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Community pharmacy in England

Summary
1 The Community Pharmacy Contractual Framework
2 Further funding streams for pharmacy
3 Pharmacy numbers and closures
4 Workforce training and expansion
5 Community pharmacy services
6 Medicine shortages and price concessions

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Summary

This briefing provides information on community pharmacy services in England. In particular, it focuses on funding, services, workforce and pharmacy closures.

Funding

The Community Pharmacy Contractual Framework (CPCF) is an agreement between the Department for Health and Social Care (DHSC), NHS England, and Community Pharmacy England (CPE).

Agreed in July 2019, it set out a five-year deal for community pharmacies, guaranteeing funding levels until 2023/24. It provides £2.59 billion of funding, annually, to fund NHS pharmacy services in England.

Details of arrangements for year 4 (2022/23) and year 5 (2023/24) of the CPCF were announced in September 2022. New services were introduced, and some existing services were to be expanded.

In addition to the £2.59 billion of annual funding, NHS England commits to providing a non-recurrent additional investment of £100 million across years 4 and 5 to support contractors, through an increase to the retained medicine margin. The retained margin is a profit pharmacies can earn on dispensing medicines through cost effective purchasing. The government can allow for a greater retained margin, by deliberately setting the reimbursement price of a medicine above its cost price.

The agreement also recognised that there would still be unallocated funding in years 4 and 5, for future clinical services. This would be delivered to contractors through the delivery of new and expanded clinical services and further payment mechanisms.

The deal set out that no further clinical services, beyond those set out in the deal, would be introduced under the current funding envelope.

Community Pharmacy England has called for an “urgent uplift” in CPCF funding to “help businesses to cope with soaring costs being driven by inflation and the workforce crisis”. It also criticised the DHSC and NHS England for refusing “to move away from the five-year CPCF deal, despite the overwhelming evidence of the current economic pressures”.

Stakeholders told an Expert Panel, commissioned by the Health and Social Care Committee to evaluate government commitments in pharmacy in

England, of their concerns about the CPCF. They highlighted that it had been agreed pre-pandemic, prior to current inflationary pressures and increased dispensing workload. They also noted that the agreement was partly based on efficiencies being introduced, such as automated dispensing processes, that have not been delivered.

Service expansion

There has been a growing recognition of underused potential in the community pharmacy sector. Community pharmacy's clinical service offer has expanded in recent years, through a mixed provision of Essential, Advanced, National Enhanced and Locally Commissioned Services.

The NHS Community Pharmacist Consultation Service (CPCS) launched on 29 October 2019 as an Advanced Service. It aims to relieve pressure on the wider NHS by enabling general practice to refer patients with a minor illness or need for an urgent supply of medicine, to a community pharmacy. Under the year 4 and year 5 CPCF agreement, more healthcare settings are now able to refer patients into the CPCS.

In May 2023, NHS England published its Delivery Plan for Recovering Access to Primary Care. The Plan set out a £645 million investment, over two years, to expand services offered by community pharmacy. It committed to introducing a "Pharmacy First" service for patients, by the end of 2023. It would allow pharmacists to supply prescription only medicines for seven common conditions; sinusitis, sore throat, earache, infected insect bite, impetigo, shingles and uncomplicated urinary tract infections in women.

The Delivery Plan also set out a commitment to expand the Blood Pressure Check Advanced Service, and to expand the Pharmacy Contraception Advanced Service.

Workload and staffing

CPE has expressed (PDF) concern about difficulties in staffing pharmacies, an associated increase in staffing costs:

> Many pharmacies are operating in crisis mode and are being forced to reduce the services that they offer to patients and local communities.
>
> This has been caused by a number of factors including systemic pharmacy funding cuts of at least 25% in real terms since 2015. Workforce issues have also led to locum pharmacist costs rising by 80% in the past year alone, and staffing costs overall have grown by close to 70% since 2015/16, with this expected to rise beyond 100% by 2024/25. Compounded by the rise in energy bills, inflationary pressures, rises in living wages and increasing instances of

dispensing medicines at a loss due to market and pricing issues, the current financial situation is unsustainable.

Pharmacists in general practice

The Additional Roles Reimbursement Scheme (ARRS) was introduced in England in 2019, as part of the government's manifesto commitment to improve access to general practice. Through the scheme, Primary Care Networks can claim reimbursement for the salaries of 17 roles (including pharmacists) that are set within the multidisciplinary team.

The scheme was initially intended to recruit up to an additional 20,000 FTE posts (across all the roles), over five years. This target has since increased to 26,000 FTE by March 2024. In May 2022, the government reported that it was "on track to deliver 26,000 more primary care staff" by March 2024.

In July 2023 there were 1,696 pharmacists working in GP practices in England (full-time equivalent). This has increased from 1,021 in June 2019. There were also 445 pharmacy technicians working in GP practices in July 2023.

The annual Community Pharmacy Workforce Survey provides information on workforce and vacancies. The 2022 survey showed that the number of full-time-equivalent (FTE) pharmacists was 17,843. There was a 6% reduction in the FTE workforce in 2022 compared with 2021.

Meanwhile, the vacancy rate rose in 2022. The vacancy rate is a measure of how many posts are not filled and is the best estimate of shortages. The vacancy rate for pharmacy technicians was 20%, while it was 16% for pharmacists and 9% for dispensing assistants. Overall, there were 3,381 FTE vacancies for pharmacists in 2022.

Some community pharmacists and pharmacy owners have reported sustained difficulty in securing locum pharmacists. Additionally, they say that a shortage has led to unsustainably high locum rates. They cited pharmacist recruitment into general practice as one of the reasons behind this, but also cited Covid-19 disruption, higher salaries resulting in people working fewer days, poor working conditions and lack of support with increasing workloads.

NHS England has said the ARRS will be reviewed in 2023/24 to "ensure that it remains fit for purpose and aligned to future ambitions for general practice". In the NHS Delivery Plan for Recovering Access to Primary Care (May 2023, PDF), DHSC and NHS England said it would review and evaluate the ARRS, as part of its wider work on primary care, "to inform future options that could apply from 2024/25 onwards".

Pharmacy closures

Data from the NHS Business Services Authority (NHSBSA) shows that there were 11,500 active community pharmacies in England in 2021/22, which was

the lowest number since 2015/16. It said that in 2021/22, 308 new pharmacies opened and 418 closed.

More recent data was given in response to a Parliamentary Question in July 2023, where the government said that the number of pharmacies reduced by 222 between December 2022 and June 2023.

The reasons being cited for these closures include inadequate funding, rising operating costs and difficulty recruiting and retaining community pharmacists.

There has also been concern about the rate of temporary pharmacy closures where contractors have not secured a pharmacist to work part or all of the day, particularly among large pharmacy chains. A November 2022 article published by C+D magazine discussed possible reasons behind an increase in temporary closures. This includes a suggestions of a shortage of pharmacists, locum pay rates and working conditions.

1 The Community Pharmacy Contractual Framework

The Community Pharmacy Contractual Framework (CPCF) is an agreement between the Department for Health and Social Care (DHSC), NHS England (NHSE) and Community Pharmacy England (CPE, formerly the Pharmaceutical Services Negotiating Committee).[1]

Agreed in July 2019, it set out a five-year deal for community pharmacies, guaranteeing funding levels until 2023/24. It provides £2.59 billion of funding, annually, to fund NHS pharmacy services in England.[2]

The government's data shows that real terms annual funding for the CPCF has fallen from £2.8 billion in 2015/16, to £2.2 billion in 2022/23.[3]

The framework builds on earlier reforms to move pharmacies towards a more clinically focussed service.[4] The government said the CPCF would "transform the role of community pharmacy and embed them as the first port of call for minor illness and health advice in England".[5]

1.1 The CPCF agreement for 2022/23 and 2023/24

Details of arrangements for year 4 (2022/23) and year 5 (2023/24) of the CPCF were announced in September 2022.[6]

Service expansion under the 2022/23 and 2023/24 CPCF agreement

Under the terms of the deal, DHSC, NHSE and CPE agreed to:

- NHSE commissioning an economic analysis of NHS pharmaceutical services through an independent review. PSNC (now CPE) would work

1 DHSC and NHS England, Community pharmacy contractual framework: 2019 to 2024, published 22 July 2019
2 HL9284, 19 July 2023
3 PQ 101080, 4 January 2023
4 DHSC, NHS England and NHS Improvement, PSNC, The Community Pharmacy Contractual Framework for 2019/20 to 2023/24: supporting delivery for the NHS Long Term Plan (PDF), 22 July 2019
5 Hansard, HC Statement HCWS1777 [on Contractual Pharmacy Contractual Framework], 22 July 2019
6 DHSC, NHS England and CPE, Community Pharmacy Contractual Framework 5-year deal: year 4 (2022 to 2023) and year 5 (2023 to 2024), 22 September 2022

with NHSE on the review, and it would help inform the negotiation of the future contractual framework for community pharmacy.

- Expanding the range of healthcare provers that are able to refer patients to the Community Pharmacist Consultation Service, to include urgent and emergency care settings. Through this service, patients are able to attend a community pharmacy for a consultation for minor illness or urgent medicines supply. The expansion commenced in May 2023.[7]

- Expanding the existing New Medicines Service, which supports patients during the initiation of certain new medicines, from April 2023. The expansion would bring antidepressants within the scope of the service. It was to be delivered as an initial pilot between August 2022 and March 2024 (or earlier if sufficient data has been collected to evaluate the service and commission nationally).[8]

- Expanding the Pharmacy Contraception service, and the Blood Pressure Check service (as discussed above). Additionally, pharmacy technicians would be able to deliver the Blood Pressure Check service.

- Enabling pharmacy technicians to deliver the Smoking Cessation Service.

- Avoiding introducing any further clinical services, besides those announced at the time, within the current funding envelope.

- Progressing with plans to make "hub and spoke" dispensing models[9] accessible to all community pharmacies. This follows a DHSC consultation held in early 2022.[10] At the time of publication, the consultation website advises that responses to the consultation are being considered.

- Reviewing the price concessions system.

Funding arrangements

The government said the year 4 and year 5 agreement "continues to support measured and incremental expansion in clinical service provision from community pharmacies".[11]

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7 CPE, Community pharmacist consultation service, updated 29 May 2023

8 NHSBSA, NHS Community Pharmacy New Medicine Service (NMS) Expansion Pilot: Inclusion of Depression as a Therapeutic Area and Revised Service Delivery Model, accessed 31 August 2023

9 Hub and spoke dispensing refers to refers to separate parts of the dispensing services being carried out separately across more than one pharmacy. Typically, this involves a central dispensing hub using automated processes to assemble prescriptions, before they are transported to a physical pharmacy where they are supplied to the patient. Where successfully implemented, hub and spoke dispensing reduces the dispensing workload in individual pharmacies, allowing additional capacity to be diverted to service provision.

10 DHSC, Hub and spoke dispensing, 16 March 2022

11 DHSC, Community Pharmacy Contractual Framework 5-year deal: year 4 (2022 to 2023) and year 5 (2023 to 2024), updated 12 May 2023

NHS England committed to providing a non-recurrent additional investment of £100 million across years 4 to 5 to support contractors.[12] This would be provided through an increase to the allowed medicine margin.

The agreement recognised that there would still be unallocated funding, in year 4 and 5, for future clinical services. This would be delivered to contractors through payment for delivering new and expanded clinical services, and the payment of a Flat Fee and Transitional Payments (discussed in more detail in section 1.3).

The deal set out that no further clinical services, beyond those set out in the deal, would be introduced under the current funding envelope.

1.2 Response to the 2022/23 and 2023/24 agreement

The National Pharmacy Association expressed dissatisfaction that the revised framework contained “no commitment to fresh funding”.[13]

CPE was critical of the government’s decision to proceed with the CPCF, despite economic pressures. It voted to accept the deal, but set out plans to seek further support for contractors:

> Throughout a tense period of negotiations, PSNC has been frustrated by the refusal of Government and the NHS to move away from the five-year CPCF deal, despite the overwhelming evidence of the current economic pressures. The five-year deal was agreed when the current economic situation and COVID-19 pandemic could not have been foreseen, and also at a time when PSNC was being threatened with further funding cuts for the sector if agreement could not be reached.
>
> The PSNC Committee voted overwhelmingly to accept the deal for 2022/23 and 2023/24 in order to guard against the threat of having to pay back an additional £100m in margin to government, to hold on to the other negotiated benefits for contractors, and to maintain an open and constructive dialogue with the new government.
>
> But PSNC is now engaged in urgent work to seek further financial support and other help for contractors to come from outside of the CPCF funding.[14]

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12 DHSC, NHS England, Community Pharmacy Contractual Framework 5-year deal: year 4 (2022 to 2023) and year 5 (2023 to 2024), updated 12 May 2023

13 National Pharmacy Association, NPA responds to announcements of CPCF arrangements for 2022/23 and 2023/24, 22 September 2022

14 CPE, Contractor announcement, CPCF arrangements for 2022/23 and 2023/24 agreed, 22 September 2022

1.3 Unallocated funding

Unallocated funding – funding that is intended to be delivered to contractors, but not as direct remuneration for any services or dispensing activity - has been made available under the current five-year CPCF. This has been made available through Transitional Payments and the Flat Fee.

The CPCS agreement for 2022/23 and 2023/24 sets out the latest arrangements:

> In year 4 and year 5, there will still be unallocated funding for future clinical services. We have agreed that this will be delivered to contractors through the following:
>
> - the growing volumes of new and expanded clinical services
> - the payment of a flat fee from April 2023 to all pharmacy contractors who dispense at least 101 items a month up to a national total of £70 million on an annual basis (this amount reduces if clinical service volumes grow beyond our forecasts and all unallocated funding is spent on new services)
> - any remaining unallocated funding will continue to be paid out as a transitional payment until the end of year 5, or until the unallocated funding is fully deployed against growing service volumes and/or by the flat fee, which we will jointly monitor[15]

Transitional Payments

At its introduction, the CPCF provided for pharmacies to receive a monthly transitional payment. It was made available to contractors to "support preparations for a more service-based role, paid at a level linked to prescription volume".[16]

Initially, these payments were to be paid during the 2019/20 and 2020/21 years only.[17] However, the agreement for year three of the CPCF (2021/22) came with an extension of the transitional payment into year three, partly to reflect additional pressures caused by Covid-19. During year three, the payment was revised to a two-part model. One part of the payment would be based on a contractor's dispensing volume, and the other part would be based on a contractor's service delivery. Eligibility would also be dependent

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15 DHSC, Community Pharmacy Contractual Framework 5-year deal: year 4 (2022 to 2023) and year 5 (2023 to 2024), updated 12 May 2023

16 DHSC, NHS England and NHS Improvement, PSNC, The Community Pharmacy Contractual Framework for 2019/20 to 2023/24: supporting delivery for the NHS Long Term Plan (PDF), 22 July 2019

17 DHSC, NHS England and NHS Improvement, PSNC, The Community Pharmacy Contractual Framework for 2019/20 to 2023/24: supporting delivery for the NHS Long Term Plan (PDF), 22 July 2019

on contractor's participation in the New Medicines Service and Community Pharmacy Consultation Service.

Contractors were also expected to use the payments to support engagement with PCNs and ICSs, digital transformation and dispensing efficiencies.[18]

Referring to the original plan for Transitional Payments to end in March 2021, CPE explained that while it had successfully negotiated for their extension "in subsequent years", there was an expectation that the payments would reduce:

> There was always an expectation that the amount of unallocated funding available (and therefore the value of the Transitional Payments) would reduce over time as new services were implemented, and unallocated funding was allocated to other elements of the CPCF.[19]

A CPE webpage provides more detail about the DHSC's intention to phase down the value of Transitional Payments over the second half of 2022/23.[20]

The DHSC subsequently announced that from February 2023, Transitional Payments would be set to zero.[21] NHS England said that the DHSC's decision was based on two main reasons:

- New services have been introduced into the CPCF and their uptake has accelerated, using up the unallocated CPCF funding; and
- A new flat payment will be introduced in 2023/24, funded from the unallocated CPCF funding.[22]

CPE strongly opposed the DHSC's decision to reduce the Transitional Payment to zero, on the grounds that "any reductions in payments at this point will be impossible for community pharmacy contractors to manage financially".[23]

Despite DHSC's announcement that Transitional Payments would cease in February 2023, the CPCF agreement for years 4 (2022/23) and 5 (2023/24) has actually retained it in some form, with the purpose of ensuring unallocated funding is delivered to contractors. Alongside service expansion, and the Flat Fee, contractors will continue to receive a Transitional Payment until the end of year 5, or "until the allocated funding is fully deployed against growing service volumes and/or by the flat fee".[24]

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18 DHSC, Community Pharmacy Contractual Framework 5-year deal: year 3 (2021 to 2022), updated 12 May 2023

19 CPE, Margin and fee adjustments for 2022/23 and 2023/24, 30 September 2022

20 CPE, Transitional Payment FAQs, 27 February 2023

21 NHS BSA, Drug Tariff Part VIA – Transitional Payments, undated

22 NHS England South West, Community Pharmacy Bulletin (PDF), 31 January 2023

23 CPE, DHSC to remove Transitional Payments from February, 23 January 2023

24 DHSC, Community Pharmacy Contractual Framework 5-year deal: year 3 (2021 to 2022), updated 12 May 2023

Flat Fee

Under the 2022/23 CPCF, all contractors that dispense at least 101 items a month have been eligible to receive a Flat Fee, introduced in April 2023.[25]

The Flat Fee replaces the Transitional Payment as a mechanism for contractors to receive the unallocated funding provisions within the CPCF funding envelope.[26]

Funding for the Flat Fee has been set at £70 million annually, nationally. The value of the Flat Fee has been set at £533 per month for each contractor, but this is subject to change throughout the year depending on the overall level of funding delivery to community pharmacies.[27] The government has further explained that the amount may change "if clinical service volumes grow beyond our forecasts and all unallocated funding is spent on new services".[28]

1.4 The Pharmacy Quality Scheme

The Pharmacy Quality Scheme (PQS) is a component of the CPCF and aims to support delivery of the NHS Long Term Plan.[29] It provides a financial incentive to contractors for delivering quality criteria in three 'quality dimensions': clinical effectiveness, patient safety and patient experience.

The 2023/24 PQS consists of:

- One gateway criterion - delivery of at least 15 consultations under the New Medicines Service. Contractors must meet this criterion to qualify for any payment under the scheme;
- Three quality domains - medicines safety and optimisation, respiratory and prevention. Contractors must carry out specified activity, demonstrating clinical value. Examples include completing an audit on oral anticoagulant (blood thinning medication) safety and discussing the suitability of antibiotic prescriptions with patients.

£45 million has been made available under the 2023/24 scheme, and each qualifying pharmacy will receive a share of this funding depending on the number of points they have achieved. This means that one point will have a value between £68.75 and £137.50. Depending on their prescription volume,

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25 CPE, New Flat Fee payment to be introduced from April 2023, 28 March 2023
26 CPE, New Flat Fee payment to be introduced from April 2023, 28 March 2023
27 CPE, New Flat Fee payment to be introduced from April 2023, 28 March 2023
28 DHSC, Community Pharmacy Contractual Framework 5-year deal: year 5 (2023 to 2024) update for contractors, updated 12 May 2023
29 DHSC, NHS England and CPE, The Community Pharmacy Contractual Framework for 2019/20 to 2023/24: supporting delivery for the NHS Long Term Plan (PDF), 22 July 2019

pharmacies will be able to claim between a total maximum of 3.75 and 68.33 points.[30]

NHS BSA explains that "the remainder of the PQS funding (£30 million) will be used as an alternative to reducing fees to help ensure that there is no over-delivery of fees in the financial year".[31]

The PQS categorises pharmacies according to a banding system, based on the number of prescriptions they dispense annually.[32] This is intended to better reflect the workload associated with meeting the requirements of the PQS for different contractors.[33] The maximum number of points that contractors can achieve per domain depends on their 'band'.

Pharmacies can opt to claim an aspiration payment. This, essentially, is a partial, advance payment for the PQS. Contractors must declare how many points they intend to deliver over the course of the scheme, taking into account the maximum achievable points permitted for their band. The aspiration payment then provides 70% of the sum the pharmacy would be eligible to claim upon attaining that number of points. The points are paid at the minimum point value of £68.75, and pharmacies will receive their aspiration payment in November 2023.

In April 2023, once PQS activity has been completed for 2022/23, the aspiration payment will be reconciled against the pharmacy's actual point attainment, and under or overpayment will be adjusted accordingly. An illustration of this scenario is available in Part VIIA of the Drug Tariff.

1.5 The annual review of the CPCF

As part of the five-year CPCF agreement, the DHSC, NHS England and CPE agreed to carry out joint annual reviews of the CPCF. CPE has explained that the review would give CPE an opportunity to review costs and capacity within the sector, and enable DHSC and NHS to review the value that patients and the NHS are getting from community pharmacy.

The first annual review was delayed because of Covid-19, but work commenced in summer 2021. In January 2022, CPE reported that the first annual review had been published and summarised the findings in an article.[34]

30 NHS England, Pharmacy Quality Scheme, Guidance 2023/24 (PDF), Table 3 Maximum number of points per domain for each band, Version 1, 1 June 2023

31 NHS BSA, Pharmacy Quality Scheme, accessed 8 September 2023

32 See Table 3, Maximum number of points per domain for each band, NHS England, Pharmacy Quality Scheme, Guidance 2023/24, Version 1, 1 June 2023

33 NHS, Pharmacy Quality Scheme, Guidance 2021/22, (PDF)

34 CPE, First Annual Review of CPCF paves way for year 4 negotiations, 28 January 2022

CPE reported that all parties found agreement on a number of issues such as:

- The progress made in transitioning pharmacy towards a service-based agenda;
- The huge efforts and commitment of pharmacy contractors and their teams;
- The need to remain focused on embedding the new pharmacy services;
- The impact of the PQS in increasing the quality of service and strengthening links between pharmacy and other primary care contractors and the NHS;
- The strong performance of the sector throughout the pandemic, including the significant contribution made to patient care by pharmacies remaining open and serving their communities by providing additional funded services outside of the CPCF;
- The decline in pharmacy numbers since April 2019;
- The shift in patient consultations from GP practices and A&E to pharmacy, and the better value that this represents for the taxpayer; and
- The dependency of an expanded service role on action to release pharmacist capacity from existing work, and the fact that potential efficiencies in dispensing as envisaged in the five-year deal have not yet been released.[35]

CPE raised concerns around a lack of capacity within community pharmacies and "unsustainable efficiencies" that have been required within the sector in the last two years. CPE also warned that capacity was unlikely to grow without the provision of additional funding.

As part of the review, DHSC, NHS England and CPE agreed to:

- Recognise the capacity constraints within the sector in the upcoming Year 4 negotiations;
- Explore the scale and impact of the more complex consultations now taking place in community pharmacy – the Pharmacy Advice Audit[36] begins this process;
- Continue and conclude discussions on services fee setting principles; and
- Consider measures for assessing capacity within community pharmacies.

[35] CPE, First Annual Review of CPCF paves way for year 4 negotiations, 28 January 2022

[36] Between 31 January and 11 March 2022, 4,139 community pharmacies in England took part in Community Pharmacy England's third Pharmacy Advice Audit in which pharmacies recorded details of a sample of consultations they provided to patients. CPE has published information about the findings of the audit.

DHSC also committed to pursuing changes to legislation and guidance on VAT with the Treasury and HMRC to enable better use of skill mix.

HMRC subsequently announced changes to VAT arrangements for pharmacy services, effective from 1 May 2023.[37] The changes meant that services carried out by non-registered healthcare staff who are directly supervised by pharmacists would now qualify for VAT exemption, similar to arrangements for other registered health professionals providing medical services to the public.

Concerning funding, DHSC and NHS England "remained clear throughout that no funding uplift is available for Years 4 and 5 of the CPCF".[38]

Towards the end of 2022, CPE agreed to conclude the process for the first Annual Review, on account of progress already having been made towards the agreed next steps. However, it expressed dissatisfaction that the review "had not led to actions which would more immediately address pharmacies' capacity and cost issues".[39]

1.6 Calls to overhaul the pharmacy funding model

There have been sustained calls for the government to overhaul the pharmacy funding model and provide a stronger focus on the provision of clinical services.[40]

CPE said that its negotiations relating to the five year CPCF agreement "had resulted in changes to the distribution model for the overall CPCF funding sum, but we do not consider this to have been an appropriate review of the funding model".[41] It noted that funding has, to date, focused on dispensing services, and set out concerns about the continued viability of this arrangement:

> Traditionally the role played by funding for services in the overall economics of community pharmacies has been small. Funding for dispensing has had to pay the full costs of operating a pharmacy, many of which are fixed in nature; services have been paid for on a marginal basis, not covering a fair proportion of the overall business overheads of the pharmacy. As the volume of services increases, this model becomes less tenable and we believe there is a need to develop and agree a model with DHSC and NHSE that recognises the interdependence between the different types of activities pharmacies are

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37 HMRC, Change to the VAT treatment of medical services carried out by non-registered staff directly supervised by pharmacists, 2 May 2023

38 CPE, First Annual Review of CPCF paves way for year 4 negotiations, 28 January 2022

39 CPE, First Annual Review of CPCF paves way for year 4 negotiations, 28 January 2022

40 All-Party Pharmacy Group, The Future of Pharmacy Manifesto, January 2023

41 PSNC (now CPE), Written evidence submitted by the Pharmaceutical Services Negotiating Committee (APE0009) (PDF), undated

> undertaking for the NHS, and pays for them appropriately, ensuring that sustainable business models exist for contractors.[42]

CPE also highlighted that pharmacies often provide consultations directly to patients, without referral via the CPCF.[43] CPE acknowledged the benefit available to patients and the NHS, as well as its contribution to reducing pressure on other primary and urgent care services. However, it pointed out that CPCF funding does not fully remunerate contractors for this provision.

The Health and Social Care Committee commissioned its Expert Panel to evaluate the government's commitments in different areas of healthcare policy, independently of the Committee. The Panel's fifth evaluation looked at government commitments on pharmacy in England, and the report was published in July 2023.[44]

The panel rated the government's commitment to review the funding model for community pharmacy as 'requiring improvement'.

The report noted criticism from stakeholders that the global sum for community pharmacy was fixed for five years in 2019, pre-pandemic. They said a review was needed to take into account the increases in costs and pressures that pharmacies were experiencing, as a result of increased dispensing and service provision, inflation and workforce challenges.

Stakeholders also pointed out that the CPCF had been based on planned dispensing efficiencies delivered via workforce and regulatory reforms that have not taken place, particularly in terms of automation intended to reduce the dispensing workload.

'Hub and spoke' dispensing was put forward as one of the ways to achieve this automation. It refers to separate parts of the dispensing services being carried out separately across more than one pharmacy. Typically, this involves a central dispensing hub using automated processes to assemble prescriptions, before they are transported to a physical pharmacy where they are supplied to the patient. Where successfully implemented, hub and spoke dispensing reduces the dispensing workload in individual pharmacies, allowing additional capacity to be diverted to service provision.

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42 PSNC (now CPE), Written evidence submitted by the Pharmaceutical Services Negotiating Committee (APE0009) (PDF), undated

43 PSNC (now CPE), Written evidence submitted by the Pharmaceutical Services Negotiating Committee (APE0009) (PDF), undated

44 House of Commons Health and Social Care Committee, Expert Panel: evaluation of the Government's commitments in the area of pharmacy in England (PDF), 19 July 2023, HC 1310 2022-23

2 Further funding streams for pharmacy

Community pharmacy is funded through several income streams. Information on these is set out below. Pharmacy funding is complex and detailed, so the below provides an overview, but should not be taken as comprehensive.

2.1 Reimbursement for medicines cost and professional fees

Pharmacies (and other NHS dispensing contractors) will be reimbursed a centrally agreed fee for the costs of medicines and appliances they dispense under an NHS prescription.

They will also be remunerated, by way of professional fees, for carrying out dispensing and other professional services.

Reimbursement, and remuneration fees, are set out in the Drug Tariff. This resource is produced monthly by the Pharmaceutical Directorate of the NHS Business Services Authority (NHSBSA) on behalf of the DHSC.[45] The Secretary of State is responsible for determining the NHS reimbursement prices for products dispensed.[46]

All prescriptions attract a £1.27 Single Activity Fee, which can be understood as the fee provided for dispensing a prescription.

There are additional professional fees, depending on the nature of the medication, appliance or service.

For example, where a pharmacy takes a patient's measurements to identify the correct size for a piece of compression hosiery, they will receive a £2.60 fee (as per the September 2023 Drug Tariff). Or, where a pharmacy dispenses a medicine under a Serious Shortage Protocol (see section 6.3), they will receive a £5.35 fee.

Professional fees above the Single Activity Fee are designed to reflect the additional work the pharmacy undertakes in dispensing a medicine or appliance or providing a service.

45 CPE, Virtual Drug Tariff, updated 15 March 2022

46 NHS England, Medicines reimbursement prices, accessed 5 September 2023

Proposed reforms to reimbursement

Between July and September 2019, DHSC consulted on a package of reforms to reimbursement arrangements for community pharmacies.[47]

DHSC put forward eight proposals which aim to "ensure that community pharmacies are paid fairly and that the arrangements provide value for money to the NHS and taxpayers".[48] The proposals are complex, but they broadly set out changes in reimbursement arrangements for different categories of medicines in the Drug Tariff. The consultation document[49] (PDF) provides more detail, and an overview document[50] (PDF) summarises the proposals briefly.

The DHSC published its consultation response in November 2021, alongside a summary of stakeholder responses.[51] Here, the DHSC set out an intention to progress all proposals for detailed discussions with CPE.

2.2 Profit from reimbursement prices through the retained margin

The retained margin is a profit pharmacies can earn on dispensing medicines through cost effective purchasing. Fundamentally, it is the cost difference retained by pharmacies when they purchase medicines and appliances at a lower price than the Drug Tariff reimbursement price.

The 'retained margin' is a term that can be used to describe the margin retained per individual item, or for the overall profit that all contractors across the sector make via this provision.

The retained margin incentivises contractors to purchase medicines at the most competitive price available. It encourages manufacturers to produce generic versions of branded medicines once their patent runs out, because they know that through competitive pricing, they will be able to gain buyers in the market.

The Drug Tariff identifies three categories of generic medicines, for the purposes of reimbursement:

47 DHSC, Community pharmacy drug reimbursement reform, published 23 July 2019
48 DHSC, Community pharmacy drug reimbursement reform, published 23 July 2019
49 DHSC, Community pharmacy drug reimbursement reforms, Consultation (PDF), July 2019
50 DHSC, Annex B: Overview of the proposed community pharmacy reimbursement reforms (PDF), undated
51 DHSC, Community pharmacy drug reimbursement reform: consultation response, updated 11 November 2021

Category A includes popular generics, which are widely available. The price is based on a weighted average of the List Prices from 2 wholesalers and 2 generic manufacturers.

Category C items are based on a particular brand or manufacturer.

Category M includes drugs that are readily available, where the Department of Health and Social Care calculates the reimbursement price based on information submitted by manufacturers.[52]

Category M medicines

The retained margin applies to Category M medicines. Crucial to facilitating the retained margin, Category M medicines are generic medicines that are widely available from different wholesalers. They constitute the highest volume of all generic medicines dispensed within the NHS.

The DHSC collects the prices and volumes sold of Category M medicines, from manufacturers, on a quarterly basis.

This data contributes to the DHSC's assessment of whether wholesale prices have moved up or down.

£2.59 billion of annual funding has been allocated for community pharmacy between years 2019/20, to 2023/24. Of this annual sum, the DHSC aims for £800 million to be delivered through the retained margin. It delivers this by determining what level they need to set the reimbursement price, for each medicine in Category M, so as to allow contractors to retain an £800 million margin, across projected dispensing of Category M medicines. In theory, if total reimbursement is below the £800 million margin target, Category M prices would subsequently increase in the next dispensing period.

Other dispensing contractors, such as dispensing doctors, also benefit from the retained margin.

As noted above, the DHSC calculates the reimbursement price for Category M medicines based on information submitted by manufacturers.[53]

Challenges with the retained margin

The data that the DHSC uses to determine Category M prices is not used in "real time". Instead, the quarterly assessment that DHSC carries out of Category M prices relies on retrospective data. For example, in Q2, DHSC will review data generated in Q1 to determine prices for Q3.

52 CPE, Virtual drug tariff, updated 15 March 2022

53 PSNC, Dispensing factsheet: using the Drug Tariff (PDF), undated

The implication of this is that, where there are significant price changes between quarters, the set reimbursement price lags behind “real time” prices, by one or two quarters.

Because the DHSC revises Category M prices on a quarterly basis, there may be a lag between significant price changes in the market taking effect, and the reimbursement price being adjusted accordingly.

During this period, contractors will not benefit from a retained margin if the product is not available for purchase below the Drug Tariff price. Contractors may further end up dispensing that product at a loss if they are only able to source that product above the Drug Tariff price.[54] The exception to these scenarios is where a price concession has been implemented (see section 6.4).

The DHSC has suggested that reviewing reimbursement prices on a quarterly, rather than monthly, basis gives contractors confidence in purchasing. It suggested that changing reimbursement prices on a monthly basis “could create considerable instability in market confidence as contractors will not know from one month to the next what they are going to be reimbursed”.[55]

Another challenge is that the target for the total retained margin has remained at £800million since its introduction, despite more products being added to Category M, and a larger volume of medicines in this category being dispensed subsequently.[56] Stakeholders have noted that this effectively reduces the average retained margin on each product However, the government has reported that the average retained margin per item has risen from £0.79 in 2017/18, to £0.89 in 2021/22.[57]

There are also concerns about the imposition of Category M corrections or “clawbacks”. The DHSC retrospectively analyses the retained margin. If the prices actually paid by contractors during this evaluation period are significantly higher than estimated, the DHSC will increase reimbursement prices in the Drug Tariff.

On the other hand, if the DHSC finds that contractors have paid significantly lower than expected for Category M medicines, it will decrease the reimbursement prices during the next dispensing period.

Both levers act as a means of budget correction, with the overall aim of ensuring that contractors’ Category M collective spend results in an £800 million retained margin overall.

54 CPE, Dispensing at a loss, updated 15 March 2023

55 DHSC, Community pharmacy drug reimbursement reform: consultation response, updated 11 November 2021

56 C&D, Ask Accord: Why is Category M so important?, 13 July 2022

57 HL5101, 7 February 2023

The concern, for contractors, with this mechanism lies where DHSC revises reimbursement prices down. Examples in recent years includes:

- A £12 million monthly reduction on Category M prices, between June and September 2016.[58] This was to correct payments over the agreed sum of £800 million for 2015-16.
- A £15 million monthly reduction on Category M prices for a 12 month period, from August 2017.[59] This was to correct overpayments of the retained margin for both 2015-16 and 2016-17. The reduction represented an average drop of 17-18 pence per item on the Drug Tariff prices at the time of imposition.

There are also concerns that the distribution of the medicines margin is not equally distributed across all contractors. The DHSC has noted that pharmacy contractors, on average, dispense branded medicines at a loss. Therefore, contractors that dispense more branded medicines than average will not benefit equally from the medicine margin.[60]

The Annual Medicine Margin Survey

The DHSC, NHSBSA and CPE carry out the Annual Medicine Margin Survey, during which invoices are taken from a sample of community pharmacies to generate data about the price that pharmacies have actually paid for generic medicines in the survey year.[61] [62]

The data is used to calculate the average amount of medicines margin retained during the year.[63]

The data is subjected to various checks, testing and validation, by DHSC and CPE. Adjustments are also made where brands have been obtained in place of generics that have been unavailable during the survey year, or the generic becomes a branded or 'specials' product.[64] Once the data is finalised by DHSC and CPE, they are used to inform the negotiations for contractual framework funding.

[58] C&D, PSNC: Cat M clawback and cuts make for 'difficult' year, 15 May 2016

[59] C&D, £15m-a-month category M clawback to have 'severe' impact, 19 July 2017

[60] DHSC, Community pharmacy drug reimbursement reforms, Consultation (PDF), July 2019

[61] CPE, Margins survey, updated 15 March 2022

[62] NHS England, Medicines reimbursement prices, accessed 5 September 2023

[63] HL4455, 3 January 2023

[64] 'Specials' products are unlicensed medicines that are used when a patient's need cannot be met by an existing licensed medicinal product. Specials products must be produced in the UK by manufacturers who hold a Specials Licence, issued by the MHRA. See NHSBSA, Volume and cost of special order products, accessed 4 September 2023

2.3 Payment for delivery of Essential, Advanced, Enhanced and Locally Commissioned Services

Under the CPCF contract, which applies to all community pharmacies providing NHS services in England, all contractors must offer Essential Services. Thes include dispensing and public health promotion.

Pharmacy contractors may also opt in to providing:

- Advanced Services, such as flu vaccination and smoking cessation.
- National Enhanced Services, commissioned by NHS England at a national level. This arrangement allows a service framework to be agreed at a national level, while still allowing the flexibility for local health providers to commission the service to meet local population needs, as part of a nationally coordinated programme. Despite this, this route is not often used because most areas use locally commissioned services to commission these types of additional services.[65]
- Locally Commissioned Services, commissioned by local health commissioners, including local authorities, Integrated Care Boards and local NHS England teams. These will generally address health needs specific to the local population.

Payments for pharmacy services are set out in the Drug Tariff, for example:

- The Discharge Medicines Service is an Essential Service that supports recently discharged patients with their medicines regime. Pharmacies providing the service are entitled to a £400 setup fee, with a further £35 paid for every completed interaction they complete with a patient under the service.[66]
- The Community Pharmacist Consultation Service is an Advanced Service. Patients are referred to pharmacies for minor ailments support or urgent medicines supply. Pharmacies are paid £14 for each referral.
- At present, the Covid-19 vaccination programme is the only Enhanced Service that NHS England commissions in pharmacy. The service specification for the 2023/24 programme sets out that pharmacies will be paid £7.54 per vaccine, or £10 per vaccine for housebound patients.[67]

Integrated Care Boards and local NHS England teams can commission pharmacy services on a local basis. Payment for these will vary.

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65 King's Find, Community pharmacy explained, 16 December 2020

66 CPE, Essential service payments, updated 27 February 2023

67 NHS England, Community Pharmacy Enhanced Service Covid-19 vaccination programme: September 2023 to March 2024, updated 4 August 2023

2.4 Payment for privately operated services

Community pharmacies can choose to provide private services and charge as they see fit.

These include weight management services, vaccination clinics and skin treatment services. Private consultation and prescription services provided by pharmacist independent prescribers, can also be used by people experiencing a range of health conditions, such as urinary tract infection, sore throat and hay fever.

Pharmacies can also rent out additional consultation rooms to other healthcare practitioners, such as podiatrists.

Pricing and revenue will reflect competitive opportunities, the provision of products or goods, staffing and training costs (which may include paying another healthcare professional to deliver clinics).

2.5 The Pharmacy Access Scheme

The Pharmacy Access Scheme (PhAS) aims to ensure a baseline level of patient access to NHS community pharmacy services in England. It does this by making payments to pharmacies in under-served areas. Several criterions apply for pharmacies to access support from this scheme, one being that the pharmacy is more than one mile away from the nearest pharmacy, or 0.8 miles in deprived areas.[68]

It was introduced under year 3 (2021/22) of the CPCF. The 2022 PhAS applies from January 2022 and runs until the next PhAS review. The maximum scheme expenditure for the 2022 PhAS is £20 million per financial year.[69]

The payments are based on the pharmacy's dispensing volume and are set at a maximum of £17,500.

[68] DHSC and NHS England, 2022 Pharmacy Access Scheme: guidance, 12 May 2023

[69] CPE, Pharmacy Access Scheme (PhAS), updated 5 July 2023

3 Pharmacy numbers and closures

3.1 Permanent pharmacy closures

Data from the NHS Business Services Authority (NHSBSA) shows that there were 11,500 active community pharmacies in England in 2021/22, which was the lowest number since 2015/16.[70] They said that in 2021/22, 308 new pharmacies opened and 418 closed.

More recent data was given in response to a Parliamentary Question in July 2023, where the government said that the number of pharmacies reduced by 222 between December 2022 and June 2023. In response to a question about what steps it was taking to reduce the number of pharmacy closures, the government highlighted funding to support the CPCF and a Pharmacy First service:[71]

> Pharmacy openings and closures in England are published by NHS Business Services Authority. Between 31 December 2022 and 30 June 2023, the number of pharmacies reduced by 222. This reduction is mainly driven by the large multiples reducing their portfolios. To address the disproportionately high rate of closures of 100-hour pharmacies, legislation was amended in April to allow those pharmacies to reduce their hours to a minimum of 72. The Department is monitoring the market, and access to pharmaceutical services remains good, with 80% of people in England living within 20 minutes walking distance of a community pharmacy and twice as many pharmacies in the more deprived areas.[72]

Stakeholders have highlighted a substantial closure of pharmacy branches in recent years, particularly driven by widespread branch closures by large chains.

In January 2023, after reviewing its operations and "in response to changing market conditions", LloydsPharmacy announced it would withdraw pharmacy services from all Sainsbury's stores over the course of 2023.[73] LloydsPharmacy subsequently closed 237 branches in June 2023.[74]

In June 2023, Boots announced that it would close 300 pharmacies across the UK, over the next year, bringing its portfolio from 2,200 branches to 1,900,

70 NHSBSA, General Pharmaceutical Services in England 2015/16 - 2021/22, 13 October 2022
71 HL9283, 19 July 2023
72 HL9283, 19 July 2023
73 The Pharmaceutical Journal, LloydsPharmacy announces withdrawal from more than 200 Sainsbury's supermarkets, 19 January 2023
74 The Independent, All 237 LloydsPharmacy branches within Sainsbury's to close today, 13 June 2023

approximately.[75] Boots said the affected branches were located in close proximity to each other.[76]

The reasons being cited for pharmacy closures across the sector include inadequate funding and rising operating costs.[77] The impact of pharmacy closures includes patients, who may need to travel further to access another pharmacy, and surrounding pharmacies who end up taking on patients and prescriptions displaced by the closing pharmacy.

It has also been suggested that most of the closures are happening in areas of higher deprivation. While data from NHS Digital appears to show that closures since 2021 have disproportionately been in more deprived areas, this only tells part of the story. During this period there have also been more pharmacy openings in more deprived areas than in less deprived areas, so it is not clear that there has been a net change in provision based on deprivation.

3.2 Temporary pharmacy closures

Owing to legal and NHS contractual requirements, community pharmacies are not permitted to provide certain services in the absence of a Responsible Pharmacist.[78] Where contractors are unable to secure a responsible pharmacist (locum or otherwise) on a given day, they may close the pharmacy given that only very few limited services may take place in a pharmacist's absence. If a pharmacy closes during its contractual hours, it must notify NHS England of the closure.

There have been reports of an increasing number of temporary pharmacy closures where contractors have been unable to secure a pharmacist to work.[79]

Concerns about temporary closures in larger chain pharmacies

In response to a Freedom of Information request, NHS England provided C+D magazine with data it held on temporary pharmacy closures between October 2021 and September 2022.[80] C+D's analysis suggested that 3,660 pharmacies across England reported a closure. The affected pharmacies collectively reported temporarily closing on 20,924 occasions (this includes part and

75 C+D, Boots reveals plans to close 300 branches, 27 June 2023
76 C+D, Revealed: 300 Boots branch closures to begin this month, 19 July 2023
77 BBC News, Scores of local pharmacies closing across England, 8 May 2023
78 See CPE, Responsible Pharmacist, updated 9 August 2023
79 C+D magazine, Revealed: The reasons behind temporary pharmacy closures, 11 November 2022
80 C+D magazine, Revealed: The reasons behind temporary pharmacy closures, 11 November 2022

whole day closures). C+D analysis showed that in 10,637 instances, "locum could not be found" was reported as the reason for the closure.

In other instances, the stated reasons included staff or pharmacist sickness, problems with the pharmacy building or adverse weather conditions.

There have been similar concerns about temporary closures in Wales (although contractual and funding arrangements are different to those in England). In August 2022, the Pharmacist's Defence Association reviewed data provided by NHS Health Boards via a Freedom of Information request.[81] It reported that pharmacies owned by Company Chemists' Association (CCA) members (representing eight of the largest pharmacy chains in England, Scotland and Wales)[82] were "more than 17 times as likely to be closed to patients for at least part of the day, than if their local pharmacy owner was a non-CCA member".[83]

In July 2022, Mark Koziol, Chairman of the Pharmacist's Defence Association (PDA) published an open letter to health and pharmacy leaders in the UK, including the four Health Secretaries. In it, PDA expressed concerns about the impact of temporary closures on patient safety and the provision of pharmacy services.[84]

It set out particular concern about the alleged practice of some contractors concerning the engagement of locums and negotiations about their fees:

> We have evidence to show that these closures are being announced up to four weeks in advance. In other examples, the services of locum pharmacists have been contracted in advance, only for a large company to attempt to reduce the pre-agreed rate; Where this is not accepted, the shift has been cancelled resulting in the pharmacy being closed with a supposed national shortage of pharmacists being blamed when communicating this to the public. Such statements are clearly untrue, these closures appear to be caused by commercial considerations, and bring the reputation of the profession into question through this unethical practice.[85]

Mr Koziol was critical of government, and bodies responsible for NHS contractual arrangements and patient safety, suggesting that none had taken responsibility for addressing the alleged practices. He suggested that a view had been taken that the issue was "a contractual matter and not one that demonstrates a failure in the required standards of professional conduct". He further outlined the negative impact that closures were having

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81 PDA, Ratio of temporary closures by CCA members compared to non-CCA members in Wales even greater than in Scotland, 28 August 2022

82 CCA membership consists of ASDA Pharmacy, LloydsPharmacy, Morrisons, Rowlands Pharmacy, Superdrug, Tesco and Well, who between them own and operate approximately 5,500 pharmacies, representing half the market.

83 PDA, Ratio of temporary closures by CCA members compared to non-CCA members in Wales even greater than in Scotland, 28 August 2022

84 PDA, Open letter re patient safety concerns around pharmacy closures (PDF), 19 July 2022

85 PDA, Open letter re patient safety concerns around pharmacy closures (PDF), 19 July 2022

on patients' access to NHS pharmacy services, and urged that action be taken to address the concerns.

The CCA issued a statement in response to Mr Koziol's letter. It pointed to recruitment challenges in other parts of the healthcare system and suggested that pharmacies would not be immune to such pressures. The statement responded to Mr Koziol's suggestion that there was no shortage of pharmacists by highlighting survey findings indicating most pharmacies were experiencing staff shortages:

> The PSNC Pharmacy Pressures Survey (April 2022) found that 91% of pharmacies are experiencing staff shortages, clearly demonstrating that these shortages are affecting the entire sector.
>
> To accuse some pharmacy businesses of choosing to act with impunity, to restrict patients' access to NHS funded services is highly inflammatory. The truth of the matter is that all pharmacy businesses are reporting that they are struggling to find the registered professionals needed to open their pharmacies.[86]

The CCA committed to working with NHS England and DHSC to "establish the facts about the scale of the workforce crisis across the UK and find ways to make sure that the needs of all parts of primary care can be met, both in the short and longer term".

Comment from the regulator and DHSC

The General Pharmaceutical Council (GPhC) published a statement on temporary pharmacy closures in September 2022.[87] It determined the causes behind the level of closures taking place to be "both complex and multifactorial, including financial, commercial, labour market and contractual factors".

The statement noted that the GPhC does not have a role in planning pharmacy services, neither in authorising, logging or investigating pharmacy closures, monitoring opening hours, or in relation to locum rates.

The statement emphasised that both pharmacists and pharmacy contractors should have regard to their obligations as per GPhC professional standards.

The DHSC has said that it is monitoring temporary closures and working with NHS England on supporting pharmacies and patients that are affected by the closures.[88]

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86 CCA, CCA statement on PDA open letter, 20 July 2022

87 GPhC, Pharmacy closures, 23 September 2022

88 C+D, DH keeping an eye on temporary pharmacy closures, it confirms, 12 October 2022

4 Workforce training and expansion

NHS England published its Long Term Workforce Plan in June 2023. It set out an ambition to:

- Expand training places for pharmacists by 29% to around 4,300 by 2028/29, with a further increase to 5,000 by 2031/32.
- Provide for all newly qualified pharmacists to be independent prescribers from 2026. Currently, pharmacists must undertake post-graduate clinical training in order to become prescribers.
- Support 3,000 existing pharmacists to become independent prescribers.
- Explore options for a shortened medical degree programme for some healthcare professionals such as pharmacists and paramedics.
- Enable pharmacy technicians to supply medicines and services through Patient Group Directions. These are prescribed protocols to allow healthcare professionals to supply or administer medicines in prescribed circumstances, that would otherwise only be available on prescription.
- The Plan also said the number of pharmacy technicians would grow in future years but, did not set any figures.

4.1 Pharmacists in general practice

The Additional Roles Reimbursement Scheme (ARRS) was introduced in England in 2019, as part of the government's manifesto commitment to improve access to general practice.

Through the scheme, Primary Care Networks can claim reimbursement for the salaries (and some additional costs) of 17 new roles set within the multidisciplinary team.[89]

This includes a "clinical/senior pharmacist", whose responsibilities include conducting structured medication reviews, independent prescribing and

[89] NHS England, Expanding our workforce, accessed 6 September 2023

deprescribing, providing medication advice to professionals and patients, and optimising medication.[90]

The education and training requirements for this role are registration with the GPhC, and enrolment on or qualification from an approved training programme in primary care pharmacy education.

The scheme was initially intended to recruit up to an additional 20,000 FTE posts (across all the roles), over five years.[91] This target has since increased to 26,000 FTE by March 2024.[92]

In May 2022, the government reported that it was "on track to deliver 26,000 more primary care staff" by March 2024.[93]

NHS England has said the ARRS will be reviewed in 2023/24 to "ensure that it remains fit for purpose and aligned to future ambitions for general practice".[94]

In July 2023 there were 1,696 pharmacists working in GP practices in England (full-time equivalent). This has increased from 1,021 in June 2019. There were also 445 pharmacy technicians working in GP practices in July 2023.[95]

The government has said it remains committed to growing and diversifying the general practice workforce through the ARRS, and that NHS England have committed to supporting all of the roles recruited through the scheme into the future.[96]

In the NHS Delivery Plan for Recovering Access to Primary Care (May 2023, PDF), DHSC and NHS England said it would review and evaluate the ARRS, as part of its wider work on primary care, "to inform future options that could apply from 2024/25 onwards".[97]

Funding

NHS England and BMA General Practitioners Committee in England reached an agreement, supported by government, to translate commitments in the NHS Long Term Plan into a five-year framework for the GP services contract.[98] The ARRS was launched as part of this agreement, and NHS England initially committed to funding 70% of the costs of additional healthcare practitioners under the scheme. NHS England set out an intention to scale up national

90 NHS England, Additional roles: a quick reference summary, accessed 6 September 2023

91 NHS England, Network Contract Directed Enhanced Service: Additional Roles Reimbursement Scheme Guidance (PDF), September 2019

92 NHS England letter, General practice contract arrangements in 2022/23 (PDF), 1 March 2022

93 DHSC, Government on track to deliver 26,000 more primary care staff, 19 May 2022

94 NHS England, Changes to the GP Contract in 2023/24, 6 March 2023

95 NHS Digital, General Practice Workforce, July 2023, 24 Aug 2023

96 PQ 194081, 18 July 2023

97 DHSC and NHS England, Delivery plan for recovering access to primary care (PDF), May 2023

98 NHS England and BMA, Investment and evolution: A five-year framework for GP contract reform to implement The NHS Long Term Plan (PDF), 31 January 2019

funding for the ARRS, from £110 million annually in 2019/20, to £891 million in 2023/24.[99]

In an update to the 2020/21 contract, they increased this to 100% reimbursement.[100] The contract update also provided an uplift to ARRS funding between 2020/21 and 2023/24, as set out in table 1 below.

Table 1 Funding for the ARRS as per update to the GP contract agreement 2020/21 - 2023/24

(£ millions)	2020/21	2021/22	2022/23	2023/24
Original funding	257	415	634	891
Additional funding	173	331	393	521
Revised total	430	746	1,027	1,412

Source: British Medical Association, Update to the GP contract agreement 2020/21 - 2023/24, 6 February 2020

4.2 Is there a shortage of community pharmacists?

There has been some discussion amongst stakeholders, without consensus, as to whether there is a genuine shortage of pharmacists.[101] [102]

The section below addresses some of the factors that are relevant in that discussion.

Statistics

The Annual Population Survey indicates that around 54,000 people were working as pharmacists in England in 2021.[103]

The annual Community Pharmacy Workforce Survey provides information on workforce and vacancies in community pharmacy across England.[104] The 2022

[99] NHS England and BMA, Table 1, Investment and evolution: A five-year framework for GP contract reform to implement The NHS Long Term Plan (PDF), 31 January 2019

[100] NHS England, Investment and evolution: Update to the GP contract agreement 2020/21 – 2023/24, published 6 February 2020

[101] C&D, Why did the Home Office add pharmacists to the shortage occupation list?, 26 January 2022

[102] C+D, Revealed: The reasons behind temporary pharmacy closures, 11 November 2022

[103] ONS, Annual Population Survey, accessed via NOMIS

[104] Health Education England, Community Pharmacy Workforce Survey, 2 August 2023

survey showed that the number of full-time-equivalent (FTE) pharmacists was 17,843. There was a 6% reduction in the FTE workforce in 2022 compared with 2021.

Meanwhile, the vacancy rate rose in 2022. The vacancy rate is a measure of how many posts are not filled and is our best estimate of shortages. The vacancy rate for pharmacy technicians was 20%, while it was 16% for pharmacists and 9% for dispensing assistants. Overall, there were 3,381 FTE vacancies for pharmacists in 2022.

The survey had an 87% response rate in 2022, compared with 47% in 2021 when the survey was voluntary. This means comparisons should be made with caution.

Data from the OECD provides estimates of international comparisons. It shows that in 2021, the UK was estimated to have 0.84 practising pharmacists per thousand population. This was lower than Italy (1.28 per thousand), Spain (1.26), Ireland (1.1), Canada (1.05), Australia (0.94) and France (0.92), but higher than Germany (0.67).[105]

CPE launched its 2023 Pharmacy Pressures Survey at the end of January 2023 and reported its findings in April 2023.[106] The two-part survey was completed by 900 pharmacy owners, collectively representing more than 6,200 pharmacy premises, and 2,000 pharmacy team members. Regarding staff shortages, CPE reported that:

> The community pharmacy sector, like other primary care professions, is in the midst of a workforce crisis: 76% of pharmacy team members said their pharmacies were experiencing staff shortages, with 19% of pharmacy owners reporting that their pharmacy had been required to close temporarily because of these.
>
> 71% of pharmacy businesses are experiencing shortages of pharmacists, and 73% are experiencing shortages of other staff. Difficulties covering staffing or locum costs were the most significant driver of staff shortages, with 77% of pharmacy owner/head office respondents citing this reason. This has increased from 51% in last year's Pressures Survey.[107]

105 OECD, Health resources: Pharmacists, accessed 5 September 2023

106 CPE, PSNC Briefing 009/23: Summary of the results of PSNC's 2023 Pharmacy Pressures Survey (PDF), April 2023

107 CPE, PSNC Briefing 009/23: Summary of the results of PSNC's 2023 Pharmacy Pressures Survey (PDF), April 2023

The shortage occupation list

In September 2020, the Migration Advisory Committee recommended that the Home Office add pharmacists to the shortage occupation list.[108] [109]In March 2021, the government announced that it would add pharmacists to the list.[110]

This recommendation was based on reports from two stakeholders that they had "struggled to source workers for these roles due to the specific skillset and qualifications required, as well as difficulties in recruiting pharmacists in the South East of England".[111] In its considerations, the Council acknowledged the role of pharmacists during the Covid-19 pandemic, and the additional risk that pharmacists faced as a result, which went in support of the Council's criterion for inclusion on the list, with regards to the public value of the occupation.

A C+D article provides further context to the discussion on the addition to the list.[112]

Concerns about the impact of general practice recruitment on community pharmacy retention

The Rt Hon Patricia Hewitt was commissioned to lead an independent review of Integrated Care Systems in November 2022.[113] The resulting April 2023 report referred to concerns around the recruitment of pharmacists into PCNs, with reference to a shortage of pharmacists:

> Contracts with national requirements can have unintended consequences when applied to particular circumstances. For instance, the national requirements and funding of Additional Roles Reimbursement Scheme (ARRS) roles for community pharmacists within PCNs, has on occasion exacerbated the problem of a general shortage of pharmacists, with some now preferring to work within primary care rather than remain in community pharmacies or acute hospitals, compounding the problem of community pharmacy closures and delayed discharges. The new responsibilities for ICBs provide an important opportunity, at place or system level, to integrate the whole

108 Migration Advisory Committee, Review of the shortage occupation list: 2020, published 29 September 2020

109 The occupations on the list are given some dispensations within immigration rules. This aims to make it easier for employers to access migrant labour to fill vacancies in the identified area of shortage.

110 Migration Advisory Committee, Letter to the Migration Advisory Committee on changes to the shortage occupation list, published 10 March 2021

111 Migration Advisory Committee, Review of the shortage occupation list: 2020, published 29 September 2020

112 C+D, Why did the Home Office add pharmacists to the shortage occupation list?, 26 January 2022

113 DHSC, The Hewitt Review: an independent review of integrated care systems, published 4 April 2023

> primary care offer for communities, making the best use of both the staffing resource available and the premises.[114]

The Company Chemists' Association (CCA) has been critical of pharmacist recruitment into general practice.[115] They suggest that it has been used as a means to address insufficient GP numbers without corresponding efforts to increase the supply of pharmacists, resulting in a shortage in the community sector. Malcolm Harrison, Chief Executive of the CCA, called for pharmacist recruitment under the ARRS to "immediately halt".[116]

Janet Morrison, Chief Executive of CPE, expressed support for the attempt to relieve pressure on general practice colleagues, but was also critical about the scheme and its effect on the community pharmacy workforce:

> While we understand and want to help relieve the pressure on our general practice colleagues, the NHS tactic of poaching community pharmacy staff to work in general practices is absurd and [is] having very damaging consequences for community pharmacies.
>
> The ARRS has vastly increased the number of pharmacists being recruited into PCNs, resulting in spiralling locum costs up 80% in the past year. The policy is exacerbating pharmacy workforce problems, which is leaving many pharmacies understaffed and forced to close their doors temporarily to patients.[117]

Nick Kaye, Chair of the National Pharmacy Association, spoke of "unintended consequences" of recruitment under the ARRS, and called for workforce plans to consider primary care as a whole:

> [The ARRS] has the unintended consequence of stripping away patient-facing professionals from community pharmacies, making pharmaceutical care less rather than more accessible overall.
>
> Recruitment into ARRS roles should not be considered in isolation as a matter for GP practices only. Workforce plans should take into account the whole of primary care, including community pharmacy.
>
> With that approach, investment in staff across the system could be much more productive and connect all the available resources. Taking the integration mindset a step further, why can't ARRS roles be considered for the community pharmacy setting too?[118]

Dr Leyla Hannbeck, Chief of the Association of Independent Multiple Pharmacies (AIMp), echoed Mr Kaye's calls for community pharmacy to have

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114 DHSC, The Hewitt Review: an independent review of integrated care systems, published 4 April 2023

115 CCA, NHS recruitment of pharmacists set to wipe out eight years' worth of growth of the pharmacist workforce in England, 5 May 2023

116 The Pharmaceutical Journal, Pharmacists are the success story of general practice, and they are here to stay, 5 July 2023

117 The Pharmaceutical Journal, Nearly 400 advanced pharmacist practitioners now working in primary care networks, 3 February 2023

118 The Pharmaceutical Journal, Government claims it has hit target to recruit 26,000 additional general practice staff one year early, 23 May 2023

its own equivalent to the ARRS. Dr Hannbeck questioned why community pharmacy was "not getting the funding to put in place a multidisciplinary workforce, which is absolutely vital in every community and accessible to patients". [119]

Some community pharmacists and pharmacy owners have reported sustained difficulty in securing locum pharmacists.[120] Additionally, they say that a shortage has led to unsustainably high locum rates. They cited pharmacist recruitment into general practice as one of the reasons behind this, but also cited Covid-19 disruption, higher salaries resulting in people working fewer days, poor treatment and lack of support with increasing workloads.

There are also suggestions that poor working conditions in community pharmacies are to blame for recruitment difficulties.[121] Paul Day, director of the Pharmacists' Defence Association, said it was the obligation of pharmacy owners to improve conditions for staff.[122] Dr Leyla Hannbeck noted that many AIMp members have schemes by which they invest in their staff, but that it is "very hard" for them to continue doing so without additional funding because "they get zero money" for this investment.[123]

4.3 Pharmacist independent prescribing

Pharmacists, and some other healthcare professionals, can undertake further clinical training enabling them to become independent prescribers. This enables them to diagnose illness and prescribe medications to treat or manage illness. This is different to the role that community pharmacists currently deliver in offering health and medicines advice and recommending over the counter treatments.

Pharmacists that have obtained an independent prescribing qualification commonly make use of their qualification in general practice, emergency or urgent care, or private clinics (online or physical).

From 2026, all newly qualified pharmacy graduates will be independent prescribers on the day of registration. NHS England said, "this presents an opportunity for NHS England to commission clinical services from community pharmacies incorporating independent prescribing as the new workforce enters the profession".[124]

119 C+D, Dr Leyla Hannbeck: 'Why can't pharmacy have its own ARRS?', 13 July 2023
120 The Pharmacists, Pharmacists fear burnout amid 'staff shortages and high locum rates', 4 August 2022
121 PDA member voice article, The myth of pharmacist shortages, 31 July 2021
122 C+D, CPE calls for ARRS to end as new workforce plan looms, 26 June 2023
123 C+D, Dr Leyla Hannbeck: 'Why can't pharmacy have its own ARRS?', 13 July 2023
124 NHS England, Independent prescribing, accessed 11 September 2023

Currently, there is no NHS contractual framework in which pharmacists can use an independent prescribing qualification to directly prescribe medicines in community pharmacy.

NHS England is developing an Independent Prescribing Pathfinder programme for community pharmacy.[125] [126] Director of NHS Services, Alistair Buxton, said the programme would “allow the NHS and community pharmacy to work through the practical and professional issues which need to be addressed before independent prescribing can be embedded in day-to-day practice and within the NHS contractual framework”.[127]

Health Education England continues to provide funding for pharmacists to complete the independent prescriber qualification. Presently, it is offering funding for 3,000 places from Autumn 2022 to the end of March 2024 for community pharmacists.[128] [129]

4.4 Undergraduate education and pre-registration training

It typically takes five years for a person to complete the education and training required to qualify as a pharmacist, and requires the following:

- Successful completion of a GPhC accredited Master of Pharmacy degree (MPharm), which is a full-time, four-year course
- Successful completion of the foundation/ pre-registration training year, a period of paid employment in one or several sectors during which a trainee pharmacist is required to build up a portfolio of evidence and demonstrate their competence whilst being observed at work
- Successful completion of the GPhC's registration assessment
- Meeting the fitness to practise requirements for registration as a pharmacist.[130]

Responding to a Parliamentary Question, the government has set out information on the number of undergraduate training places for pharmacists:

> The number of pharmacy training places annually is uncapped. In England, each year around 2,500 pharmacists enter training and the net increase in

125 NHS England, Independent prescribing, accessed 11 September 2023
126 CPE, Independent prescribing in community pharmacy – the Pathfinder Programme, 18 August 2023
127 CPE, Independent prescribing in community pharmacy – the Pathfinder Programme, 18 August 2023
128 Health Education England, Independent prescribing, accessed 11 September 2023
129 NHS England, Independent prescribing, accessed 11 September 2023
130 GPhC, Pharmacist education and training, accessed 11 September 2023

> pharmacists practicing across all sectors has increased by around 1,400 per year since 2016.[131]

The government has also set out an intention to increase training places for pharmacists "by nearly 50% to around 5,000 by 2031/32".[132]

Pharmacists that have qualified outside of the UK can also pursue registration with the GPhC.

The Overseas Pharmacists' Assessment Programme (OSPAP) is available for those who qualified as a pharmacists outside of the European Economic Area (EEA), or who hold an EEA pharmacist qualification which is not a 'relevant' qualification.[133]

Intake for the 2023 and 2023 OSPAP programmes were reportedly already filled by November 2023.[134] The government has acknowledged oversubscription for the OSPAP programme:

> The OSPAP is currently oversubscribed, and the GPhC has written to accredited educational providers to highlight the demand for places. Ultimately, this is a decision for providers and a limited number of additional places have been created. [135]

The GPhC said it was aware of the increase in demand and was engaging with universities.[136]

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131 PQ 190142, 21 June 2023

132 PQ 194203, 19 July 2023

133 GPhC, Overseas qualified pharmacists, accessed 11 September 2023

134 C+D, 'Oversubscribed': Training places for overseas pharmacist courses full for next two years, 29 November 2022

135 PQ 190677, 27 June 2023

136 The Pharmacists, Not enough overseas pharmacist assessment places despite workforce shortages, 28 March 2023

5 Community pharmacy services

5.1 Expanding community pharmacy services

The NHS Community Pharmacist Consultation Service (CPCS) launched on 29 October 2019 as an Advanced Service. It aims to relieve pressure on the wider NHS by referring patients with a minor illness or need for an urgent supply of medicine, to a community pharmacy. Referrals can be made by GPs, NHS 111, and authorised emergency services and urgent care centres.[137]

The NHS Discharge Medicine Service was introduced as a new Essential Service in February 2021.[138] It refers recently discharged patients to community pharmacies, with information about medication changes made in hospital, and aims to reduce avoidable harm caused by medicines.

The NHS Delivery Plan

In May 2023, NHS England published its Delivery Plan for Recovering Access to Primary Care. It set out several proposals aimed to improve patients' access to primary care, and in particular, GP services.

The Plan set out a £645 million investment, over two years, to expand services offered by community pharmacy.

It committed to introducing a "Pharmacy First" service for patients, by the end of 2023. It would allow pharmacists to supply prescription only medicines for seven common conditions; sinusitis, sore throat, earache, infected insect bite, impetigo, shingles and uncomplicated urinary tract infections in women.

The Delivery Plan also set out a commitment to expand the blood pressure check advanced service which aims to identify and prevent cardiovascular disease. This was introduced by NHS England in October 2021, and was being delivered by 6,000 community pharmacies at the time of the Plan's publication. The Plan provided more detail on its expansion:

> This service currently delivers up to 120,000 checks per month, which we will expand with new funding to a further 2.5 million blood pressure checks in community pharmacy to support ongoing monitoring in partnership with GP practices (subject to consultation). Good blood pressure control helps to reduce heart attacks and strokes. We estimate that the increase in capacity in community pharmacy in year 1 could prevent over 1,350 cardiovascular events such as heart attacks and strokes. Savings of around £13 million would be seen

137 CPE, Community Pharmacist Consultation Service (CPCS), 23 July 2019

138 NHS England, NHS Discharge Medicines Service, accessed 31 August 2023

> from the reductions in these events across primary, secondary and social care.[139]

Lastly, the Plan set out plans to expand the Pharmacy Contraception Service.

CPE explains that Tier 1 of the service commenced in April 2023, and enables community pharmacists to provide ongoing management of routine oral contraception that was initiated in general practice or a sexual health clinic.[140] The supplies are enabled by a Patient Group Direction, and the pharmacies undertake clinical checks of the patient's blood pressure and body mass index where necessary.

DHSC proposed that the proposals "could alleviate pressure by saving up to 10 million appointments a year, once scaled up, equivalent to around 3% of all appointments, and give the public more choice in where and how they access care".

The Plan set out an intention to "expand the service, from late 2023, dependent on findings from initial pilots currently underway and consultation". CPE further explains that:

> Subject to a positive evaluation of the ongoing pilot, Tier 2 of the service, which will enable community pharmacists to also initiate oral contraception, via a PGD, and provide ongoing clinical checks and annual reviews, will commence on 4th October 2023.[141]

DHSC committed to consulting PSNC (now CPE) on both of these proposals.

5.2 The Health and Social Care Committee's Expert Panel evaluation of pharmacy in England

The Health and Social Care Committee commissioned its Expert Panel, an impartial panel of experts, to evaluate the government's commitments in different areas of healthcare policy, independently of the Committee. The Panel's fifth evaluation looked at government commitments on pharmacy in England.

The Panel published its report in July 2023.[142] The Panel considered five broad policy areas, including community pharmacy and integrated care. The Panel examined specific government commitments within these areas.

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139 DHSC & NHS England, Delivery plan for recovering access to primary care (PDF), May 2023

140 CPE, Pharmacy contraception service, updated 23 August 2023

141 CPE, Pharmacy contraception service, updated 23 August 2023

142 House of Commons Health and Social Care Committee, Expert Panel: evaluation of the Government's commitments in the area of pharmacy in England (PDF), 19 July 2023, HC 1310 2022-23

For example, the Panel determined that the government had met its commitment to maintain a Pharmacy Access Scheme, but that improvement was required in terms of funding and resource, impact and appropriateness. Overall, it rated this commitment as requiring improvement.

The Panel judged the government's commitment to review the funding model and the balance spend on dispending and new services within the CPCF as inadequate. It judged funding, resource and appropriateness in this area to be good, while determining that its impact required improvement. Overall, the Panel rated this commitment as requiring improvement.

The government has not responded to the report.

5.3 Expanding pharmacy services under the CPCF 2022/23 and 2023/24

The CPCF agreement for 2022/23 and 2023/24 set out plans for the introduction of new services, and the expansion of existing services. These are discussed in section 1.1 of this paper.

6 Medicine shortages and price concessions

6.1 Medicine shortages

There have been reports of recurrent and sustained medicines shortages.[143] The Pharmaceutical Journal explains that there are multiple reasons for shortages.[144] These include recent impacts of the UK's departure from the EU, the Ukraine-Russia conflict, the Covid-19 pandemic and higher energy costs and inflations.

In addition to these, shortages have also been caused by shortages in raw materials, product contamination and recalls, changes in regulation or clinical prescribing habits and changes in reimbursement.

The government has also pointed to manufacturing issues, problems with raw ingredients and batch failures as contributing to shortages.[145]

CPE reported on its findings from its 2023 Pharmacy Pressures Survey.[146] Based on responses from pharmacy team members, CPE found that 92% of pharmacies report managing medicine supply issues daily, with this having increased from 67% in the previous year's survey. Other findings included that pharmacy owners and staff were spending more time on medicines procurement, with respondents saying they were experiencing extra workload, stress, frustration, and inconvenience because of shortages.

6.2 Government response to medicines shortages

In July 2023, the government described medicine shortages as "an ongoing issue that [DHSC] has been managing for many years".[147]

The government has set out ongoing work within the DHSC to respond to shortages:

143 The Pharmaceutical Journal, Special report: the UK's medicines shortage crisis, 29 June 2023
144 The Pharmaceutical Journal, Special report: the UK's medicines shortage crisis, 29 June 2023
145 PQ 194202, 19 July 2023
146 The two-part survey was completed by 900 pharmacy owners, collectively representing more than 6,200 pharmacy premises, and 2,000 pharmacy team members. Discussed in section 4.2 of this paper.
147 PQ 194202, 19 July 2023

> There is a team within the Department which deals specifically with medicine supply issues arising both in the community and hospitals across the United Kingdom. It works closely with the Medicines and Healthcare products Regulatory Agency, the pharmaceutical industry, NHS England and others operating in the supply chain, including suppliers and wholesalers, to help prevent shortages and expedite resupply where possible to ensure that the risks to patients are minimised when they do arise. The team develop guidance which is shared with the National Health Service, including community pharmacies, advising on how to manage supply issues.[148]

Under the Health Service Products (Provision and Disclosure of Information) Regulations 2018, manufacturers must inform the government of anticipated shortages of, or plans to discontinue, medicines that are supplied to the NHS. They use the DHSC's Discontinuations and Shortages (DaSH) portal to do this, as well as provide updates.

The Specialist Pharmacy Service provides a medicines supply tool advising on medicines supply issues, and access is limited to NHS professionals. Its content is provided by the DHSC and its Commercial Medicines Unit.

6.3 Serious shortage protocols

The government introduced Serious Shortage Protocols (SSPs) in 2019, aimed at ensuring continuity in the event of a "no-deal Brexit". These are frameworks to enable pharmacists to dispense a different product, strength or quantity, with the aim of ensuring that the patient receives a course of medication as closely as intended by the prescriber, within the means of available products. SSPs also aim to ensure that limited supplies of a medication are dispensed in a way as to maximise availability for all patients. They also reduce the administrative burden for patients, general practice and pharmacies, in that there is no need to ask the practice to issue another prescription for an alternative product.

SSPs are issued by DHSC, on an individual product basis, for a specified period of time.

In May 2021, the DHSC published its one-year policy review of SSPs.[149] At the time of publication, seven SSPs had been issued. DHSC said it was not aware of concerns being raised about the effect of these SSPs on the medicines market or patient safety. DHSC said it's engagement with stakeholders on the review showed that "SSPs have received a largely positive reception and are viewed as being beneficial, both in managing medicines shortages and in saving time".[150]

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148 PQ 194202, 19 July 2023

149 DHSC, Serious shortage protocols: one-year policy review, 27 May 2021

150 DHSC, Serious shortage protocols: one-year policy review, 27 May 2021

Pharmacies will earn £5.35 for each prescription that is dispensed according to an SSP.[151]

The Royal Pharmaceutical Society (RPS) has called for legislative changes that would allow pharmacists to make minor amendments to prescriptions when a medicine is out of stock, separate to provisions under SSPs.[152] Under this proposal, pharmacists would be able to supply a different quantity, strength, formulation or generic version of the same medicine, in discussion with the patient. The Society notes that "such substitutions are routine for pharmacists in both secondary care and general practice".

CPE has made similar calls for pharmacists to have more flexibility in amending prescriptions outside of an SSP.[153]

6.4 Price concessions

A price concessions is a temporary increase to the reimbursement price of a medicine or appliance, as set out in the Drug Tariff.[154]

CPE monitors monthly price lists and price change notifications shared by suppliers. CPE also receives reports of price issues from contractors. CPE will take this information into consideration. If it finds that contractors are only able to purchase products at a price materially above that set in the Drug Tariff, CPE will approach DHSC and request that they grant a price concession.

DHSC will then conduct its own research by gathering volume and price information from manufacturers, wholesalers and importers, through powers provided by the Information and Disclosure Regulations 2018. DHSC then decides whether or not to grant a price concession. Where DHSC does decide to grant a price concession, there is an opportunity for DHSC and CPE to negotiate and reach a price that is acceptable to both parties, however the final decision on the granting and level of concession rests with DHSC.

Price concessions are valid until the end of the month in which they are granted. Where pricing issues persist, a new price concession would need to be granted for each new month.

Pharmacies do not need to make any endorsement to their prescriptions; reimbursement for the relevant product would automatically be set at the concessionary price.

151 Drug Tariff, Part IIIA, Professional Fees (Pharmacy Contractors, September 2023

152 RPS, Serious Shortages Protocols Review, Royal Pharmaceutical Society response (PDF), undated

153 CPE, Briefing: Community pharmacies and medicines supply (PDF), July 2023

154 A price concession can be requested for any medicine in Part VIIA (popular and other generics, and branded medicines), VIIB (unlicenced medicines) and VIID (specials and imported unlicensed medicines) of the drug tariff. See CPE, Virtual Drug Tariff, updated 15 March 2022

The CPE identified several reasons for which “medicines reimbursement prices [are] not keeping up with market prices”:

- Limited stock of some medicines is driving up demand and consequently driving up prices: some of the current instability in the supply chain is due to supply disruptions affecting availability of several medicines.
- The macroeconomic effects of Covid/Brexit/Ukraine war and rising inflationary pressures, manufacturing, utilities and distribution costs are all leading to increased drug prices.
- The Drug Tariff has remained suppressed for a prolonged period to manage margin over-delivery.
- Tariff prices are set quarterly using lagged data – therefore any immediate price shocks will not be accounted for in the reimbursement prices. Price concessions are intended to manage this, but the system is not coping in the current environment. In August [2022], we have reached the highest level of concessions this month.[155]

The CPE website provides further information about price concessions.[156]

6.5 Concerns about arrangements for price concessions

In September 2022, CPE outlined several concerns about the process for setting price concessions.[157] Acknowledging that August 2022 saw a “record 138” concessions agreed, it emphasised that:

> contractors cannot subsidise the NHS medicines bill and that it is untenable for there to be such a difference between concession and market prices for particular medicines. The concessions system is no longer coping with the current price volatility in the market.

CPE also set out concerns about the DHSC imposing prices which allowed for “large variation between their reimbursement prices and purchase prices during the month of August”. CPE called for the system to:

- be more responsive to changes in the market;
- allow for concessionary prices to be agreed more quickly to provide contractors with certainty of reimbursement; and

155 CPE, PSNC to seek overhaul of pricing concessions system, 2 September 2022

156 CPE, Price concessions, 28 February 2020

157 CPE, PSNC to seek overhaul of pricing concessions system, 2 September 2022

- use high-quality data that reflects the reality presented by contractors on the ground.[158]

In the 2022/23 and 2023/24 CPCF agreement, the government committed to reviewing the implementation of the price concessions system.[159]

In January 2023, the government responded to a question asking about plans to review the system.[160] The government highlighted the medicine margin survey, and noted that "if underpayment has occurred, it will be made good to pharmacy contractors through margin adjustment".

158 CPE, PSNC to seek overhaul of pricing concessions system, 2 September 2022

159 CPE, Contractor Announcement: CPCF arrangements for 2022/23 and 2023/24 agreed, 22 September 2022

160 HL4455, 3 January 2023

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