

Hub and spoke dispensing consultation response from the Competition and Markets Authority

Background

1. The CMA is the UK's principal competition and consumer authority. It is an independent non-ministerial government department with responsibility for carrying out investigations into mergers, markets and the regulated industries, and enforcing competition and consumer law. The CMA's statutory duty is to promote competition, both within and outside the UK, for the benefit of consumers.
2. The CMA has a role in providing advice and recommendations to government and public authorities through its markets and advocacy functions.¹ The CMA's advice and recommendations are made with a view to ensuring that policy decisions take account of the impacts on competition and on consumers.
3. The CMA publishes materials, such as the [Competition Impact Assessment guidelines](#), to help policymakers consider the impacts that policy proposals will have on competition.
4. This consultation response comments only on the impact assessment, in particular the section "Competition risks" covering paragraphs 112 to 118.

Response to "Do you have any comments on the impact assessment?" – CMA comments on "competition risks", paragraphs 112 to 118

5. As the impact assessment sets out, the impact of this policy depends on the extent to which firms already operating hub models expand into or enter the market for hub dispensing between legal entities. As with all markets, competition, in this case between hubs, would be a key driver of lower prices, high quality, choice and innovation in the market and ultimately a key driver of

¹ Under Section 7(1) of the Enterprise Act 2002, the CMA has a function of making proposals, or giving information and advice, "on matters relating to any of its functions to any Minister of the Crown or other public authority (including proposals, information or advice as to any aspect of the law or a proposed change in the law)."

whether the policy objectives of efficiency and time-saving for pharmacists can be achieved.

6. The policy proposal is by its nature broadly pro-competitive. Removing barriers to new business models entering this market should enable a more level playing field. Smaller independent pharmacies should, have improved access to automation and new dispensing models.
7. However, as the impact assessment acknowledges, there may be potential longer-term competition risks in the supply chain if the market develops in such a way that pharmacies' access to medicines is through an increasingly limited number of hub suppliers. The complexity of this market and nature of dispensing arrangements may serve to exacerbate this risk.
8. The impact assessment sets out that it is difficult at this stage to predict how the market will develop and that this policy and market would particularly benefit from ongoing monitoring or periodic review. We agree that the impact of the policy should be monitored. We would specifically suggest that the department:
 - (a) Commits to monitoring or reviewing the implementation of the policy, how the hub market develops and the impacts of this on the wider supply chain;
 - (b) Engages with industry as the market develops to identify any barriers to competition that emerge, particularly in relation to new entry to the hub market or pharmacies experiencing friction in switching between hubs; and,
 - (c) Considers policy or regulatory levers that could alleviate those barriers, or otherwise encourage competition in the market to deliver better outcomes to pharmacies, patients and the NHS.
9. A pro-active approach to monitoring the effect of this policy and subsequent early consideration of any competition concerns is likely to be more effective and less costly than any ex-post enforcement or unpicking of subsequently embedded competition issues. The CMA would welcome engaging with the department as it monitors the hub market and considers any further interventions.

**Competition and Markets Authority
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