

PRESS RELEASE



For Immediate Release

PHARMACEUTICAL SERVICES NEGOTIATING COMMITTEE

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Category M Price Changes

Work continues to validate the results of the invoice inquiries that monitor purchase profits. The minister has decided to make a provisional reduction to Category M reimbursement prices greater than PSNC sought, and PSNC is extremely concerned about the results of the Department of Health's analysis. Our expert advisers are continuing work on the results, which we will not accept until we have completed our investigations. The impact of the changes to reimbursement prices will cause a significant and unexpected reduction of income levels from October.

Changes to fees and allowances will be applied from October 2007, reflecting the application of the formula for future years agreed as part of the new community pharmacy contractual framework. This resulted in an increase to funding of 4.3%, bringing total funding for 2007-8 to £1.94bn. This includes extra funding to cover the costs of increasing regulatory burden.

At a time when pay settlements in the NHS have been tightly capped this level of increase, adjusting for increased business costs, is good. All Global Sum payments including item fees and Establishment payments will continue to be paid at the current rates. The minimum volume threshold for eligibility for volume-linked payments rises by 3% from October onwards with a corresponding rise in the upper level for eligibility for the Protected Professional Allowance; details are in the tables below.

Payment for Advanced services – Medicines Use Reviews and Prescription Interventions – rises from £25 to £27; the maximum number of reviews per pharmacy remains unchanged at 400 per year. Monitoring of purchase profit income provided to independent pharmacies is an essential component of the work to ensure delivery of the contract funding. This showed that purchase profits have greatly exceeded the target levels.

PSNC is undertaking exhaustive analysis of all the results, and is still working with the Department on the figures, but Category M prices from October 2007 will reduce substantially, with the aim of removing £400m per annum from current margins. Category M prices are normally adjusted quarterly, and PSNC expects to

have finished negotiations with the Department of Health well in advance of decisions on the January prices.

The levels of excess purchase profit income mean that contractors will have received more income in the first half of the year than was allowed under the funding agreement, and in order to balance this overpayment, it has been necessary to reduce Practice Payments from 35.6p to 25.2p per item. So contractors will see a reduction in NHS income in future months.

It is unacceptable that contractors should face these significant and unexpected fluctuations in income levels during the year, and it is a major priority for us to ensure that the Department of Health finds ways to address this for the future. Category M was introduced in April 2005 and is still a relatively new process for managing generic medicines prices. It has yet to deliver the stability and predictability contractors need.

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Notes for editors:

1. The Pharmaceutical Services Negotiating Committee (PSNC) is the body that represents community pharmacy on NHS matters and seeks to secure the best possible NHS services provided by pharmacy contractors in England and Wales.

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