharmacy will be eligible for the PhAS if it meets all of the following three criteria:

- the pharmacy is more than a mile away from its nearest pharmacy by road;
- the pharmacy is on the pharmaceutical list as at 1 September 2016; and
- the pharmacy is not in the top quartile by dispensing volume.

3.21. Overall, 1356 pharmacies will receive funding from the PhAS on the basis of these criteria. On average, the payment received will equate to roughly £11,600 in 2016/17 and £17,600 in 2017/18. This is roughly £2,900 per month in 2016/17 and £1,500 per month in 2017/18. (Note that the monthly payment is higher in 2016/17 because the annual payment is split into 4 months (payments for December 2016 – March 2017) whereas the 2017/18 payment is split into 12 months.)

3.22. The exact payment a PhAS pharmacy will receive will be based on the funding it received in 2015/16. In addition, it will incorporate an efficiency saving, of 1% in 2016/17 and 3% in 2017/18. This efficiency saving is smaller than the saving made by pharmacies who do not qualify for the PhAS (which is 4.6% in 2016/17 and 8.3% in 2017/18).

3.23. The scheme will run from 1 December 2016 to 31 March 2018. During this time, eligibility will be fixed to the pharmacies that are deemed eligible in the list published on the 20 October 2016. This is because our aim is to offer community pharmacies greater certainty for a longer period than a one year deal would provide. However, for pharmacies which consider they should be added to the list, a review mechanism will be in place, to allow flexibility for extenuating circumstances that merit consideration.

3.24. A document outlining the technical workings of the scheme and the list of eligible pharmacies is published alongside this document.

Quality payments scheme

3.25. A quality scheme will be introduced. Up to £75 million will be available for this in 2017/18. What is not paid out as part of the quality scheme will be paid out in other fees and allowances. It will be funded from the overall funding for 2017/18 of £2.592 billion.

3.26. There will be two review points during the year, at which quality payments can be claimed:

- end of April 2017; and
- end of November 2017.

3.27. Payments due from each review point will be paid as part of the full value of services for that month, i.e. payment from April's review point will be paid at the end of June/beginning of July. There will potentially be a further 'reconciliation payment' made with the full value of services for March 2018, if there is money remaining from the £75 million.

3.28. To qualify for payments, pharmacies will have to meet four gateway criteria[1]:

- provision of at least one specified advanced service; and
- NHS Choices entry up to date; and
- ability for staff to send and receive NHS mail; and
- ongoing utilisation of the Electronic Prescription Service.

3.29. Passing the gateway criteria will not, in and of itself, earn a quality payment for the pharmacy. Quality payments will depend on how many of the quality criteria the pharmacy meets.

3.30. Pharmacies passing the gateway will receive a quality payment if they meet one or more of the criteria listed in the table below. The criteria have been weighted based on an assessment of the difficulty of achieving them and the benefit to patients from doing so, with each criterion being designated a number of 'points'.

[1] We are still working through the detail of this and may need to introduce some flexibility depending on availability, for example of NHS Mail 2.

Summary of measures **being pursued**

Domain	Criteria	Number of review points at which it can be claimed	Points at any one review point	Total points over the two reviews points
Patient Safety	Production of a written report that demonstrates evidence of analysis, learning and action taken in response to near misses and patient safety incidents, including implementation of national patient safety alerts and having shared learning	One	20	20
Patient Safety	80% of registered pharmacy professionals have achieved level 2 safeguarding status for children and vulnerable adults within the last two years	Two	5	10
Patient Experience	Results of patient experience survey from the last 12 months published on the pharmacy's NHS Choices page	One	5	5
Public health	Healthy Living Pharmacy level 1(self-assessment)	One	20	20
Digital	Demonstration of having accessed the summary care record and increase in access since the last review point	Two	5	10
Digital	NHS111 Directory of Services entry up to date at review point	Two	2.5	5
Clinical Effectiveness	Asthma patients dispensed more than 6 short acting bronchodilator inhalers without any corticosteroid inhaler within a 6 month period are referred to an appropriate health care professional for an asthma review.	Two	10	20
Workforce	80% of all pharmacy staff working in patient facing roles are trained 'Dementia Friends'	Two	5	10
			Total number of points	100

3.31. The number of points that each pharmacy can qualify for over the two reviews is 100. However, three of the quality criteria (which account for 45 points between them) only need to be met once and therefore can only be claimed at one of the two review points.

3.32. At each review point, in order to receive payment where the gateway criteria and some or all quality criteria have been fulfilled, pharmacies will need to make a declaration to the NHS Business Services Authority (NHS BSA) using the approved form.

3.33. Payments will be made to eligible contractors depending on how many criteria they have met (and therefore how many 'points' they achieved). We expect the value of each point to be set at £64. This is set at a level that would deliver £75 million assuming 100% of pharmacies achieved all 100 points. However, in reality it is unlikely that all pharmacies will achieve all of the quality criteria across the two review points. Therefore, after the two review points, there will be a reconciliation process, at which the remaining funding will be divided between qualifying pharmacies based on the number of points they have achieved over the two review points. This reconciliation payment will not have to be claimed and will be paid with the full value of services payment for March 2018 (i.e. end of May/beginning of June).

3.34. To ensure the overall amount earned by one contractor for quality payments remains proportionate, a cap of £128 per point will be allowed in totality including the reconciliation payment. To reach the cap would require less than 50% of pharmacies achieving less than 50% of the quality criteria. Any funding remaining after the reconciliation payment will be paid through other fees and allowances to pharmacy contractors.

3.35. Further guidance on quality payments will be available by 1 December 2016.

Urgent medicines supply pilot scheme

3.36. NHS England will be piloting a national urgent medicines supply service, where people calling NHS 111 requiring urgent repeat medicines will be referred directly to community pharmacies. The service specification and further guidance for this will be published by 1 December, 2016. This will be funded from the Pharmacy Integration Fund, i.e. in addition to the £2.687 billion for 2016/17 and £2.592 billion for 2017/18.

3.37. The aim is for the NHS BSA to start registration for the service from December 2016.

3.38. The urgent medicines supply pilot scheme forms part of the overall work of NHS England to embed pharmacy into the NHS urgent care pathway. This is described in more detail in the Pharmacy Integration Fund section below.

Changes to reimbursement

3.39. Whilst for the majority of prescriptions, the reimbursement, margin and apportionment arrangements work well; there are some areas which could be improved. There are a number of drug reimbursement proposals that the Department of Health and PSNC have been working on. These include:

- 'non Part VIII' products, i.e. products with no reimbursement price listed in Part VIII of the Drug Tariff;
- changes to Category M for certain generic medicines to better reflect their market price;
- changes to the margin survey to account for multiple suppliers for Non Part VIII products and Category C products;
- 'splitting the discount'- to reflect that in general generic medicines have increased margin over brands; and
- changes to the way Category A prices are set.

3.40. However, some of these changes are dependent on further work with other parts of the supply chain, and some are easier to put in place than others. We will continue to progress those outlined above during the course of the two year settlement and introduce as appropriate. Non Part VIII and changes to category M for certain generic medicines are likely to be the first to be put in place.

3.41. The Department of Health is committed to progressing all the elements listed.

Changes to market entry to facilitate the consolidation of pharmacies

3.42. As part of the consultation on community pharmacy 2016/17 and beyond, the PSNC proposed changes to pharmaceutical services regulations to prevent a new pharmacy stepping in straight away if a chain closes a branch or two pharmacy businesses merge and one closes.

3.43. We propose to make regulations which provide some protection for two pharmacies that choose to consolidate on a single existing site, where this does not create a gap in provision. Subject to the usual Ministerial and Parliamentary approvals our aim is for the changes to come into force in December.

Modernising the service

3.44. As we set out in the letter on 17 December 2015, we also want to take steps to improve the prescription ordering journey to maximise patient choice and convenience.

3.45. We recognise the changing expectations of patients and the public with respect to digital technologies in all walks of life and want to ensure those expectations are met. The Secretary of State announced a range of measures in September to improve digital NHS services for patients and – in keeping with that – we will continue to pursue our aims of improving the journey for patients ordering prescriptions digitally.

Later changes

3.46. We recognise that there are different types of community pharmacy providers and, as part of our initial proposals, we set out our intention to explore new terms of service for distance-selling pharmacies in recognition of their different service offering.

3.47. This will be the subject of further consultation with the PSNC.

4. Other decisions relating to Drug Tariff determinations

4.1. There will also be amendments to the Drug Tariff to set out the arrangements for:

- submitting and payment for electronic prescriptions; and
- payment for batches lost in transit from the pharmacy to the NHS BSA.

4.2. There will be consequential and updating amendments to the monthly claim form (the FP34C).

4.3. The PSNC will be given the opportunity to comment on the drafting in the usual way.

5. What is not being pursued that was included in the original 17 December 2015 letter

5.1. We will not be implementing any specific new measures with regards to prescription duration as part of this package.

6. Pharmacy Integration Fund

6.1. To support the transformation outlined in the NHS' Five Year Forward View, a new Pharmacy Integration Fund (PhIF) was announced in the 17 December 2015 open letter. NHS England is responsible for the allocation of the PhIF.

6.2. The aim of the PhIF is to support the development of clinical pharmacy practice in a wider range of primary care settings, resulting in a more integrated and effective NHS primary care patient pathway. In particular, the PhIF will drive the greater use of community pharmacy, pharmacists and pharmacy technicians in new, integrated local care models.

6.3. This will improve access for patients, relieve the pressure on GPs and accident and emergency departments, ensure optimal use of medicines, drive better value, improve patient outcomes and contribute to delivering a seven day health and care service.

6.4. The initial priorities for the PhIF are:

- the deployment of clinical pharmacists and pharmacy services in community and primary care settings, including groups of general practices, care homes and urgent care settings such as NHS 111; and
- the development of infrastructure through the development of the pharmacy professional workforce, accelerating digital integration and establishing the principles of medicines optimisation for patient-centred care.

6.5. All programmes will be informed by ongoing stakeholder engagement and patient and public involvement.

6.6. Beginning in December 2016, NHS England will be working to embed pharmacy into the NHS urgent care pathway by expanding the services already provided by community pharmacies in England for those who need urgent repeat prescriptions and treatment for urgent minor ailments and common conditions.

6.7. This will be piloted in two work streams to run in parallel from December 2016 to April 2018:

- an urgent medicines supply service – as outlined earlier. This will involve a direct referral from NHS 111 to community pharmacies. This will speed up access for those needing urgent repeat prescription medicines because they will no longer need a GP out-of-hours appointment, and it will route patients away from A&E who might otherwise attend to request

urgent medicines. The aim is to manage more efficiently the approximate 200,000 calls per year to NHS 111 for urgent repeat prescription medicines. The usual NHS prescription charges and exemptions will apply to this service;

- urgent minor illness care - from December 2016 to April 2018, NHS England will test the technical integration and clinical governance framework for referral to community pharmacy from NHS 111 for people who need immediate help with urgent minor ailments where this is appropriate for community pharmacy. This will develop an evidence-based, clinical and cost effective approach to how community pharmacists and their teams contribute to urgent care in the NHS, in particular making the referral of people with minor ailments from NHS 111 to community pharmacy much more robust. Minor ailments services are already commissioned by clinical commissioning groups (CCGs) across many parts of the country and ultimately NHS England will encourage all CCGs to adopt this joined-up approach by April 2018, building on the experience of the urgent and emergency care vanguard projects to achieve this at scale.

6.8. From January 2017 NHS England will start to evaluate both urgent care elements to assess the impact on the national urgent and emergency care system. The PhIF will be the resource to support the development and evaluation of the pilots.

6.9. NHS England is planning to publish further details about the PhIF in October 2016.

6.10. In addition to the urgent care work streams, this will include a workforce development package for community pharmacy professional teams, deployment of pharmacy teams into care homes, and development of the pharmacist role in integrated urgent care clinical hubs, such as NHS 111.