

NHS and LA Reforms Factsheet 4

Payment, charging and apportioning arrangements of costs associated with NHS Pharmaceutical Service provision from 1 April 2013.

NHS Prescription Services, which is part of the NHS Business Services Authority (NHSBSA), calculates and makes the payments to community pharmacies and dispensing appliance contractors for the provision of NHS Pharmaceutical Services (as provided for in The NHS (Pharmaceutical and Local Pharmaceutical Services) Regulations 2013). The nature and level of these payments is set out in the Drug Tariff.

NHS Prescription Services also calculates the payments as set out in the NHS General Medical Services Statement of Financial Entitlements Directions 2013 for dispensing doctors and doctors who have supplied products under the personally administered arrangements. For these payments, it notifies the relevant NHS organisation, which in turn makes the payment to the doctor.

This paper outlines which organisation will pay, be recharged or apportioned the costs associated with pharmaceutical service provision provided by dispensing contractors.

Background

Payment to NHS dispensing contractors is usually thought of in two categories:

1. Remuneration, which is fees and allowances paid for provision of pharmaceutical services.
2. Reimbursement, which is paid for the products dispensed as part of pharmaceutical services.

Supporting the NHS, supplying the NHS, protecting the NHS

NHS Prescription Services is a service provided by the NHS Business Services Authority

There is some cross over with regard to community pharmacy as reimbursement includes target margin¹ which contributes to the amount paid for service provision.

Further, some remuneration and reimbursement is directly related to a specific prescription dispensed, for example a dispensing fee or an out of pocket expense. These costs can be directly paid by, recharged to or apportioned to the appropriate organisation linked to the prescriber who issued the prescription. While, some costs are not prescription specific, for example the practice payment whose payment level depends on the total volume of prescriptions dispensed by the pharmacy that month and is not specifically linked to the dispensing of one prescription. In these cases, the costs are shared across organisations whose prescribers' prescriptions will have contributed to the cost. The share an organisation has to pay, is recharged or apportioned is established on different criteria depending on the nature of the cost.

Recharge arrangements when a commissioned service other than primary medical services utilises Pharmaceutical Services.

Where an organisation, other than the NHS Commissioning Board (NHS England) in commissioning primary medical services, chooses to use pharmaceutical services to supply medicines and appliances to patients who access their service, the costs of the pharmaceutical service provision supplied in response to the patient presenting a prescription (FP10) to a pharmacy or appliance dispensing contractor will be recharged to the relevant organisation. The recharge will be made up of the following components:

1. The actual cost of the medicine or the appliance supplied;
2. The fees associated with the dispensing of the product; and
3. A 'Service Availability Cost', which is a reasonable contribution towards the overall costs of the scheme.

The 'relevant' organisation to be recharged, can either be the provider or the commissioner depending on the nature of the local contract between the provider and the commissioner. Commissioners include local authorities and CCGs. Providers include acute trusts and prisons. The appropriate organisation will be sent an invoice from the NHSBSA.

The amounts under 1, 2 and 3 above, are established from what is paid to community pharmacies and appliance contractors according to the Drug Tariff. More details on what makes up the 'actual cost of the medicines or the appliance' (1) and the associated fees (2) can be found in Annex A and B respectively. The

¹ Margin is the difference between the price the contractor purchased the product for and the price the contractor is reimbursed by the NHS. Target margin is the amount of margin that is contributing to the community pharmacy contractual framework service funding.

'service availability cost' (3) also includes credits for patient prescription charges collected, more details can be found in Annex C.

Apportionment arrangements for Clinical Commissioning Groups (CCG) for prescriptions issued under Primary Medical Services.

The following costs, that arise from the pharmaceutical service provision supplied in response to the patient presenting a prescription written by a prescriber operating primary medical services, will be apportioned to CCG of the prescriber:

1. The actual cost of the medicine or the appliance supplied.
2. A proportion of non-prescription specific reimbursement costs.

The amounts under 1 and 2 above are established from what is paid to community pharmacies and appliance contractors according to the Drug Tariff. More details as to what makes up the 'actual cost of the medicines or the appliance' can be found in Annex A. What makes up the 'proportion of non-prescription specific reimbursement costs' and how it is calculated can be found in Annex D.

For dispensing doctors, the CCG will meet the cost of the item supplied, as set out in the Drug Tariff, less an assumed discount set out in General Medical Services Statement of Financial Entitlement Directions.

For prescriptions issued under a service commissioned by a CCG that utilises pharmaceutical services, see above, 'Recharge arrangements when a commissioned service other than primary medical services utilises Pharmaceutical Services', as to what the CCG will be recharged.

Payments to be made by the NHS England

The components of Pharmaceutical Services provided by pharmacy and appliance dispensing contractors that NHS England will pay for include:

1. The actual cost of the medicine or the appliance for a prescription generated under any service it directly commissions other than primary medical services and dental services.
2. A proportion of non-prescription specific reimbursement costs taking account of prescription generated under any service it directly commissions other than primary medical services.
3. The fees associated with the dispensing of the product for a prescription generated under primary medical services and any other service it directly commissions.
4. All of certain remuneration costs.

5. A proportion of certain non-specific remuneration costs taking account of prescription generated under primary medical services and any other service it directly commissions.

The amounts under 1-5 above, are established from what is paid to community pharmacies and appliance contractors according to the Drug Tariff. Item 5 also includes credits for patient prescription charges collected, LPS credits and credits of any fines paid by dispensing contractors for a breach of terms of service. More details about 1 and 3 can be found in Annex A and B respectively. More details of what makes up 2, 4, and 5 can be found in Annex E.

Annex A

The actual cost of the medicine or the appliance includes:

- the basic reimbursement price of the drug
- less the National Average Discount Percentage (a discount is applied to the basic reimbursement price for pharmacy contractors depending on the pharmacy's total of basic reimbursement - this discount is averaged across all products).
- plus payment for consumables and containers
- plus Out of Pocket Expenses

Annex B

The fees associated with the dispensing of the medicine or appliance include:

- Professional fees
- Stoma customisation fees

Annex C

The table below outlines how the amount to be recharged to the relevant organisation is calculated and how patient prescription charges are credited as part of the 'service availability cost'.

Cost	How amount is calculated
Practice payments	By proportion of total cost of fees ²
Repeat dispensing fees	By proportion of total cost of fees
ETP allowances	By proportion of total cost of fees
Appliance infrastructure payment	By proportion of total cost of fees
Professional fees associated with a prescription where the prescriber / commissioner is not known including cross border	By proportion of total cost of fees
Medicine Use reviews	By proportion of total number of fees for medicines ³
Appliance Use Reviews	By proportion of total number of fees for applicable appliances ⁴

² % Proportion is calculated by dividing the cost of professional fees paid by or charged to the relevant organisation by the total cost of professional for all prescriptions dispensed by pharmacy contractors as part of pharmaceutical services.

³ % Proportion is calculated by dividing the number of professional fees for medicines paid by or charged to the relevant organisation by the total number of professional fees for prescriptions for medicines dispensed by pharmacy contractors as part of pharmaceutical services.

NMS monthly payment	By proportion of total cost of fees
Pre-reg training	By proportion of total cost of fees
Pharmacy Reward Scheme	By proportion of total cost of fees
Fraud Pharmacy recovery Fees	Credited by proportion of total cost of fees
Adjustments made to pharmacy or appliance contractors' payment relating to remuneration where prescriber / commissioner cannot be identified or the cost is not linked to a specific prescription.	By proportion of total cost of fees
Patient prescriptions charges collected	Credited by proportion of total cost of fees
Pre-payment certificates	Credited by proportion of total cost of fees
Patient prescription charge refunds	By proportion of total cost of fees
Fraud Pharmacy recovery charges	Credited by proportion of total cost of fees
Actual cost of medicine / appliance associated with a prescription where the prescriber / commissioner is unidentified, including cross border prescriptions	By proportion of total cost of medicine and appliances ⁵
Broken bulk	By proportion of total cost of medicine and appliances
Adjustments made to pharmacy or appliance contractor's payment relating to reimbursement where prescriber/commissioner cannot	By proportion of total cost of medicine and appliances

⁴ % proportion is calculated by dividing the number of professional fees for applicable appliances paid by or charged to the relevant organisation by the total number of professional fees for applicable appliances dispensed by pharmacy and appliance contractors as part of pharmaceutical services.

⁵ % proportion is calculated by dividing the cost of medicines and appliances paid by, charged to or apportioned to the relevant organisation by the total cost of medicines and appliances for all prescriptions dispensed by pharmacy and appliance dispensing contractors as part of pharmaceutical services

be identified or the cost is not linked to a specific prescription.	
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Annex D

The table below outlines what makes up the 'share of non-specific prescription reimbursement costs' that will be apportioned to CCGs for Prescriptions issued under Primary Medical Services and how it is calculated.

Cost	How it is calculated
Actual cost of medicine/appliance associated with a prescription where the prescriber / commissioner is unidentified including cross border and dental prescriptions	By proportion of total cost of medicine and appliances
Broken bulk	By proportion of total cost of medicine and appliances
Adjustments made to pharmacy or appliance contractor's payment relating to reimbursement where prescriber / commissioner cannot be identified or the cost is not linked to a specific prescription.	By proportion of total cost of medicine and appliances

Annex E

The table below outlines what the NHS England will pay and how it is calculated with regard to

- A proportion of non-specific prescription reimbursement costs taking account of prescriptions generated under any service it directly commissions other than primary medical services and dental services.
- All of certain remuneration costs.
- A proportion of certain non-specific prescription remuneration costs taking account of prescription generated under primary medical services and any other service it directly commissions (eg dental).

Cost	How amount is calculated
Professional Fees associated with a prescription where the prescriber/commissioner is not known including cross border prescriptions.	By proportion of total cost of NHS England's fees ⁶

⁶ % proportion is calculated by dividing the cost of professional fees paid by the NHS England for primary medical services and any other service is directly commissions divided by the total cost of professional fees for all prescriptions dispensed by pharmacy and appliance dispensing contractors as part of pharmaceutical services.

Practice payments	By proportion of total cost NHS England's fees
Repeat dispensing fees	By proportion of total cost NHS England's fees
ETP allowances	By proportion of total cost NHS England's fees
Appliance infrastructure payment	By proportion of total cost NHS England's fees
Medicine Use Reviews	By proportion of total number of fees for CCGs and NHS England's medicines ⁷
Appliance Use Reviews	By proportion of total number of fees for CCGs and NHS England's applicable appliances ⁸
NMS monthly payment	By proportion of total cost of NHS England's fees
Pre-reg training	By proportion of total cost of NHS England's fees
Pharmacy Reward Scheme	By proportion of total cost of NHS England s fees
Establishment payments	All paid by NHS England
Other local payments	All paid by NHS England. Who may recharge or ask the NHSBSA to recharge where commissioned on behalf of others e.g. LAs.
Essential Small Pharmacy LPS fees.	All paid by the NHS England
LPS – debited	All paid by NHS England
LPS – credited	All credited to the NHS England
Penalty payments for breach of Terms of Service.	All credited to the NHS England
Lost batches	All paid for by NHS England (reimbursement and remuneration), if batch found correct payment, recharge and apportionment applies.

⁷ % proportion is calculated by dividing the number of medicines paid for by CCGs from prescriptions issued as part of primary medical service and by the NHS England for prescriptions issued by services that it has commissioned that are not primary medical service by the total number of medicines for all prescriptions dispensed by pharmacy and appliance dispensing contractors as part of pharmaceutical services

⁸ % proportion is calculated by dividing the number of applicable appliances paid for by CCGs from prescriptions issued as part of primary medical service and by the NHS England for prescriptions issued by services that it has commissioned that are not primary medical service by the total number of applicable appliances for all prescriptions dispensed by pharmacy and appliance dispensing contractors as part of pharmaceutical services

Fraud Pharmacy recovery Fees	Credited by proportion of total cost of NHS England's fees
Adjustments made to pharmacy or appliance contractors payment relating to remuneration where prescriber / commissioner cannot be identified or the cost is not linked to a specific prescription.	By proportion of total cost of NHS England's fees
Patient prescriptions charges collected	Credited by proportion of total cost of NHS England's fees
Pre-payment certificates	Credited by proportion of total cost of NHS England's fees
Patient prescription charge refunds	By proportion of total cost of NHS England's fees
Fraud Pharmacy recovery charges	Credited by proportion of total cost of NHS England's fees ⁶
Actual cost of medicine / appliance associated with a prescription where the prescriber / commissioner is unidentified.	By proportion of total cost of NHS England's medicine and appliances ⁹
Broken bulk	By proportion of total cost of NHS England's medicine and appliances
Adjustments made to pharmacy or appliance contractor's payment relating to reimbursement where prescriber / commissioner cannot be identified or the cost is not linked to a specific prescription.	By proportion of total cost of NHS England's medicine and appliances

⁹ % proportion is calculated by dividing the cost of medicine and appliance paid by the NHS England any service it directly commissions other than primary medical services divided by the total cost of medicines and appliances paid for all prescriptions dispensed by pharmacy and appliance dispensing contractors as part of pharmaceutical services.