Remuneration

The money practices receive for providing dispensing services is made up of two separate elements:

- remuneration (ie pay)
- reimbursement (for the cost of the drugs dispensed).

The remuneration element of dispensing practice pay is paid through a fee per item dispensed. This is known as the dispensing fee.

The fee is paid on a sliding scale based on the number of items dispensed. This is set out in documents published separately for England, Scotland and Wales, entitled: The Statement of Financial Entitlements.

The total sum (or envelope) available for doctor dispensing services in England is negotiated annually by the GPC and NHS England according to an agreed formula that takes account of costs and dispensing volume and the award, if any, made by the Review Body on Doctors' and Dentists' Remuneration (DDRB). Once agreed, the envelope is fixed for the year.

Thus, if the number of items dispensed rises or falls beyond that expected, the dispensing fee will have to be adjusted so that, overall, the agreed envelope is delivered. The calculation of the actual fee and the levels within the fee scale is carried out by an impartial technical steering group.

The dispensing fee claims are based on volumes of prescriptions dispensed per individual dispensing practitioner. All GP principals, whether partners or not, count as individual GPs for the purpose of calculating the dispensing fee. Most practices try to even out the number of items per doctor and there will be an option in the GP computer system settings to choose this facility.

The negotiated feescale is commonly replicated by the NHS in Wales for use by Welsh dispensing GPs.

An excerpt from the feescale for England, effective from April 2016, is shown below.

### April 2016 feescale (England)

<table>
<thead>
<tr>
<th>Total prescriptions calculated separately for each individual dispensing practitioner, in bands</th>
<th>Prices per prescription in pence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 455</td>
<td>214.9</td>
</tr>
<tr>
<td>....</td>
<td>....</td>
</tr>
<tr>
<td>3982 – 4548</td>
<td>191.1</td>
</tr>
<tr>
<td>4549 and over</td>
<td>190.3</td>
</tr>
</tbody>
</table>

Politics of remuneration

Over the past few years, dispensing practices have witnessed a trend for dispensing fees to fall. Due to the financial pressure affecting the NHS, the dispensing fee is likely to continue to fall in real terms.

Recognising this, dispensing practice negotiators are working to implement changes to the dispensing contract to include remuneration for clinical services, and to make it less reliant on dispensing income.

Scotland

There are some differences.

- A container allowance is paid as part of the dispensing fee
- The dispensing fee scale is not subject to the same envelope as is the case in England and there is less fluctuation in fee level
- The level of fee and the various payments are set out in the Scottish Drug Tariff - important if not essential reading for dispensing GPs in Scotland.
Reimbursement

Reimbursement to dispensing practice is based on the prices published in the Drug Tariff for England and Wales, and for Scotland. Basic prices for drugs (also referred to as net ingredient costs NIC) are published monthly, and are available in paper copy and also online.

Reimbursement should be considered a distinct income stream from Remuneration.

Remuneration is paid to cover the operating costs of the dispensary: staffing, equipment, dispensary heating and lighting, etc.

Reimbursement is paid to cover the costs of purchasing drugs for dispensing against NHS prescriptions.

Key influences on reimbursement

Declining discounts:
Declining availability of discounts available to dispensing practices has not been matched by an equivalent reduction in the clawback rate.

Category M: Category M of the Drug Tariff is the mechanism negotiated as part of the community pharmacy contractual framework to control purchase profits made by community pharmacies. Some 500 common generic drugs are listed in Category M, the prices of which are usually adjusted on a quarterly basis.

Category M price adjustments affect dispensing doctors in England and Wales, and are usually reflected in Part 7 of the Scottish drug tariff, which is used by Scottish dispensing practices.

Some price adjustments can be quite significant, and the published prices may not reflect actual buying prices.

Category M price adjustments are published during the month preceding the month from which they become effective, and stock holding for drugs joining, or currently in, Category M/part 7 should be carefully monitored during this time to avoid losses occurring due to reduced reimbursement prices.

Clawback: Reimbursement for dispensing GPs is always subject to the discount abatement, a ‘clawback’ deduction that assumes a discount has been achieved on all purchases. The clawback rate is applied on a volume based scale, based on the £ value (total basic price/NIC) of all drugs dispensed by the (whole) practice in a given month. The current clawback scales can be found in the regional SFES.

Clawback is applied even to items that do not attract any discount. Common examples of ‘zero discount’ items include:

- Controlled drugs
- Fridge lines

Dispensing these items is automatically loss-making for the dispensary.

An excerpt from the clawback scale in effect in England 2014-15

<table>
<thead>
<tr>
<th>DISCOUNT SCALE</th>
<th>Discount rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total basic price per month of the prescriptions submitted by the contractor - £ bandwidth</td>
<td></td>
</tr>
<tr>
<td>1-2000</td>
<td>3.17</td>
</tr>
<tr>
<td>...</td>
<td></td>
</tr>
<tr>
<td>22 001 – 24 000</td>
<td>11.03</td>
</tr>
<tr>
<td>24 001 and above</td>
<td>11.18</td>
</tr>
</tbody>
</table>

Maximising purchasing efficiencies

Dispensing activity, in particular, the dispensing margin, should be regularly monitored, so that purchasing efficiencies can be maximised. For practices purchasing in the most efficient manner, margins of up to 35-40% are possible, and even small increases are worth pursuing.

Example to show impact on income of 10% rise in profit margin:

Monthly dispensary income = £40,000

Income @ 20% profit margin = £8,000

Income @ 30% profit margin = £12,000

10% rise in profit margin = £4,000 extra income

To calculate your dispensing margin:

Income = Reimbursement (basic price/NIC) minus clawback (plus any NHS PA allowance)

Costs = Total monthly spend on drugs after discount and excl. VAT

Margin = (Income minus costs) divided by income, then multiplied by 100
Useful information on total monthly reimbursement and remuneration for your practice can be found in the practice’s monthly NHS reimbursement statement, you will receive following a claim submission to the relevant regional payment authority. These should be regularly scrutinised as part of monthly reconciliation to reduce discrepancies between submission and payment.

**Prescribing and dispensing activity information**

Online, practice level prescribing information can be useful to identify item-level prescribing and, hence, dispensing activity. This is an important first step to maximise purchasing efficiency. Further advice on maximising purchasing efficiencies will be given in a subsequent module of this course.

Prescribing data is available in varied formats for different areas of the UK:

- **England:** NHS business services authority portal
- **Scotland:** NHS Scotland Information Services Division
- **Wales:** NHS Wales Shared Services Partnership
- **Statements of Financial Entitlements for England, Scotland and Wales can be found on the DDA website**

The 2010 Dispensing Practice Cost of Service Inquiry recognises that after all costs are considered an 'average' dispensing practice was operating on a 7% margin. Since 2010, discounts have declined, and drug and other running costs (staffing, utilities, etc) have gone up - all of which will impact on operating margin in 2016 and beyond.

Other influences on operating margin will include a practice’s prescribing mix - in particular its use of automatically loss-making drugs that attract no discount, yet are still subject to the discount clawback - as well as higher margin generics.

### An example to illustrate reimbursement and remuneration

**Drug:** amlodipine 10mg tabs x 28

- **NIC (list price/drug tariff):** £0.86
- **Less clawback (11.18%):** £0.10
- **= reimbursement:** £0.76
- **+ Remuneration**
  - (dispensing fee): £1.90
- **Total received:** £2.66

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### Operating margin

Fees and mark up are decided at individual practice level. Charges should account for costs of the labour and packaging involved in the dispensing process, and may reflect private dispensing charges levied by local pharmacies. If you dispense a private prescription you must add VAT. Pharmacies do not charge VAT on private prescriptions.

### The DSQS

The Dispensary Services Quality Scheme (DSQS) is a voluntary scheme designed to reward quality in dispensing practice in England and Wales.

Under the terms of the scheme, in return for compliance with a number of criteria, an annual payment of £2.58 per dispensing payment is payable to the practice. The terms of the DSQS will be discussed in a later module on quality in dispensing practice.

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**Private prescriptions**

A small amount of income can be earned from private prescriptions for a group of drugs that are defined by the GP contracts. This group includes medications for malaria prophylaxis and blacklisted drugs, as listed in the Drug Tariffs.

There are two charging options:

- Charge a prescription fee and do not dispense the item (patient takes the item to a pharmacy)
- Do not charge a prescription fee, but dispense the item from your dispensary and charge a dispensing fee plus a mark-up on the basic price of the drug.

If you dispense a private prescription you must add VAT. Pharmacies do not charge VAT on private prescriptions.
Questions

1. Dispensing fees represent which form of income?
   a) Remuneration
   b) Reimbursement

2. Dispensing fees are designed to subsidise loss-making dispensing?
   a) True
   b) False

3. Dispensing fee claims are based on the practice’s total dispensing volume?
   a) True
   b) False

4. Approximately how many drugs are listed in Category M of the drug tariff?
   a) 300
   b) 400
   c) 500

5. How often are category M prices usually adjusted?
   a) Monthly
   b) Quarterly
   c) Yearly

6. The clawback is applied only to drugs that attract discount?
   a) True
   b) False

7. Fridge items commonly attract a good discount?
   a) True
   b) False

8. When it comes to a private prescription, a practice can charge a prescription fee and then dispense the item with a mark-up?
   a) True
   b) False

9. How much is payable per dispensing patient under the terms of the DSQS?
   a) £2.36
   b) £2.48
   c) £2.58

10. Practices in Scotland can sign up to the DSQS?
    a) True
    b) False

Useful terms

Forms: total number of forms sent per month minus those returned for further clarification/endorsement

Items: Total number of prescription items minus those referred back and those disallowed. The number of items may differ from those listed under the heading of ‘Presc (no of fees)’ as a dispensed prescription item can attract more than one fee. Examples include HRT and luteinising hormone releasing hormone analogues such as Prostap DCS (leuprorelin acetate) and Decapeptyl (tiptorelin)

Presc (no of fees): Total number of fees payable for prescriptions dispensed and personally administered items

Total of Basic Prices (net ingredient cost). Total net ingredient cost of items dispensed and personally administered excluding dispensing costs and fees

Discount abatement (clawback): A deduction that assumes the practice has received a discount from suppliers.

Fees (cost of): The total amount of professional fees paid, including those accruing from dispensing and personally administered items

PA allowance: Allowance paid by NHS to cover the VAT element of items purchased for personal administration. PA allowance is calculated as basic price minus clawback multiplied by VAT rate.

Input tax payment: VAT on dispensed items reclaimed from HMRC