access to a community pharmacy. Industry groups and the Opposition have been critical of the cuts, arguing that the cuts will lead to closures of community pharmacies, and that the Pharmacy Access Scheme will not protect pharmacies in the most deprived communities.

Payment area	£ million
Dispensing fees	869
Practice payments	633
Establishment payments	270
Special fees & other allowances	97
Directed medicines use reviews & other advanced services	86
Electronic prescription allowance	28
Repeat dispensing annual payments	17

Some local NHS services, such as minor ailments services, palliative care schemes or medicine optimisation services may be commissioned through community pharmacies by CCGs[4].

The amounts that will be paid to contractors for NHS pharmaceutical services, both for reimbursement for the cost of drugs and other appliances, and for remuneration, i.e. professional fees and allowances that are included as part of the contract, are set out in the Drug Tariff, which is updated monthly.

The Drug Tariff sets out what will be paid to pharmacies, for reimbursement for the cost of drugs, and for fees and allowances paid as part of the pharmacy contract.

[4] Pharmaceutical Services Negotiating Committee, *Clinical Commissioning Groups*, (last accessed 19 August 2016)

2. 2016/17-2017/18 funding settlement

On 20 October 2016 the Government released the Community pharmacy in 2016/17 and beyond: Final package, which announced that funding for NHS contractors providing services under the community pharmacy contractual framework will be:

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

This represents a 4% reduction in funding in 2016/17 and a further 3.4% reduction in 2017/18. The announcement also confirmed plans for changes to the way funding is distributed:

- Establishment payments will be phased out, and a range of dispensing-related fees will be amalgamated into a single activity fee.
- A Pharmacy Access Scheme to support services in isolated areas. The Government has published a list of 1,341 pharmacies that will receive access payments.[5]
- A £75 million Quality Payment Scheme will award pharmacies extra funding based on how well they perform against criteria set out by the Government. The criteria are set out on p.11 of the Final Package document.
- A Pharmacy Integration Fund to support closer working with other parts of the NHS. The fund will provide £42 million in addition to the funding figures set out above from 2016 to 2018.

The intentions for the funding settlement were first set out on 17 December 2015 in a letter written by the Department of Health and NHS England to the Pharmaceutical Services Negotiating Committee (PSNC)[6]. The Government has argued that the cuts are necessary as part of wider efficiency savings being made across the NHS. Health Minister David Mowat has stated that the new funding package will lead to better value for money in pharmaceutical services, while ensuring that everybody retains ready access to a community pharmacy.

The Government announcement of the new package states:

[5] The original list published by the Government contained 1,356 pharmacies. 15 were later removed after it was discovered that they had been included in error. These included Distance-Selling Pharmacies, which are not eligible for the PhAS, and Local Pharmaceutical Services pharmacies, which have separate contractual arrangements.

[6] Letter from Department of Health to PSNC, 17 December 2015 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/486941/letter-psnc.pdf

> The government currently funds community pharmacy at £2.8 billion a year. The way community pharmacies are rewarded and funded for NHS services was last reviewed 10 years ago.
>
> Over the last 10 years the budget for community pharmacy has gone up by more than 40%. The number of community pharmacies in England is over 11,500, which is up by 18% in 10 years, and two-fifths of pharmacies in England are within 10 minutes' walk of 2 or more other pharmacies.
>
> The average pharmacy costs £220,000 a year for NHS pharmaceutical services, including fixed £25,000 'establishment payments' that most pharmacies receive annually, regardless of the service they provide. The new package will phase out the establishment payment and place greater emphasis on rewarding pharmacies for the quality of services provided to the public.
>
> Government spending for pharmacy will remain at around £2.6 billion a year, and we will ensure that those people in isolated areas with higher health needs will have access to a pharmacy through a new pharmacy access scheme.

The changes will be implemented from 1st December 2016, and will be reflected in the December Drug Tariff.

2.1 Phasing out establishment payments

Under the old arrangements, all community pharmacies would receive an 'establishment payment' if they dispense over 2,500 prescriptions per month. Establishment payments are worth between £23,278 and £25,100 depending on the prescription volume dispensed by the pharmacy.

Under the new funding arrangements, establishment payments are being phased out, starting on 1 December 2016, when they will be reduced by 20% compared to 2015/16 levels. On 1 April 2017, it will be reduced by 40% compared to 2015/16 levels. Future reductions will be subject to further consultation, but it is anticipated that it will be fully phased out by the end of 2019/2020.

2.2 Single activity fee

In addition to the phasing out of establishment payments, the following fees will be subsumed into a one single payment known as the single activity fee:

- The professional fee (or dispensing fee)
- The practice payment
- The repeat dispensing payment
- The monthly electronic prescription service (EPS) payment

All other fees will remain separate. The expected level of this fee in the December Drug Tariff is £1.13 per item.

2.3 Pharmacy Access Scheme

Full details regarding the rules and eligibility criteria of the Pharmacy Access Scheme (PhAS) are available in the Department of Health's document: Community Pharmacy in 2016/17 and Beyond: The Pharmacy Access Scheme. The document explains that the Pharmacy Access Scheme is intended to:

> ensure that a baseline level of patient access to NHS community pharmaceutical services in England is protected. The PhAS will protect access in areas where there are fewer pharmacies with higher health needs, so that no area need be left without access to NHS community pharmaceutical services. Qualifying pharmacies will receive an additional payment, meaning those pharmacies will be protected from the full effect of the reduction in funding from December 2016.

A pharmacy is eligible for the PhAS if it meets **all** of the following criteria:

- The pharmacy is more than a mile away from the nearest other pharmacy (measured by road distance); and,
- The pharmacy is on the pharmaceutical list as at 1 September 2016; and,
- The pharmacy is not in the top 25% largest pharmacies by dispensing volume.

The 1,341 pharmacies on the PhAS list will receive around £11,600 in 2016/17 (£2,900/month December - March) and £17,600 in 2017/18 (£1,500/month full year). The exact payment received by a pharmacy will be based on the funding it received in 2015/16. Pharmacies on the PhAS list will still be expected to make an efficiency saving of 1% in 2016/17 and 3% in 2017/18, but this is substantially lower than those that are not on the list, which require savings of 4.6% in 2016/17 and 8.3% in 2017/18.

The Library has put together a downloadable data file with a list of pharmacies in each English parliamentary constituency, along with a summary of which are expected to be eligible for the Pharmacy Access Scheme. Further analysis of the potential impact of the PhAS is available at the end of this briefing.

Some pharmacies that are not on the PhAS list can apply to NHS England to have their case reviewed if they believe they are eligible for PhAS payments. Applications for review opened on 1st November and will be open until the end of February 2017. This flowchart gives details of how cases will be considered.

Pharmacies can qualify for review on the following grounds:

- Inaccuracy – e.g. the postcode has been recorded incorrectly or the distance to the nearest pharmacy has been miscalculated.
- Physical feature anomaly – if there is evidence that the normal '1-mile rule' produces an unreasonable outcome for the particular pharmacy. This could be due to a semi-permanent roadblock, or because the journey in between the two

pharmacies is particularly difficult.
- 'Near miss' pharmacies in areas of high deprivation – pharmacies in the 20% most deprived areas in the country, that are located between 0.8 and 1 mile from the nearest other pharmacy.

Further detail on the review process is available in the Reviews section of DH's *Pharmacy Access Scheme* document.

2.4 Quality payments scheme

Some pharmacies will also be eligible for funding under the £75 million quality payments scheme. In order to qualify for the scheme, pharmacies must meet ALL of the following gateway criteria:

- 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.

If they meet this criteria, they are eligible to receive a quality payment. The amount they will receive will be decided by a weighted criteria system set out by the Government in the Final Package document (on page 11).

There will be two points during 2017/18 at which quality payments can be claimed: end of April 2017 and end of November 2017.

More information about the scheme is due to be published by 1st December 2016.

2.5 Pharmacy Integration Fund

A new Pharmacy Integration Fund (PhIF) was announced in the 17 December 2015 letter, and is intended 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.

The Government announcement on 20 October stated that the Pharmacy Integration Fund will provide up to £42 million between 2016 and 2018 "to improve how pharmacists, their teams and community pharmacy operates within the NHS as a whole". This fund is in addition to the £2.687 billion in 2016/17 and £2.592 in 2017/18. It had previously been reported that the fund would be set at £20 million in 2016/17 and to have provided £300 million in total by 2020/21.[7] Initiatives already slated under the PhIF include:

[7] See HC Deb 23 Feb 2016 c60WH

1. Two work streams aimed at integrating community pharmacy into the NHS' national urgent care system, to run in parallel from December 2016 to April 2018: the urgent medicines supply service and the urgent minor illness care work with NHS 111.
2. Health Education England has been commissioned to produce a workforce plan for pharmacy professionals in primary care to be able inform the workforce development needs for pharmacy across the health care system linking with the work they have already done in secondary care. We expect this to be ready by Spring 2017
3. From April 2017: deployment of pharmacy professionals in care homes and funding workforce development for pharmacists who work in care homes including a prescribing qualification.
4. From April 2017: there will be funding for pharmacists working in urgent care clinical hubs, such as NHS 111, integrated urgent care clinical hubs or GP out of hours services, and again this will include a prescribing qualification.
5. There will be educational grants for community pharmacists to access postgraduate clinical pharmacy education and training courses up to diploma level from April 2017.
6. Also from April 2017, a programme of pharmacy technician clinical leadership development.
7. An agreed priority will be to evaluate the impact of digital technologies on the health care system to improve efficiencies and modernize.[8]

The Pharmacy Integration Fund will also fund a pilot of a national urgent medicines supply service, in which callers to NHS 111 who require urgent repeat medicines can be referred to community pharmacies.

[8] NHS England, "Pharmacy Integration Fund of £42 million announced", 20 October 2016

3. Reaction to the announcements

When the Department of Health and NHS England first set out their intentions for the 2016/17 funding settlement in December 2015, the following organisations commented on the plans:

- Royal Pharmaceutical Society, RPS responds to DH letter on funding reduction for community pharmacy in 2016
- PSNC, Community pharmacy in 2016/17 and beyond
- National Pharmacy Association, New briefing document about 'efficiencies' in community pharmacy

Following a meeting on 13 January 2016 between the All-Party Pharmacy Group and the then Minister of State for Community & Social Care, Rt Hon Alistair Burt MP, the group's Chair, Rt Hon Sir Kevin Barron MP said:

> This joint letter has far-reaching consequences and implications for community pharmacy and the Minister was straightforward with us about that. We are grateful to him for seeing us and having an open discussion. The plans are not just about a 6% funding cut in the second half of the next financial year. Based on what we heard, that is not a one-off cut so there are implications for future years. We note from our meeting that phasing may be considered. But there is also much more to this picture than a cut in funding.
> There is a clear intention to reduce the number of pharmacies. We don't yet know how that will be done but closures must not reduce access or quality. We also want to know whether there will be compensation for those who exit.[9]

After the January 2016 APPG meeting the Chair, Kevin Barron, said:

> We have long been calling for more services to be commissioned from pharmacies. It is difficult to see how it will be achieved against the background of cuts in funding. The Pharmacy Integration Fund is only a modest £20 million next year. It is dwarfed by the scale of funding cuts.
>
> We also need to know much more about how those pharmacists who are based in GP practices will interact with those in community pharmacies and how roles will be defined. As we've said before, we do not want to see duplication or turf warfare. Clarity is essential.[10]

A petition on the Parliament petitions website to "stop cuts to pharmacy funding" received a Government response in June 2016. This stated that in some parts of England there were "more pharmacies than are necessary to maintain good access", and that the reduction in funding should not compromise the quality of services or public access to them:

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[9] http://appg.org.uk/news.php during this meeting, the former Health Minister Alistair Burt was reported as saying that that up to 3,000 pharmacies could be affected (out of 11,674 in England) (see HC Deb 24 May 2016 c515 for confirmation of this figure by the Minister).

[10] http://appg.org.uk/news.php

> The Government believes these efficiencies can be made within community pharmacy without compromising the quality of services or public access to them. In some parts of the country there are more pharmacies than are necessary to maintain good access. 40% of pharmacies are in clusters of 3 or more meaning that two-fifths of pharmacies are within 10 minutes' walk of 2 or more other pharmacies. We will ensure that those community pharmacies upon which people depend continue to thrive and so are consulting on the introduction of a Pharmacy Access Scheme, which will provide more NHS funds to certain pharmacies compared to others, considering factors such as location and the health needs of the local population.[11]

Another petition from the Support Your Local Pharmacy campaign which was delivered to 10 Downing Street in May 2016 is reported to have gained more than two million signatures.[12]

The Government said it would be entering into detailed discussions with the PSNC on the 2016/17 funding settlement and would be seeking views on its proposals from across the sector and from patient groups. In April 2016 the PSNC published a counter proposal setting out:

> how community pharmacy could use its unique skills, accessibility and contact with the public and patients to reduce NHS costs and improve quality.
>
> PSNC's proposal includes a number of possible community pharmacy services which, if implemented together, could lead to savings worth at least as much as the Government's proposed £170m cut to community pharmacy funding. In this way community pharmacy could contribute to the efficiencies needed in the health service, as well as reducing the substantial levels of medicines waste, without the need for a blunt funding cut that will damage the services patients need and use.
>
> PSNC's counter proposal sets out how community pharmacy could generate savings in two areas: The NHS prescribing budget; and Costs of out of hours GP services.[13]

Announcing its Report of the inquiry into primary and community care, on 29 June 2016 the officers of the All-Party Pharmacy Group warned that "the Government and PSNC must reach a negotiated settlement on the community pharmacy contractual framework" and "that an imposed contract would send unhelpful signals to the sector and risks hampering its development."[14]

Following the official announcement of the funding settlement on 20 October, an opposition day debate was held on the subject of Community Pharmacy funding on 2 November. The shadow Health Secretary, Jonathan Ashworth, stated:

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[11] https://petition.parliament.uk/petitions/116943
[12] The Pharmaceutical Journal, Petition against pharmacy cuts reaches 2 million signatures , 30 June 2016
[13] *PSNC's counter proposal to the Government's plans for community pharmacy in 2016/17 and beyond, Briefing 026/16, April 2016 PSNC*
[14] http://appg.org.uk/news.php

> The Government will say that they are mitigating the cuts by introducing a pharmacy access scheme, but the scheme takes no account of the needs of the most deprived communities. The four constituencies that top the health deprivation and disability indices are Liverpool Walton, Blackpool South, Manchester Central and Blackley and Broughton. Not one pharmacy in those constituencies is eligible for the pharmacy access scheme. The least deprived constituencies are Chesham and Amersham and Wokingham. In Chesham and Amersham, 28% of pharmacies are eligible for this mitigating scheme, while in Wokingham 35% are eligible. *[Interruption.]* The Minister says that it is a disgrace, but those are the figures. Only this Department, which spins figures all the time and which has been discredited for the way in which it uses them, can call a pharmacy cuts package an "access scheme".

In response, Minister for Health David Mowat stated:

> The proposals I announced two weeks ago are directed at four main areas: first, the need to better integrate pharmacy with GPs, primary care and the NHS more widely; secondly, the need for the existing community pharmacy network to move from a dispensing-based model to a value-added services-based model; thirdly, the need to continue to work with NHS England to ensure value for every penny we spend on the NHS; and fourthly, the need to ensure that, as we undertake these reforms, everybody in the country continues to have ready access to a community pharmacy.
>
> First, on integration with the NHS, especially in general practice, over the weekend Simon Stevens, the NHS England chief executive, again reiterated the importance of that and why he supports this process. We know we need to expand the number of GPs, and by 2020 we will have a further 5,000 doctors working in this area, but as well as recruiting and retaining more doctors, we need to provide them with further support. The "General Practice Forward View", published by NHS England, has set out fully costed plans to recruit a further 1,500 clinical pharmacists into GP practices by 2020. By then there will be one pharmacist working within a GP practice for every 30,000 of population. Most of these will be prescribing pharmacists, and all will have a role in performing medicine reviews and leveraging GP time. This is a major investment and it is already happening.[15]

The National Pharmacy Association (NPA), the trade organisation for community pharmacy professionals, announced on 4 November that it was launching a legal challenge to the funding cuts. The Chairman of the NPA, Ian Strachan, stated:

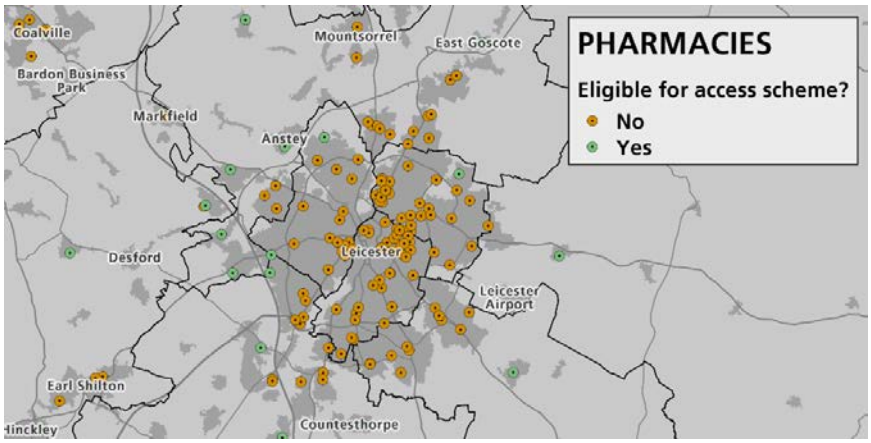
> Despite protests from patients, health care professionals, MPs and local government, Ministers have so far persisted with plans for cuts that will hit the poorest communities and the most vulnerable patients hardest. We have been reasonable and measured throughout our campaign to secure a viable future for local pharmacies. It is a shame that we have been driven to a position in which we have no option but to take legal avenues. Even at this stage, we invite the Department of

[15] https://hansard.parliament.uk/commons/2016-11-02/debates/1DBDD009-8217-4F80-9519-642E86B72D17/CommunityPharmacies

Health to step back from the precipice and enter into constructive discussions about a positive way forward for the sector and the NHS.

4. Potential impact of the Pharmacy Access Scheme

This downloadable data file has a list of pharmacies in each English parliamentary constituency, along with a summary of which are expected to be eligible for the Pharmacy Access Scheme. For MPs and their staff, Library researchers can provide maps of pharmacies by local area like the one featured below. Please get in touch to find out more.



Which areas would be most affected by the Pharmacy Access Scheme (PhAS)? Since we don't know what impact it would have on pharmacy services in any given area, it is not possible to say for certain. There has been speculation about possible closures among pharmacies not eligible for the access scheme, but this is no more than speculation.

It is possible, however, to estimate which areas are particularly dependent on individual pharmacies. By then looking at which of these pharmacies are not eligible for the Pharmacy Access Scheme, we can highlight areas which would be most at risk from any consequences which *may* arise from the funding changes.

This analysis focuses on pharmacies that are isolated – specifically, those located more than one mile from another pharmacy.[16] 1,178 pharmacies (10%) meet this criteria. Of these, most (862) are eligible for PhAS. However, the remaining 362 are not eligible. They may be excluded from the scheme because they are in the top 25% of pharmacies by dispensing volume.[17]
In total, 2.56 million people live in 8,266 'output areas' which depend on these 362 pharmacies.[18] Since these pharmacies are located more

[16] Distances in this analysis are measured as the crow flies (i.e. the shortest distance between points), using the pharmacies' postcodes. The distances used to determine eligibility for PhAS were calculated differently, by measuring the distance along road networks. Since the distance along road networks cannot be shorter than crow-flies distance, all pharmacies identified as 'isolated' in our analysis should also be identified as such in the PhAS.
[17] Department of Health, Community Pharmacy Reforms
[18] Output areas are the smallest level of geography defined by the census. There are 181,408 output areas in England and Wales. 'Dependency' here is measured by finding the closest pharmacy to the output area's population-weighted mid-point.

than 1 mile from their nearest neighbours, any change to pharmacy services in these areas could affect their access to pharmacy services. The two tables below shows the most common local authorities that these 2.56 million people live in. The first table shows those with the highest number of people living in the areas described above. The second shows those with the highest percentage of their population living in these areas.

An estimated 92,457 people in County Durham (18% of the area's population) depend on an isolated pharmacy which is not eligible for PhAS.

Local authorities ranked by population living in the relevant areas

Local Authority	**Number of people**	Of which: over 75	Percentage of population	Average health deprivation
County Durham	**92,457**	7,570	18%	2.6
Wiltshire	**59,276**	3,908	12%	7.9
Stratford-on-Avon	**47,657**	5,383	39%	7.3
Tendring	**47,443**	6,685	34%	4.6
Central Bedfordshire	**44,099**	3,414	16%	8.9
Rushcliffe	**43,654**	4,119	38%	8.4
Cornwall	**42,543**	4,658	8%	5.4
Bolsover	**41,985**	3,453	54%	3.4
South Holland	**40,108**	4,875	44%	5.2
Stroud	**39,442**	3,776	34%	7.5
Shropshire	**35,118**	3,827	11%	7.4
Forest of Dean	**34,291**	3,556	41%	6.9
North Kesteven	**31,909**	3,509	29%	6.5
West Lindsey	**30,434**	3,063	33%	5.7
North West Leicestershire	**30,095**	2,386	31%	7.0

Lower number = Higher deprivation

An estimated 54% of Bolsover's population (41,985 people) depend on an isolated pharmacy which isn't eligible for PhAS.

Local authorities by percentage of the population living in relevant areas

Local Authority	Number of people	Of which: over 75	**Percentage of population**	Average health deprivation
Bolsover	41,985	3,453	**54%**	3.4
South Holland	40,108	4,875	**44%**	5.2
Forest of Dean	34,291	3,556	**41%**	6.9
Stratford-on-Avon	47,657	5,383	**39%**	7.3
Rushcliffe	43,654	4,119	**38%**	8.4
Stroud	39,442	3,776	**34%**	7.5
Tendring	47,443	6,685	**34%**	4.6
Torridge	21,801	2,661	**33%**	5.7
West Lindsey	30,434	3,063	**33%**	5.7
North West Leicestershire	30,095	2,386	**31%**	7.0
Malvern Hills	21,675	2,829	**29%**	7.9
North Kesteven	31,909	3,509	**29%**	6.5
Rother	26,470	4,472	**28%**	6.1
Ryedale	14,722	1,945	**28%**	9.1
East Northamptonshire	23,283	1,723	**26%**	7.5

Lower number = Higher deprivation

This analysis can't capture the fact that in some larger output areas, different parts of the area might be closer to different pharmacies. But since most output areas are very small, this only affects a small proportion of cases.

The last column in these columns shows the average Health Deprivation & Disability decile of the areas affected.[19] A lower number represents more deprivation. This is included to provide further context on how 'at risk' particular areas are to any change to their pharmacy access. For instance, areas with higher health deprivation may be more dependent on pharmacy services than those with lower health deprivation. Among the 82 local authorities with more than 10% of their population affected, the areas with the highest health deprivation are Copeland (Cumbria), Rossendale (Lancashire), County Durham, and Barrow-in-Furness (Cumbria).

The following pages show maps of several areas in the county where affected areas cluster:

- **County Durham**
- **Lincolnshire & West Norfolk**
- **Nottinghamshire & Derbyshire**

The maps show the location of all pharmacies, with a colour indication of which are eligible for PhAS. Areas which are served by isolated pharmacies that aren't eligible for PhAS are shaded, with the colour representing that area's level of health deprivation. So red areas represent areas with high health deprivation that would stand to lose out if there were changes to pharmacy services in their area.

A map of England is also shown, including all of the above elements except the location of pharmacies.

These maps can be created on request for other local area. MPs and their staff can contact the Library to request this.

[19] Indices of Multiple Deprivation 2015. Note that this only covers the specific areas affected, and not the deprivation level in all areas of the local authority. Output areas area assigned the deprivation level of the LSOAs that they are part of.

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