



Funding Negotiations and Changes from April 2013: Guidance for Contractors

2012-13 Funding Negotiations Update

Earlier this year PSNC confirmed that it was seeking a multi-year funding agreement with the Department of Health (DH) and NHS Commissioning Board (NHS CB) to give contractors more certainty in funding. These negotiations are based on the Cost of Service Inquiry (COSI) published in 2011.

Work will continue to determine what a COSI-based settlement for 2012-13 would look like and to establish what funding has actually been delivered to contractors in the year under the current system.

In previous years the Margins Survey has revealed that margins earned were well in excess of the agreed funding levels and contractors have retained the excess margin earned in year, with adjustments to prevent that excess continuing into the following year. The Department of Health has made clear its wish to move to a more transparent system where all NHS earnings are accounted for, and revised arrangements form part of the COSI negotiations.

Funding and remuneration changes from April 2013

Although negotiations on pharmacy funding based on the COSI have not yet concluded, the DH is making a number of changes to funding in April 2013. These include:

- 1) An increase in the practice payment payable by 8p per item.** This follows the 15p reduction in October which was made to adjust for the over-delivery of funding in the period from April to September 2012.
- 2) 100% advance payments.** Currently, contractors receive an 80% advance payment each month for the most recent month's submitted prescriptions. The balance is then paid in the following month.
From the May statement (which is paid at the beginning of June), payments will change to include a 100% advance payment meaning that contractors will be refunded for medicines dispensed more promptly. This means that contractors will see a higher than normal payment in June, but this will be a one-off. This change will also have an impact on the working capital that pharmacies will require in future and this will be picked up in the ongoing COSI negotiations.
- 3) Introduction of the Government's Supply Chain Finance Scheme.** The Pharmacy Early Payment Scheme, operated by Citibank, which will allow contractors to receive advance funding on attractive interest terms, will be introduced from April and will be helpful to many contractors. Details were published at the end of 2012. Contractors need to register for the scheme, and ensure that their bundles are received by the NHS BSA by set dates in order to access the early payments.
- 4) Introduction of new methadone fee arrangements.** These have been settled following lengthy and complex examination and discussions, to ensure that contractors will always cover their costs when dispensing oral liquid

methadone. Information about the fee arrangements, including endorsing guidance, can be found on [PSNC's website here](#).

Safeguarding Payments

When the global sum was devolved to PCTs in April 2010, PSNC expressed concern that the trusts might try to influence prescribing periods to interfere with the distribution of funding through dispensing fees. To prevent this, the committee negotiated safeguarding arrangements that would assist contractors facing increased costs of supplier invoices and the reduced prescription volume that could occur.

The safeguarding arrangements have meant that there have been few instances where changes to periods of treatment have been made.

The Drug Tariff includes revised provisions so that additional payments can be made where dispensing volumes fall because periods of treatment increase, and to the best of the contractor's knowledge there is no reason apart from increased prescription duration (either directly or indirectly instigated by a Clinical Commissioning Group), that would have contributed to the larger than normal suppliers bill or reduced prescription volume.

Additional changes from April 2013

Cost centre codes

Currently, where prescriptions do not include prescriber codes and the prescriber cannot be identified by NHS Business Services Authority (NHS BSA), costs are fair shared among PCTs. In the new NHS, the NHS CB will not have authority to fair share costs among new commissioners such as local authorities, so the NHS BSA, when it prices prescriptions, must be able to identify the cost centre and to recharge the costs.

From April, where a contractor provides the drugs or appliances ordered on any NHS prescription form, (except forms issued by a Dental Practitioner), the NHS BSA may return the prescription form to the contractor (as a referred back) if there is no prescriber code(s) present. If the code can be identified, this should be added to the form and returned. If the contractor has been unable to identify the code, the prescription should be endorsed to that effect, and returned. In either case, the prescription will be paid when resubmitted.

Contractors are therefore advised to check prescriptions at the time of dispensing, and attempt to identify and insert codes where any are missing. Where codes are missing, there will be a delay in payment for them.

PSNC will carry out an assessment of the additional burden that this will place on pharmacies, and there is recognition by the DH that this will form the basis of a claim for additional remuneration. Initial checks suggest that the frequency of missing codes should not be large, but PSNC and the DH will keep this new provision under review.

Specials documentation

Currently, contractors dispensing specials are required to send copies of certificates of conformance or analysis to PCTs. From April these must be sent to the NHS CB.