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To: PCT Chief Executives

cc: SHA Chief Executives
SHA Directors of Finance

Gateway reference: 15772

15 March 2011

Dear Colleague,

COMMUNITY PHARMACY CONTRACTUAL FRAMEWORK (CPCF) FUNDING

In my letter of September 2010 (Gateway reference 14787), I outlined the CPCF funding agreement for 2010/11. As part of that, the Department and Pharmaceutical Services Negotiating Committee (PSNC) agreed some elements for implementation from April 2011. Accordingly, changes will be made to the Drug Tariff from April to the following effect:

- i. Fees and allowances will be set for 2011/12 to deliver £20 million less from PCTs to community pharmacies over the course of the year. To achieve this the Transitional Payment will be set to zero, and the Practice Payment will be reduced by 0.6 pence. Together this is equivalent to about 2.1p reduction per prescription item. The ready reckoner (produced last year to help PCTs plan for the impact of devolving the 'Global Sum' for pharmaceutical services) will be updated accordingly. It will be available on the NHS PCC website.
- ii. Generic medicines prices (Category M) will be reduced by £10 million per quarter (equivalent to £40 million per annum); and
- iii. In addition to ii) a further reduction to generic medicines prices (Category M) of £12.5 million per quarter (equivalent of £50 million in 2011/12) will be made. This is to more quickly adjust Category M prices in light of early findings from the medicines margin survey.

In summary, these adjustments represent savings to the NHS of £110 million across the 2011/12 financial year, and they fulfil those elements of the funding settlement for 2010/11 that were not delivered in 2010/11.


It is important to recognise that at this stage, these adjustments do not represent an agreement on the funding settlement for the CPCF for 2011/12. This will be informed by the full medicines margin survey for 2010/11 and the report on the Cost of Service Inquiry. ***In the light of this, further adjustments to generic medicine***

prices and/or fees and allowances may be appropriate later in the year (in previous years the timing for this has been October).

Alongside these changes signalled last year, Ministers have also decided to invest in certain service developments, in line with the Heads of Agreement agreed between NHS Employers (NHSE) and PSNC - namely the new medicines service; targeted medicine use reviews and strengthening of clinical governance – up to a maximum of £55 million per annum in 2011/12 and 2012/13. This is subject to further work to enable and support implementation, such as legal provisions, guidance, training and communication, which will inform the date of implementation. Due to the funding adjustments outlined above, this will be achieved with no extra cost pressure to the NHS.

If you have any queries on the content of this letter, please direct them to mpig.support@dh.gsi.gov.uk.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Bob Alexander', with a long horizontal flourish extending to the right.

Bob Alexander
Director of NHS Finance