Community Pharmacy England

‘The economy, stupid’

DDA conference
September 2023

Mike Dent
Director of Pharmacy Funding

In this presentation

- The current crisis
- Negotiations on the Primary Care Recovery Plan
- Dispensing at a loss and price concessions
- The margin challenge
- Looking ahead

Community Pharmacy England

Current pressures are unprecedented

The severity of the current crisis

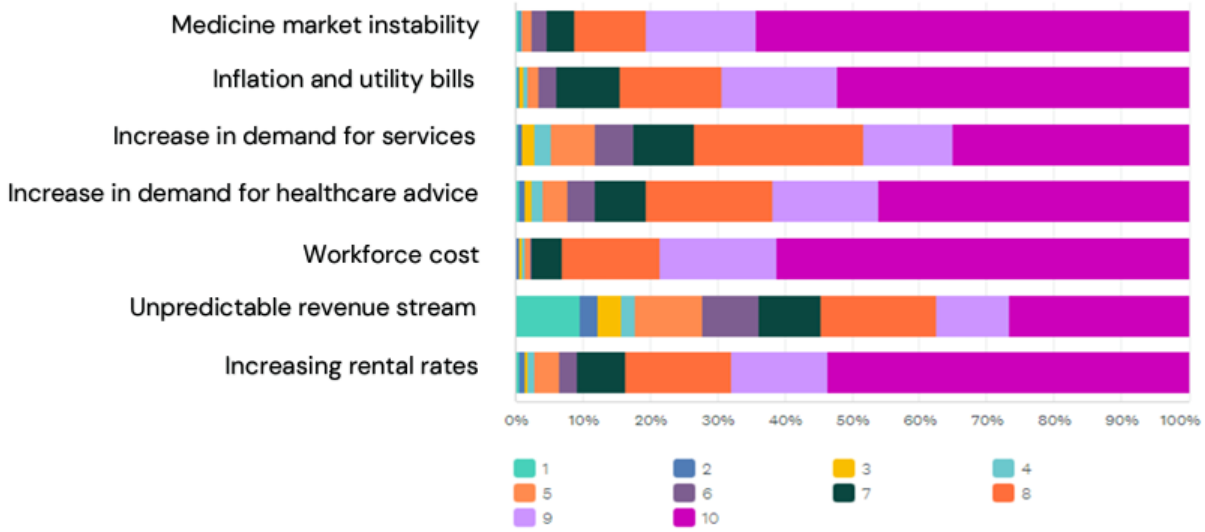
- The impact of systematic cuts of 30% in real terms over the past 7 years
- Growing prescribing volume
- Demand from patients
- Dispensing at a loss
- Workforce shortages and rising costs
- Inflationary pressures
- Consolidation and sales in the CP multiples
- Imminent administration, cashflow and credit issues, collapse and closures
- Impacting communities and patients
- Even the Government, NHSE, ICS's , PCNs and GPs have noticed and are concerned

Community Pharmacy England

The impact of these pressures

- 2023 Pharmacy Pressures Survey:
  - 96% of pharmacy companies reported that operating costs continue to rise
  - 78% were extremely concerned about their business finances
  - 92% had to deal with medicine supply issues every day
  - Almost 1 in 5 pharmacies had been subject to unplanned closures due to staff shortages
  - 56% of pharmacy owners were extremely concerned about the wellbeing of their teams

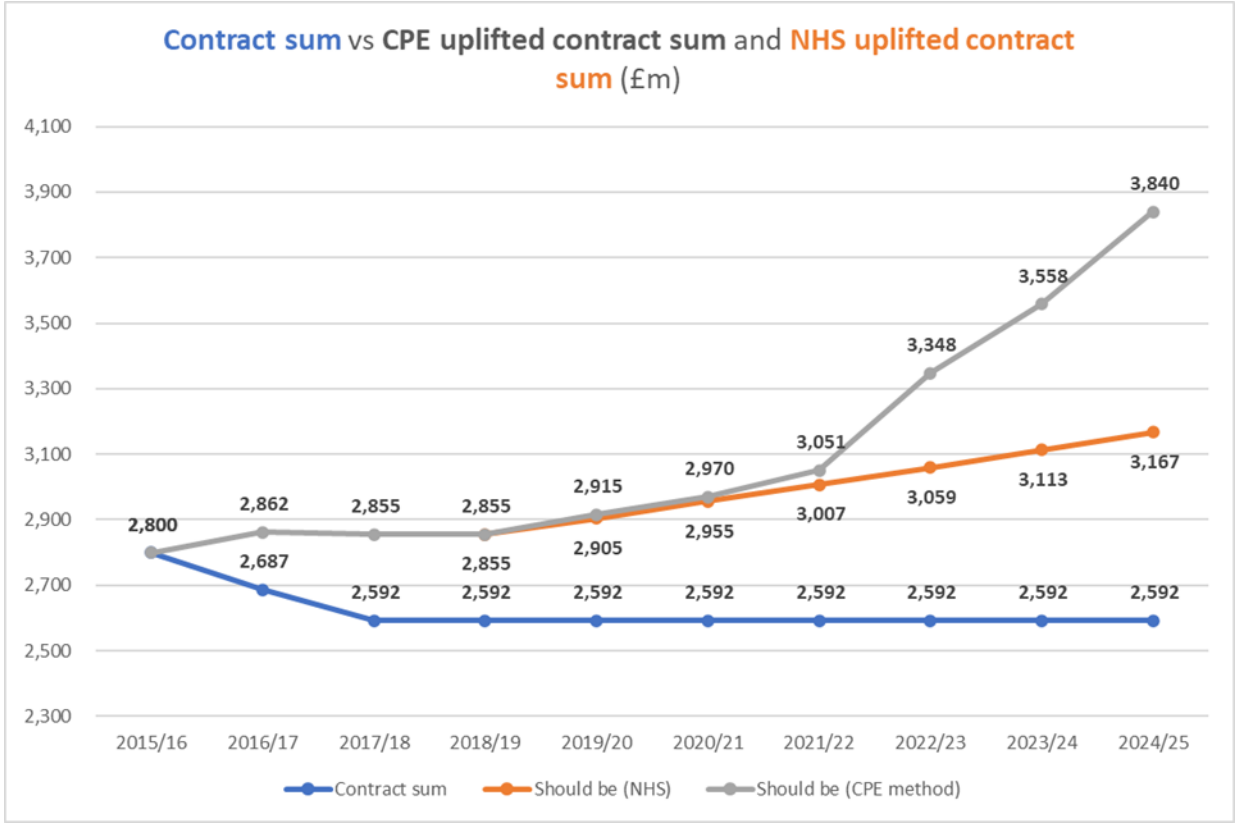
- Polling in July found:
  - 70% of pharmacy owners are having issues financing their business
  - 83% report care they provide their patients has been negatively affected
  - Biggest financial pressures:



Community Pharmacy England

Funding shortfall

- If pharmacy funding had grown in line with NHS funding, the annual contract sum would reach £3,167m by 2024/25.
- If pharmacy funding had grown in line with national inflation metrics, Community Pharmacy England estimates the annual contract sum would reach £3,840m by 2024/25
- The current frozen annual funding of £2,592m per year therefore represents a shortfall of between £575m and £1,248m, before any growth in activity is taken into account



Community Pharmacy England

But there is rising awareness of community pharmacy in policy terms

- Higher impact influencing has grown the number and voice of our advocates in parliament and relationships across Government and the NHS
- And we have built strong relationships with other players in the primary care system
- With increased coverage in the media, in debates and through our Save Our Pharmacies Campaign

- The pressures were partially recognised in the £100m write of excess margin last year and re-negotiation of Year 5
- The Sunak Government seeking solutions in a crisis stricken NHS devoid of many have seized on CP as part of the Primary Care Recovery Plan in response to long term challenges in GP access

Community Pharmacy England

The Primary Care Recovery Plan

Largest scale new money commitment was to CP

Placing Community Pharmacy at the heart of primary care

The Delivery plan for recovering access to primary care committed funding of up to £645 million over the remainder of this year and next year to support:

- **A common conditions service** (seven conditions)
- Expansion of the **NHS Pharmacy Contraception Service** and the **NHS Community Pharmacy Blood Pressure Checks Service**
- Supporting improvements to the **current digital infrastructure**

1. **sinusitis**
2. **sore throat**
3. **earache**
4. **infected insect bite**
5. **impetigo**
6. **shingles**
7. **uncomplicated UTI in women**

Community Pharmacy England

Key strategic issues for the future

- The plan importantly puts CP as a key part of integrated Primary Care and as part of a solution not just problems
- Aligning our objectives with those of Government
- Emphasis on the greater use of Pharmacists' professional competencies through PGDs and Independent Prescribers – and the use of the CP Team skill mix
- Overcoming prejudices about Anti-Microbial Resistance and over-prescribing
- It might help support current activity and capacity
- And if we demonstrate impact there's scope to be added to the future contract
- Leading to further strategic development of CP clinical services

Community Pharmacy England

CPCF 2024/25

- The CPE committee is preparing for the next round of negotiations, to prepare for the 2024/25 contract – after the 5 year deal ends - and given the constraints till 2025 placed on Government finances by the Spending Review
- We have heard from hundreds of pharmacy owners (covering thousands of premises) via our recent opinion polls, to help shape our asks.
- We will be asking for an uplift to the baseline contract sum, new funding for increased volumes of existing services and improvements to retained margin.

Community Pharmacy England

Financial challenges

Dispensing at a loss and Price Concessions

- The current market continues to experience serious shocks in drug pricing and supply – HRT, Antibiotics in December 2022 and most recently Atorvastatin.
- Our role is to collect data from pharmacy owners to submit to DHSC for concessions – some are accepted, some imposed at different rates we dispute, some rejected.
- Last year we drove a six-month review of the concessions system with DHSC which resulted in some clear improvements to the price concessions system including:
  - removing discount deduction from concession products
  - allowing a roll-forward of late month concessions
  - a retrospective correction mechanism

- There are significant long-term issues about how the drug supply market operates:
  - Manufacturers reluctant to supply the UK market as prices for generics are so low
  - Combining with sudden peaks in demand
  - And the ongoing growth in prescribing volume
- Prices affect contractors very differently depending on their purchasing mix, discounts and which wholesaler they use
- Whilst some pharmacies are dispensing at a loss others are managing
- All price concessions therefore impact on margin – and potential over-delivery (which is then clawed back)
- This raises longer term questions about our role in medicine procurement and the margin allowance in the CPCF

Community Pharmacy England

The margin challenge

- Over delivery of margin in Years 3 and 4 of the CPCF
- £100m write off of excess margin worn out of the system
- Reimbursement levels in the Drug Tariff have been suppressed for a long time, in order to try and recoup excess margin still owed to the Govt
- This has resulted in a long-term suppression of pharmacy margin income, which also filters through into the wider supply chain and contributes to instability and volatility
- The growth seen in overall item volumes over the years means that the fixed amount of margin allowed per item has become spread thinner, also driving reduced pharmacy margin %

Community Pharmacy England

Looking ahead

Laying the groundwork for the next CPCF

To enable evolution of the CPCF and of community pharmacy as a valued part of integrated primary care that delivers solutions for patients

Including a fundamental re-think of how we are funded and can plan for future sustainability

Vision and Strategic options project with the King's Fund and Nuffield Trust – independence, objectivity, ambition, challenge, influence - noted in the Access Recovery Plan

Influencing a shared strategic vision with NHSE and DHSC

Community Pharmacy England

Vision and strategy key to future

The sector is facing severe financial challenges and has had a punishing declining contractual settlement for the last 5 years

It is critical that we re-set the dial and start laying the foundations for the next contractual framework as soon as possible

Engaging with the political decision-makers at a high strategic level in terms that speak to their objectives and deliver solutions for the NHS

Setting out ambitious goals for what we can deliver will help us make the case for a better funding deal and sectoral sustainability

Demonstrating that we are forward thinking, ambitious and patient focused

Identifying our ambitions well before we get into the negotiation room where the mandate is already set under the dead hand of the Treasury

Community Pharmacy England

Key elements of the Kings Fund/Nuffield Trust Vision

Preventing ill-health and supporting well-being

Providing clinical care for patients

Living well with medicines

Part of integrated primary care offer for neighbourhoods

Community Pharmacy England

Preparing for the next contract

Evaluating the building blocks

Economics and value

- Economic review
- Economic and social value

Inflationary provision

- Rising baseline and inflationary uplift
- Fee rates
- Alternatives to fixed sum

Alternative funding mechanisms

- Establishment or core costs
- Shared incentives for services
- Simplification of payment mechanisms

Margin

- Review of drugs supply chain, margin and reimbursement system
- Enhance margin provision
- Benefit sharing

Community Pharmacy England

And the bigger challenges

- Changing shape and scope of the market and TOS
- Economic regulation ?
- Investment in estate, digital infrastructure and customer digital interfaces
- New business models and future scoping – from medicine procurement to clinical service delivery?

Community Pharmacy England

Questions and discussion