Community Pharmacy Questions and Answers

What is the community pharmacy debate about?

Pharmacists have a key role in dispensing medicines. They also provide valuable support in the delivery of healthcare in Northern Ireland, particularly in rural towns and villages.

Protracted negotiations have taken place in an effort to introduce a new Community Pharmacy Contract to provide a framework for the delivery of a wider range of community pharmacy services (and not just the traditional dispensing role).

The contract will enable independent contractors (community pharmacists), the policy makers (Department of Health, Social Services and Public Safety) and commissioning authorities (Health and Social Care Board) to further improve and develop the role of community pharmacy in improving the health and well being of local people.

To date, community pharmacy representatives have not been satisfied with the new financial arrangements that have been proposed. Pharmacists receive payments for the services they provide (through fees) and reimbursement of the costs of medicines they dispense.

The financial arrangements centre on three key aspects – dispensing fees; other service fees; and the amount of profit retained by pharmacies in respect of the medicines they buy in and dispense on behalf of the Health Service. The dispute centres on what level of profit is appropriate for pharmacies and what proportion should be retained for the Health Service.

Why have the Department of Health, Social Services and Public Safety (DHSSPS) and Health and Social Care Board (HSCB) made significant efforts to introduce a new contract?

Over the years there have been many changes to the services provided by community pharmacists and to the cost of providing these services and the cost of drugs and appliances.

The DHSSPS and HSCB has been trying to modernise the pharmacy contract, including payment arrangements, such that patients in Northern Ireland can avail of the same range of services that are provided in other parts of the UK.
Specifically, we want to pay community pharmacists for the services they provide rather than just pay on the basis of the volume of prescriptions dispensed.

This would allow for a much more a care-based contract than a volume-based one, with health-related outcomes.

The modernisation of community pharmacy services would not only see new and improved services for patients but also investment in new infrastructure such as IT and premises.

**What is a Drug Tariff and why is it important?**

The DHSSPS has a policy role and a statutory obligation to maintain and publish a Drug Tariff. The Tariff sets out the range of dispensing fees available to community pharmacists and details the reimbursement prices paid to them towards the actual cost of drugs supplied against health service prescription forms.

By law, community pharmacists are entitled to be paid fair and reasonable remuneration which includes the amount they receive in fees and reimbursement of costs.

As stated, the Drug Tariff states prices of prescription drugs. Traditionally, these have been set in England and adjusted by Scotland and Northern Ireland. It has been recognised that the prices paid to the community pharmacists in respect of the costs of prescription drugs as listed in the Tariff include an element of profit for the pharmacists.

The DHSSPS and HSCB believe that it is right to recognise the level of profit that community pharmacists in Northern Ireland get from the purchase of medicines as part of the overall funding available for community pharmacy. The DHSSPS and HSCB believe that pharmacists in Northern Ireland should have the opportunity to achieve a similar level of profit as those community pharmacists in England, Wales and Scotland.

Currently there is little transparency in what pharmacists actually earn in respect of the reimbursement prices. The DHSSPS and HSCB have been trying to introduce a new Drug Tariff to provide a fair and more transparent system of payments for community pharmacists.
What is the background to the efforts to introduce a Pharmacy Contract and Drug Tariff?

2000/01
Following turbulence in the market for generic medicines, the Department of Health in London, proposed changes which would ensure continuity of supply and best value for the tax payer. These were set out in various consultation documents: http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH_4006899

One of the implications to the changes to the management of generic medicines was the availability of funding being recycled to pay for services through a new pharmacy contract. This new contract would see a greater range of services for patients paid for out of recycling of funding.

Feb 2004
The DHSSPS, after consultation, published its pharmacy strategy document, Making it Better: http://www.dhsspsni.gov.uk/pas-publications

This was welcomed by the profession and led to the initiation of community pharmacy contract negotiations.

By 2005
A new pharmacy contract framework had been agreed and both sides committed to understand the cost base of community pharmacy services through a cost of service inquiry (Cost Survey).

In June 2006 the Cost Survey had reported and it stated that the cost of providing pharmaceutical services in NI was estimated at £65.3m.

2006 - 2009
Contract negotiations continued however, no commitment to this level of funding could be given by the DHSSPS until there was transparency regarding the amount of profit that was being earned by pharmacists. This would be a key element of the funding arrangements. No agreement could be reached on a robust process to determine profit (profit margins survey).

In the absence of agreement in respect of this process, elements of the Scottish Drug Tariff which had been used in NI traditionally, were carried forward. However, as Scotland had made changes to their Tariff arrangements to fund a new contract there, the changes to reimbursement prices were carried through in NI. The DHSSPS put in place arrangements to offset this reduction to allow negotiations to continue but ultimately pharmacists initiated a Judicial Review in 2009.

As part of this Judicial Review, pharmacy representatives stood over the 2005/06 cost survey which reported a cost of £65.3m.
Jan 2010
The first pharmacy Judicial Review was delivered and the DHSSPS was deemed to have acted unlawfully.

July 2010
A compensation package and interim agreement for the period 1/4/10 to 21/3/11, was signed off by both sides which led to a planned investment in community pharmacy services of £96m. The Interim Agreement allowed time to put in place a lawful Drug Tariff and develop a new pharmacy contract.

July –Oct 2010
Pre-consultation work on new Drug Tariff

Oct 2010 – Jan 2011
Consultation on new Drug Tariff

Oct 2010 –
Negotiation of community pharmacy contract.

This included specifying a range of new services:

Medicines Management services:

• Pharmacy intervention scheme (reduce cost and wastage)
• Medication review
• Compliance support
• Pharmacist prescribing

Pharmaceutical Public Health services:

• Health promotion campaigns
• Signposting vulnerable patients and carers when they present to the pharmacy where appropriate to other services
• Supporting self care including a reconfigured minor ailments service

It also included consideration of the pharmacy financial funding. The Board considered a range of data sets to arrive at an appropriate financial funding which it considers as delivering fair and reasonable remuneration. The funding proposed provides a floor of funding of £90m. Pharmacy representatives have stated that the costs of providing pharmacy services in NI are £120-130m. The difference in positions has led to the legal dispute and despite the best efforts of the Board and DHSSPS there has been limited development of community pharmacy services.

Financial Position
The planned investment was as follows:

**2010/11**
Investment of £96m

**2011/12**
Investment of £91.5m (making use of the full budget settled at the outset of 2011-12 and an additional £1.5m).

**Second Judicial Review**

Despite extensive negotiations, agreement could not be found and following consultation with pharmacy representatives, the DHSSPS introduced a new Tariff in April 2011.

The DHSSPS was confident that this would provide fair and reasonable remuneration and would increase transparency in the payment system. To maintain the status quo would have meant that the existing Tariff could have been deemed to be unlawful and pharmacists could earn what was believed to be unreasonable levels of profit.

The Department/Board would have been criticised and asked why pharmacists were allowed to earn very significant levels of profit. The Department/Board has had the twin objectives of developing pharmacy service provision in order to improve outcomes for patients while at the same time protecting the public purpose and ensuring the appropriate use of public funds.

Community pharmacy representatives initiated a second judicial review in June 2011.

They raised the DHSSPS's failure to complete a Regulatory Impact Assessment (RIA) and although the DHSSPS stated its case for not completing an RIA, this view was not upheld by the court.

The consultation process was also criticised as was the failure to undertake a profit margins survey. As previously stated, a survey has been requested by the DHSSPS but turned down by the community pharmacists.

Having worked assiduously to meet the demands of the previous judicial review, the DHSSPS and Board are disappointed with the current outcome.

The written judgement of the court and its implications are now under consideration, including an appeal.

The Minister has pledged his personal commitment to the issue. Indeed, he previously advised the Assembly that, irrespective of the court outcome, he wanted to engage in constructive negotiations with
pharmacists once judgement was given. That engagement has happened quickly following the final order of the Court.

Why do the community pharmacists say they have such a huge drop in income?
There has been no change in the amount of recurrent funding that is available to local pharmacies. The total amount for dispensing prescription fees also remains unchanged.

The reasons for the drop in income as understood by the Department and the HSCB include the following (but the position will only be clear when the forthcoming surveys are completed):

- Over the past two years there has been concerted effort to reduce prescribing costs – this has had a natural effect on reducing the costs of prescriptions. While this has led to a reduction in income, it has not affected the profit margin in that less costly medicines are being prescribed and supplied
- The Drug Tariff is being managed much more closely with the amount of profit available through the supply of medicines being constrained

What happens now?

Following the final hearing on 7th February of the Judicial Review taken by pharmacists in respect of the way they were paid, the Health Minister initiated a process of engagement and negotiation in an attempt to agree a settlement for 2011/12 and to move contract negotiations on further for 12/13.

Unfortunately, their representative body, CPNI has rejected the proposals. Despite this, the Board and Department is keen to develop the pharmacy service and ensure service provision for the NI population.

The Board has made specific proposals for pharmacies serving communities in rural and deprived areas in Northern Ireland as well as transitional funding to facilitate new service delivery by all pharmacies.

The Minister has agreed that the Board should now proceed to invest this funding.

What are the details of the Health and Social Care Board investment?
The Board is investing £8m of funding to support pharmacies deliver new health improvement services similar to other parts of the UK. This includes significant investment for the provision of enhanced pharmacy services for communities in rural and deprived areas.

The funding decision follows protracted contract negotiations with community pharmacy representatives which, unfortunately, did not lead to an agreed position being reached.

Community pharmacy service provision has a tremendous amount to offer to improve the health and well-being of the population.

It is vital that there is investment in community pharmacy particularly in rural and deprived areas as they provide communities with significant opportunities for improving people’s health.

**Is this funding in line with other parts of the UK?**

The investment of £8m will take the amount of money spent on community pharmacy services to at least £91.5m in Northern Ireland in 2011/12 – compared with an equivalent (on a pro rata population basis) of £82m in England and Wales and £87m in Scotland.

There are higher levels of need in Northern Ireland and we need to reflect that in the investments that we make. Furthermore, we believe the future of our health service lies in more community based services and pharmacies are an important part of that future.

In delivering health and social care services, it is essential that we provide high quality and affordable services to the right people, at the right time in the right places.

It is regrettable that community pharmacy representatives want an overall amount of between £123m and £130m for services in Northern Ireland. This equates to around 50% of a higher cost per person in NI than anywhere else in the UK. To the tax payer, paying 50% more for any service in NI is wholly unacceptable.

However, we are confident that with this investment of £8m in 2011/12 community pharmacy will be sustained until the forthcoming surveys are completed. This will then pave the way for the development of new arrangements which will secure a firm footing to provide new services which are already being delivered elsewhere in the UK.