

Simon Dukes
Chief Executive
Pharmaceutical Services Negotiating Committee
14 Hosier Lane
Farringdon
London
EC1A 9LQ

3rd June 2019

Dear Simon,

I am writing to you about the pharmacy contractual framework negotiations which are now underway.

This is a significant moment in the long history of community pharmacy and we hope all parties to the negotiation will be ambitious about the future. Community pharmacies need to be recognised as the front door to health – an indispensable component of the urgent care pathway, vibrant health and wellbeing hubs and a mainstay of support for people with long-term medical conditions. We support a future based on services, especially services that build on the frequent interaction local community pharmacies have with patients due to the access to medicines provided by pharmacies. We want a quality-focused system that provides access to medicines and clinical services together, positioning pharmacies as the local front door to health. This would serve patients, pharmacists and the NHS far better than the current volume-driven system.

However, these are unprecedented times. The funding cuts imposed in 2016 have had a devastating effect on the sector. All pharmacy businesses have been affected; many independent community pharmacies are facing extreme financial hardship and are struggling to survive in business due to the reduction in community pharmacy funding, rising costs, increasing prescription volumes and a heavy workload. Many independent contractors are experiencing major cash-flow problems and find that their NHS funding does not even cover their wholesaler bill, while some contractors have been forced to use their own savings to keep their service to patients operating. Pharmacy teams are working exceptionally hard to meet the ever growing demand for health care, but there are limited resources in the system which is creating immense pressures. Funding is not keeping pace with the increasing costs and workload, and the situation is exacerbated by turbulent and escalating medicines prices. As the situation continues to worsen, we are very concerned that we are on the brink of facing an uncontrolled and unpredictable series of closures, which may do nothing to address the clusters that have been a concern to NHS England yet will make change even more difficult for those left. This situation is unacceptable and untenable. We need to see radical change.

The current volume-based model and ongoing financial pressures are a powerful disincentive to pharmacy owners to invest in NHS services. The negotiations provide an opportunity to change that, so that pharmacies can step up to meet the challenges laid out in the NHS Long-Term plan. We need a sustainable business model which delivers a fair return for investment. The current situation is not only a disincentive to invest, but also it means that many independents are struggling to find the time to engage in new ventures - whether that is local integration with Primary Care Networks, or gearing up for national services such as GP DMIRS. Every day that goes on makes the gap from where contractors are now to where the NHS would like them to be ever wider. The sector has heard from NHS England that there is no additional budget for community pharmacy. However, extra funds in the system have been allocated to help alleviate pressures in other areas such as general practice. More funds should be made available to community pharmacy, where we can demonstrate that pharmacy is delivering on NHS priorities. We understand NHS England's concern about perverse financial incentives inherent in the current model. The sector must do whatever is necessary to address these concerns such that potential barriers to broadening community pharmacy's role in delivering NHS services are removed.

A successful outcome to the negotiations would include a clear direction on clinical service development, a multi-year settlement to replace the legacy arrangement of one-year rolling contracts and payments focused on quality outcomes, giving pharmacy owners the confidence to modernise and invest in patient services. This would be supported by the publication of a vision setting out aspirations for how the contractual framework and funding model will develop over the next few years to support an integrated medicines supply and clinical services offering.

We appreciate the requirement from NHS England and the DHSC that negotiations take place in the strictest confidence. However, we need transparency on the direction of travel as early as possible in order for the sector to fully understand the implications of any changes, voice any concerns, and if required start to plan appropriately. We welcome your indication that there will be a role for the NPA in supporting some of the contract working groups.

A number of more detailed points regarding problems with the current framework are set out in the attached appendix. I want to stress the importance of a more responsive and effective price concession system which ends the unacceptable practice of dispensing at a loss, the need for timely payment and the necessity that additional costs of providing an NHS service are covered by NHS funding. An urgent response is required to stop irreparable damage to the network.

Whilst I am sure that many of the points highlighted above are already firmly at the forefront of the negotiating team's thinking, I would welcome an assurance that this is the case and that a settlement that provides stability and fair and equitable remuneration for independent community pharmacies is being pursued vigorously. A fair return for services provided is surely a reasonable expectation for dedicated and loyal contractors to the NHS.

Things need to change radically so that pharmacies can step up to meet the challenges laid out in the NHS Long-Term Plan. We support DMIRS, which is an opportunity to demonstrate

that the sector is capable of having a big impact on unnecessary GP appointments and A&E admissions, as well as acting as a stepping stone to greater service opportunities. The contract negotiations now underway are a chance to make a decisive shift, incentivising clinical services in the areas of urgent care, prevention and long-term condition management integrated with access to medicines.

Yours sincerely,



Mark Lyonette
Chief Executive

APPENDIX

It is crucial that the following matters are addressed during the contractual negotiations:

A more effective concessionary pricing system

There is an urgent need in the immediate short-term to improve the concessionary pricing system, such that pharmacies can have reasonable certainty of what they will be reimbursed and that they will not be dispensing at a loss. Price concessions are subject to the normal discount deduction which exacerbates the situation. Independents are being disadvantaged by a system based on averaging. Smaller independents cannot spread the risk across an estate or hope to have losses averaged out. That means they can be at the mercy of factors beyond their control, such as hikes in medicines prices and increased branded generic prescribing. A model in which the proportion of funding that is derived from margin is lower may be a solution.

A fairer distribution of margin to all contractors

The current system does not deliver the margin element of funding equitably across the sector. This must be addressed so that independent contractors have a fair share of the funding available to deliver the pharmacy service.

Fair funding to deal with the increasing cost of delivering a service to patients

The pharmacy contract must recognise the increasing cost of doing business (eg, minimum wage, employer pension contributions, FMD, increased IT requirements, increased dispensing volume, fees associated with patient expectations that the prescription charge should be paid by credit card, etc.). Funding has now been declining for four years despite increasing costs which has resulted in many contractors struggling, or in some cases being completely unable to pay their bills and suppliers, and having to take drastic actions in order to survive in business and continue to provide essential pharmaceutical services to their communities. These actions include but are not limited to: not taking a salary; re-financing the business from personal savings or their pension fund; securing re-financing from their bank; reducing opening hours; and reducing service levels to patients (for example removing free deliveries).

Action to tackle the unsustainable burden of medicines shortages

The huge and unsustainable burden of medicines shortages affects independent pharmacies more than other parts of the market, due to independents having less buying power and not having the capability to buy bulk stock in advance. The fact that patients are generally shielded from the worse effects of shortages is a testament to the commitment and professionalism of pharmacists and their teams. NHS England and the DHSC need to not only recognise this issue, but do everything within their power to help to establish a sustainable medicines market, with a resilient and robust medicines supply chain. We appreciate that the medicines market is global and complex. Therefore there are some

factors that would be out of the Government's control, however we believe that further action is necessary and can be taken immediately.

Infrastructure developments to enhance community pharmacy's role in delivering the long-term plan

There are system changes that NHS England could make in order to empower community pharmacy to play a greater role in helping to deliver the long-term plan and to help address the challenges identified. These include supporting facilitated interoperability between practitioner IT systems so that pharmacists can view and contribute to full clinical care records, in order to support better integrated working practices and patient safety, and standardising service training requirements and making greater use of self-accreditation. The GP contract has included support for practices to establish and engage with Primary Care Networks. Through the negotiations NHS England should set out how it plans to support community pharmacy and its local representatives in embracing this new local NHS structure.

An effective platform for developing the community pharmacy workforce

Community pharmacy wants to engage with new training opportunities (e.g. Mary Seacole), however due to the current financial hardship it is very difficult for contractors to afford locum cover, therefore backfill funding is necessary. We also believe that NHS England and Health Education England should work with the community pharmacy sector to co-create a training framework including prescribing and clinical development which aligns with the needs identified by both commissioners and providers.

There needs to be a recognition that there is not a surplus of pharmacists – in some parts of the country it is very difficult to recruit pharmacists and we expect this problem to grow. We note that applications to study pharmacy are down and so anticipate a reduction in the number of newly qualified pharmacists in the medium-term. Simply substituting community pharmacists with PCN pharmacists (sometimes misleadingly labelled as 'clinical pharmacists') and using inflexible commissioning arrangements across primary care rather than increasing the supply of community pharmacists and making greater use of community pharmacists' skills is wasteful for the taxpayer.

Support to deal with community pharmacy workforce stress

NHS England needs to recognise the stress that staff working in community pharmacy are now under due to pressures outlined above, and to do everything within its power to help to address these issues. The RPS have called for NHS England to fund a community pharmacy stress service, similar to the GP Health Service, to tackle mental health and stress issues in pharmacy.

Full, accurate and timely drug reimbursement and payment of fees

A system that delays full and accurate drug reimbursement and payment of fees is out of line with accepted practices for other public sector services. With the implementation of EPS



Mallinson House
38-42 St Peters Street
St Albans, Herts AL1 3NP

Tel 01727858687
Fax 01727 840858
email npa@npa.co.uk

release 2 phase 4, an accurate payment made within 30 days of dispensing should be feasible and should be delivered.