

Dear Colleague

PHARMACEUTICAL SERVICES: AMENDMENTS TO THE DRUG TARIFF IN RESPECT OF REMUNERATION ARRANGEMENTS AND PART 7 DISCOUNT CLAWBACK ARRANGEMENTS FROM 1 APRIL 2020

Purpose

1. This circular advises community pharmacy contractors and NHS Boards of the outcome of the negotiations for the community pharmacy funding settlement for 2020-21 to 2022-23

Background

2. Circular PC(P)(2019) 13 advised on amendments to the reimbursement arrangements and amendments to reimbursement prices listed in Part 7 of the Drug Tariff (generics) along with the Part 7 discount clawback rate for the financial year 2019-20.

3. A settlement has now been put in place on a 3 year community pharmacy funding package to cover the financial years 2020-21 to 2022-23.

4. The impact of the Covid-19 pandemic on the pharmacy network have provided significant challenges financially. Circular **PCA(P) (2020) 02** sets out initial financial support measures put in place and a further circular will be issued in the coming weeks on additional support.

Detail

5. This circular now advises of the key headline elements of the community pharmacy funding package which continues to deliver community pharmacy contractors and Health Boards continued stability and predictability established in previous years settlements. The key headline elements of the 3 settlement are as follows:

4 August 2020

Addresses

For action

Chief Executives, NHS Boards
Director of Practitioner
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For information

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- I. A three year settlement for the period 2020/21 to 2022/23. The remuneration Global Sum will be subject to a **fixed percentage uplift of 2.5% in each of the three years**. The remuneration Global Sum in 2020/21 will **be reset at £188.148 million**.
- II. The non-Global Sum will **remain at £1.3 million** and will be repurposed towards funding infrastructure to support the joint Scottish Government and CPS strategy of increasing the number of independent prescriber workforce within the community pharmacy setting.
- III. The introduction of a **NHS Pharmacy First Scotland** service and **associated remuneration model**, replacing the existing Minor Ailment Service and Pharmacy First, from July 2020. The Scottish Government shall invest a total of £10 million of new funding over three year period. An initial **investment in 2020/21 of £5 million**, increasing to **£7.5 million in 2021/22** and in **2022/23 a total of £10 million** will be added to the remuneration Global Sum. This takes the total funding pot for the new service to **£25.8 million** in 2020/21.
- IV. An **agreement to the principal** to continue additional mapped funding as part of the proposed 3 year settlement. The sum of **£40 million** will continue to be mapped from Part 7 (generic) Drug Tariff as guaranteed income from previous years.
- V. Any amounts mapped as guaranteed funding during the proposed 3 year settlement will be **equal** to any amount of money due to NHS Boards through the margin sharing arrangements. Taken alongside already agreed mapped guaranteed income in year 2018/19 and 2019/20 (£40 million), a total of **£65 million** will be mapped as guaranteed income. Mapped guaranteed income is not subject to an annual uplift.
- VI. Taking point I – V, the total **guaranteed funding to be delivered in 2020/21 is £258.148 million**.
- VII. **No change** is proposed to the current level of the guaranteed minimum income level and the agreed 'buffer', i.e. **£80 million plus buffer of £10 million**. Therefore sharing in generated income above **£90 million** will be on a **50 : 50** basis between NHS Boards and community pharmacy owners.
- VIII. The guaranteed minimum income level will be subject to an **uplift by the same percentage applied to the Global Sum i.e. 2.5%**. This will be applied in 2021/22 and 2022/23, and will retain the £10 million buffer.
- IX. Any generated income above the agreed sharing point that is due to Boards will be delivered through the agreed mechanism. In addition any generated income above the sharing point due to Boards will be matched as mapped guaranteed income. Both will be delivered by a reduction to Part 7 (generic) Drug Tariff. **The clawback arrangements will cease from April 2020.**
- X. The amount due to Boards will be determined by the outputs from the Scottish Government community pharmacy margin report.

- XI. Agreement that any amounts due to Boards will be delivered through a reduction in the Scottish Drug Tariff in 2020/21 and will provide a **recurring benefit for NHS Boards** over the period of these financial arrangements. **This is a projected recurring Drug Tariff reduction in the region of £25 million.**
- XII. The total Drug Tariff reduction to be made to Part 7 (generic) Drug Tariff will be in the region of **£50 million**. This will deliver a recurring benefit with NHS Boards and Pharmacy Contractors apportioned £25 million as money due to Boards and mapped guaranteed income respectively.
- XIII. All parties agreed to the principle of future Drug Tariff reductions and mapping of guaranteed income, should market conditions deliver income above the agreed sharing point. The overall **caveat** is that any reduction to the Drug Tariff does not destabilise the Scottish Drug Tariff. The Scottish Government shall determine if any Drug Tariff reductions are practical in subsequent years of the agreement.

Consultation

7. Community Pharmacy Scotland has been consulted on the Drug Tariff amendments and the contents of this circular.

Action

8. **NHS Boards are asked to:**
- **copy this circular to all community pharmacy contractors on their pharmaceutical lists, Health and Social Care Partnerships and the Area Pharmaceutical Board.**

Yours sincerely,



Rose Marie Parr

Chief Pharmaceutical Officer/
Deputy Director Pharmacy & Medicines Division

DRUG TARIFF PROVISIONS WITH RESPECT TO COMMUNITY PHARMACY REMUNERATION WITH EFFECT FOR DISPENSING PERIOD UPDATED TO INCLUDE CHANGES FOR DISPENSING FROM APRIL 2020

Dispensing Pool Payment – standard arrangements for contractors with established dispensing histories – annualised pool £128.436m

From 1 April 2020 all contractors on the pharmaceutical list on the 1st day of the dispensing month will be eligible to receive a Dispensing Pool Payment. This will be calculated as a discrete payment for each contractor. The **annualised pool has been increased by 13.25%** and will be reflected in each contractor's share of the monthly dispensing pool.

For dispensing months April 2020 onwards it will be calculated as a share of a total monthly dispensing pool of **£10.703m**.

Each eligible contractor's share will be calculated as that contractor's share of the total dispensings made over a previously determined period. The reference period for dispensing pool payments for the dispensing months July to September 2020 will be December 2019 to February 2020 inclusive. For subsequent quarters the reference period will roll forward by one month.

In recognition of the activity associated with complex dispensings and to avoid the need for a separate payment, the aggregate dispensing pool and each contractor's share will comprise discrete dispensing plus instalments, with each instalment weighted on a par with a dispensing.

Dispensing Pool Payment – arrangements for contractors recently added to the pharmaceutical list and/or with incomplete dispensing history, or whose dispensing pool payment would otherwise fall below the minimum target

A minimum monthly payment of **£750** will apply for dispensing months April 2020 onwards to eligible contractors who were not on the list, or where no previous contractor was on the list for the applicable prior reference period used when calculating the dispensing pool payments. The minimum payment will remain in place until the contractor has 3 months consecutive months dispensings activity to be used to determine the dispensing pool payment.

If contractor recently added to the list considers that the **£750** payment doesn't fairly reflect their share of the overall dispensing activity in the first 3 months of operation, they may request Public Health Scotland (ISD) with 9 months of the dispensing months concerned for a retrospective adjustment calculation to be completed. This will establish if an adjustment, calculated by reference to the previous quarter's dispensing pool, would be appropriate.

If the total amount due is less than the **£750** already paid, no further action will be taken. If the amount due exceeds **£750** an adjustment will be made as soon as practical for the months concerned and if necessary as a retrospective payment. This provision is back dated to apply for payments to dispensing month April 2019 onwards.

Medicines: Care and Review Service Capitation Payment – annualised pool £36.049m (formerly Chronic Medication Service)

Contractors, on the list on the 1st day of the dispensing month and contracted with their NHS Board to provide M:CR, will receive a share from this pool in proportion to the number of patients registered for CMS M:CR and assigned with a priority care plan in the patient's Pharmacy Care Record on the last day of the month concerned.

A review of M:CR remuneration model will be undertaken as part of the preparations ahead of year 2 of the financial package.

Establish Payment – annualised pool £36.126m

The annualised pool has been increased by **approximately £5m**. A revised single flat rate payment of **£2,395** will be made to contractors on the pharmaceutical list on the 1st day of each dispensing month.

For part time ESPs, the Establishment Payment will be made as a proportion of the single flat rate payment of **£2,395** as set out below: :

Hours Contractor Open	% of Single Flat Rate Payment
>5</=10	60%
>10</=15	75%
>15</=20	85%
>20</=25	90%
>25</=30	95%
>30	100%

NHS Pharmacy First Scotland Service – annualised pool £25.800m (formerly the Minor Ailment Service)

A new Pharmaceutical Care service, NHS Pharmacy First Scotland, replaces the Minor Ailment Service from April 2020. With the new service comes a new model for remuneration to contractors. The removal of the capitation model and income driven by registration, the new service will remunerate contractors for the care of service provided. Contractors in the current financial year will now receive a base payment of **£1,250** which will be supplemented by income generated from specific interventions. These pharmaceutical care interventions are **Advice, Referral or Treatment**. This new remuneration model now allows the pharmacy team to be recognised for activities and services offered to patients.

Due to the public health crisis and the decision to delay the launch of the new service in response to the Covid-19 pandemic, for the period **April 2020 – September 2020 all contractors shall receive the base payment of £1,250 plus a payment of £750.**

From **1 October 2020**, and for **each month thereafter**, all contractors will receive the base payment of **£1,250 and an activity payment from the activity payment pot of £500,000 where their activity level is above a specified minimum** – with activity being recorded on PMR systems as **Advice, Referral or Treatment**.

As part of the three year funding package, the base payment level will decrease with a corresponding increase in the activity payment pot.

Further details on the NHS Pharmacy First Scotland service can be found in Circular PCA(P) (2020) 13

Applicable dates for eligibility for payment of NHS Pharmacy First Scotland

The level of NHS Pharmacy First Scotland allowance payable to a listed contractor for a particular month will be paid to the contractor listed on the first day of that month.

Quality and Service Development (QSD) Payment – annualised pool £6.133m

The Quality and Service Development payment replaced the “Operations and Development” as these payments are for GFFs, Quality Improvement and SOPs.

Pool available for payment

For the dispensing months April 2020 – March 2021, the aggregate monthly amount available for the calculation of the target Quality and Service Development payments to contractors is **£0.511m**.

Gluten Free Food Service

The fixed element for all contractors will be **£125**. This element supports contractors who have agreed to offer Gluten Free Foods additional pharmaceutical service from 1 April 2020 or any date since.

All contractors who are on the list on the 1st day of the dispensing month concerned in the July – September 2020 dispensing quarter and who accepted their Health Board's invitation to offer the Gluten Free Foods additional pharmaceutical service, will automatically receive the fixed element of payment.

All contractors providing GFFS must ensure that the patients' full and accurate CHI number are provided

Quality Improvement

Contractors on the pharmaceutical list from 1 April 2020 will be entitled to a fixed fee of **£280**. New contractors, if not already undertaken the SPSC survey, must complete by 30 November. Activities to support Quality Improvement will be issued under a separate circular. Contractors should note that activities from **April 2020 to August 2020 will be support the implementation and training requirements for NHS Pharmacy First Scotland**. Activities for **September 2020 will support the pharmacy networks participation in the NES Workforce Survey**.

Service Efficiency Payment – annualised pool £5.762m

The Service Efficiency Payment replaced the “Quality and Efficiency” payment as activity relates to electronic claim rate.

In order to continue the drive to adopt a digital first approach to claiming, electronic claims must be the default approach for all reimbursement claims where available. Arrangements for the monthly Service Efficiency Payment will continue as an absolute eClaim target that will measure all AMS claims, including care home, instalment and stoma claims. The target rate of claims will continue at 80%.

All new contractors on the pharmaceutical list at or since 1st April 2020 will receive the monthly Service Efficiency Payment of **£150**.

The payment will be calculated as;

SE% = Total eClaims / Total Possible eClaims (inclusive of care home, instalment and stoma claims)

At or above the threshold the contractor will receive a payment at the rate of each contractors own Service Efficiency payment. Below the threshold, contractors will not be eligible for any payment, except in the following circumstances:

A contractor who wouldn't otherwise receive a payment for a particular month may request the Health Board to consider failure to achieve the **80% threshold** are exceptional and outwith the contractors control, and authorise a special payment. If the application is made, and the Health Board determine failure to achieve the target threshold is outwith the contractors control, a payment may be authorised at the Health Board discretion.

Patient Services element of Public Health Service (PHS), Smoking Cessation, Emergency Hormonal Contraception (Sexual Health) and Meningitis B – total annualised pool £4.679m

All contractors who have arrangements in place with NHS Boards for the provision of PHS will receive payments in respect of the dispensing months April 2020 onwards for the following services:

PHS Smoking Cessation

The contractor will be remunerated for the submission of MDS information at each of the 3 quit attempt milestones and rates are noted below. Milestones are intended to help improve the level of service provided to patients looking to quit smoking and the monitoring of that through the HEAT target process.

Quit Attempt Event	MDS Submission	Remuneration Basis
<u>Event A</u> Submission of the DS information with confirmed quit date (normally first return appointment)	To be electronically submitted once the quit date is confirmed with the client. This will inform the basis of the timelines for the four week and twelve week date follow up.	A count will be made on the central smoking cessation database of patients for MDS submission for new quit attempts that meet the validation requirements that have not been remunerated.
<u>Event B</u> Four week post quit date	To be electronically submitted immediately after the four week post quit date and not later than six weeks from the confirmed quit date.	A count will be made on the central smoking cessation database of patients for MDS submission for the four week stage that meet the validation requirements that have not been remunerated.
<u>Event C</u> Twelve week post quit date	To be electronically submitted immediately after the twelve week post quit data and not later than	A count will be made on the central smoking cessation database of patients for MDS submission for the twelve weeks stage that meets the

	sixteen weeks from the confirmed quit date.	validation requirements that have not been remunerated.
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The patient count will be made at the end of the calendar month.

Capitation payment in respect of patients at each of the following event stages:

- **Event A: £30**
- **Event B: £15**
- **Event C: £35**

PHS Emergency Hormonal Contraception (Sexual Health)

All contractors who have arrangements with NHS Boards for the provision of the **Emergency Hormonal Contraception** will remain at the **capitation payment of £30 per patient** reported by the contractor as receiving PHS EHC treatment. This is to recognise the impact that this service has had on the overall unintended pregnancy rate in Scotland and that payments had remained unchanged in the introduction of the current remuneration model.

PHS Provision of Prophylactic Antipyretic (Paracetamol) following Meningococcal Group B Vaccine

All contractors who have arrangements with their NHS Board for the provision to support Meningitis B vaccination programme will receive with April 2020 dispensings a monthly payment of £20.

Pharmaceutical Needs Weighting Payment – annualised pool £3.845m

From April 2020 dispensings, all contractors on the list at the start of the dispensing month and in receipt of a Dispensing Pool Payment, will be eligible for the period April 2020 – March 2021 for a Pharmaceutical Needs Weighting Payment. This acknowledges the additional pharmaceutical needs arising from age and deprivation characteristics of the post code of presenting patients. For dispensing months April 2020 onwards it will be calculated from a **monthly pool of £0.320m**.

For each contractor the following has been identified:

- Proportion of dispensing patients aged 60 or over
- The percentage of dispensing patients with postcodes in the two most deprived quintiles according to the Scottish Index of Multiple Deprivation (SIMD)

Two indices will be calculated in accordance with the following table and those two discrete indices are averaged to produce a **combined index** which is the weighting to be applied.

Age	Age Index	SIMD	SIMD Index
75% or more of patients under 60 years	1.0	40% or less of patients with postcodes in the two most deprived quintiles	1.0
Between 65% - 75% of patients under 60 years	1.2	Between 40% - 60% of patients with postcodes in the most deprived quintiles	1.2
Between 65% - 75% of patients under 60 years, with more 75+ than 60 – 74	1.3	Between 40% - 60% of patients with postcodes in the most deprived quintiles and more in the most deprived quintiles	1.2

Between 55% - 65% of patients under 60 years	1.4	Between 60% - 80% of patients with postcodes in the most deprived quintiles	1.4
Between 55% - 65% of patients under 60 years, with more 75+ than 60 – 74	1.5	Between 60% - 80% of patients with postcodes in the most deprived quintiles and more in the most deprived quintiles	1.5
Between 45% - 55% of patients under 60 years	1.6	Between 80% - 90% of patients with postcodes in the most deprived quintiles	1.6
Between 45% - 55% of patients under 60 years, with more 75+ than 60 – 74	1.7	Between 80% - 90% of patients with postcodes in most deprived quintiles and more in the most deprived quintiles	1.7
Between 35% - 45% of patients under 60 years	1.8	More than 90% of patients with postcodes in the most deprived quintiles	1.8
Less than 35% of patients under 60 years	2.0	More than 90% of patients with postcodes in the most deprived quintiles and more in the most deprived quintiles	2.0

The combined index will be applied to the monthly pool, derived from the total transitional payments available for redistribution to determine the Pharmaceutical Needs Weighting Payment for each contractor. Contractors added to the list between 1 April 2020 and 31 March 2021 inclusive and/or without any dispensing history in the reference period will receive a **proxy monthly Pharmaceutical Needs Weighting Payment** calculated using a **combined index of 1.0**.

Care Home Dispensing Payments – annualised Pool £4.426m

Arrangements for Care Home Dispensing Payments to all qualifying contractors continue from April 2020 as follows:

The annualised pool will be **increased by 5% to £4.426m** for the year 2020-21 and is to be distributed quarterly (**quarterly pool of £1.107m**) between all contractors.

For the dispensing period April 2020 – June 2020 eligible contractors must have been on the list at 1st April 2020 and to have been on the list from the full reference period (1st September 2019 – 30th November 2019).

The amount paid to each contractor is calculated on analysis by PHS of the identifiable CHI numbers on prescription items processed by each contractor in that reference period (1st September 2019 – 30th November 2019) relating to patients in care homes as a percentage of all prescription items.

A tolerance factor applies that contractors whose historic dispensing for patients in care homes was less than **2.5%** of the total will be regarded as having no substantive care home activity.

For quarterly dispensing periods commencing July 2020 onwards eligibility contractors must be on the list on the first day of the quarter concerned. Payments to eligible contractors will also continue to be updated quarterly on the basis of the same annual pool of **£4.426m**.

Stock Order on Costs – annualised pool £1.413m

The on cost allowance for items (except pneumococcal vaccines) ordered by General Medical Practitioners on Form GP10A as **17.5%** of the net ingredient cost, calculated in accordance with paragraph 16 of Part 1 of the Drug Tariff.

Guaranteed Minimum Target Income for Essential Small Pharmacy (ESP) – annualised pool £0.124m

The total Establishment Payment **plus** Dispensing Pool **plus** Pharmaceutical Needs Weighting Payment made to an ESP each month, from July 2020 dispensing, are subject to a **revised guarantee minimum target income** of **£4,280** for full time contractors.

An equivalent guarantee for part time contractors is calculated as follows:

Hours Contractor Open	% of Single Flat rate Payment
>5</=10	60%
>10</=15	75%
>15</=20	85%
>20</=25	90%
>25</=30	95%
>30	100%

The total of Establishment Payment **plus** Dispensing Pool **plus** Pharmaceutical Needs Weighting Payment to be made to an ESP each month will be calculated as for all other contractors and if that aggregate is less than the level of the guaranteed minimum payment at a top up – the Essential Small Pharmacy Allowance – equivalent to the shortfall will be paid for the months concerned.

Eligibility for the ESP requires a contractor to be included on the register of essential small pharmacies held by their host NHS Board. Contractors taking over an existing ESP must have their continued inclusion in the ESP register approved by the Health Board.

Measured and Fitted Fee – annualised pool £0.147m

For dispensings April 2020 onwards, a measured and fitted fee of **£25** is payable in respect of hosiery and trusses and all lymphedema garments which have been ‘measured and fitted’ if the prescription concerned is submitted for reimbursement appropriately **endorsed ‘measured and fitted’**.

Staff Training – annualised pool £1.508m

A new budget line allocation for staff training has been introduced commencing financial year April 2020. As part of the financial settlement, it was agreed that the non-Global Sum of £1.3 million, part of which contributed to pharmacy staff training with claims reimbursed by NHS NES, would be repurposed. A new monthly payment will be made of **£100 per month per contractor**.

All contractors on the pharmaceutical list from the 1st day of month will be eligible for the payment. A balancing payment will be backdated to April 2020

Other Payments

All other payments to community pharmacy contractors which are not set centrally under the Pharmaceutical Service arrangements e.g. locally set fees for methadone dispensing etc. and centrally set fees for non-Pharmaceutical Services such as stoma appliance dispensing services will continue unchanged unless otherwise notified.

Arrangements for contractors added to the list from 1st April 2020 onwards

Where a contractor is added to the list at 1st April 2020, they will be invited by NHS NSS to confirm whether they are a totally new contractor or whether they are taking over an existing contractor already on the Pharmaceutical List and in the same location.

Those contractors who are taking over an existing contractor will for the purpose of calculation payments to be made, be assumed to inherit the characteristics, dispensing history, and stabilisation arrangements etc. of the predecessor contractor.

Calculation of advance payments

The method of calculation of advance payments to community pharmacy contractors in respect of centrally set remuneration and reimbursement for dispensing months April 2020 onwards is as follows:

The advance payment for dispensing months February – March inclusive is calculated as 100% of the 12 month mean monthly payment made to each contractor or its predecessor over the immediately preceding 12 month period for which calculated actual gross payments for the remuneration payments and reimbursements are available, at the time the advance payment is calculated.

Where a contractor or its predecessor has a history of less than 12 months actual payments at the time the advance is calculated, it will be calculated as 100% of the mean of the number of actual months for which data is available.

For brand new contractors the advance payment will be calculated as follows:

- Month 1 advance = (no.of days open/31) x £18,000
- For contractors who opened on the 1st of the month, their month 2 and subsequent advance will be calculated as the % applied to advance payments for all contractors as above for that month of the mean of the number of actual months which data is available.
- For contractors who opened on the month, their month 2 advance will equal: (no. of days /31) x £18,000; month 3 and subsequent advances until a 12 month history is available will be calculated as the % applied to advance payments for all contractors as above for that month of the mean of the number of actual months for which data is available.

Contractors in exceptional circumstances

Where a contractor has been subject to specific exceptional circumstances resulting in an interruption or delay in start of business operation i.e. due to fire, flood or another

exceptional circumstance which in the Board's opinion was outwith the contractors control and as a result the premises are rendered unfit for trade, the Board may, at its discretion, grant an application from the contractor for a payment or proportion of a payment stated in the Drug Tariff and which would otherwise have been paid, provided the Board is satisfied that it would be reasonable to do so. Nothing in this paragraph removes the need for contractors to conduct their business with normal commercial diligence and to be appropriately insured.