

To: PCT Cluster Chief Executives

cc: Janet Perry, NHS Chief Financial Controller
SHA Cluster Chief Executives
SHA Cluster Directors of Finance
PCT Cluster Directors of Finance

Gateway reference: 18132

12 September 2012

Dear Colleague,

COMMUNITY PHARMACY CONTRACTUAL FRAMEWORK (CPCF) FUNDING FOR 2012/13

The community pharmacy contractual framework (CPCF) provides the basis for improving the quality and range of services provided through community pharmacies.

Funding for the CPCF is delivered through a combination of fees and allowances and retained medicine margin¹. Each year, the Department of Health (DH) and the Pharmaceutical Services Negotiating Committee (PSNC)² undertake negotiations related to the annual funding for the CPCF and carry out a medicine margin inquiry to find out how much medicine margin pharmacy contractors retained in the previous year.

This letter is to inform you of changes to be made from October 2012 in respect of funding for the CPCF, which have been agreed between the DH and the PSNC. DH and PSNC are in active negotiations post the Cost of Service Inquiry for Community Pharmacy³. Pending completion of those negotiations, the CPCF funding is being maintained at £2,486 million per annum.

Assessment of the medicine margin indicates that the amount secured by community pharmacies in 2011/12 exceeded the £500 million target level by £235 million per annum. However, generic medicine reimbursement prices (Category M) were reduced from April 2012. This removed £40 million per annum of this excess.

¹ Medicine margin is the difference between the price paid by a pharmacy contractor for a product from their supplier and the price reimbursed by the NHS.

² The PSNC is recognised by the Secretary of State as the body, which represents community pharmacy contractors in discussions with DH on NHS matters.

³ The Cost of Service Inquiry for Community Pharmacy Joint DH and PSNC statement (8 July 2011), along with the report, can be found at:

http://webarchive.nationalarchives.gov.uk/+/www.dh.gov.uk/en/Healthcare/Primarycare/Communitypharmacy/Communitypharmacycontractualframework/DH_128128

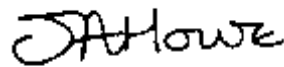
Therefore, adjustments need to be made to remove the remaining £195 million per annum.

These adjustments include reducing practice payments by 15p per item⁴ and lowering generic medicine reimbursement prices (Category M) by £72.5 million per quarter. Also, as in previous years, prescription volume thresholds for the establishment payment and practice payment will increase by 3%. A package with £10 million for pharmacy contractors in respect of payment inaccuracies has also been agreed.

As a result of these changes, overall service funding will be maintained at £2,486 million per annum. As in previous years, generic medicines prices (Category M) are being adjusted to bring medicine margin in line with the target of £500 million, delivering an overall reduction in costs of £185 million per annum. The expectation is that PCTs will manage the impact and timing of these changes locally within their agreed positions.

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

Yours sincerely



Jeannette Howe
Head of Pharmacy

⁴ Reducing the main practice payment from 73.2p to 58.2p per item.