

Dear Colleague

## Pharmaceutical Services - Amendments to the Drug Tariff In Respect Of Remuneration Arrangements from 1 April 2018

### Purpose

1. This circular advises community pharmacy contractors and NHS Boards on the outcome of the negotiations for the community pharmacy funding envelope for 2018-19.

### Background

2. Circular PCA (P)(2017) 13 advised on changes to remuneration arrangements for the financial year 2017-18 and circular PCA (P)(2018) 7, published 15 June 2018, advised of amendments to reimbursement prices listed in Part 7 of the Drug Tariff (generic drugs) and the Part 7 discount clawback rates following the 1 year settlement reached with Community Pharmacy Scotland.

### Details

3. This circular now advises on the key and headline elements of the community pharmacy settlement and of further changes in respect of payments from July 2018 dispensings. The key and headline elements of the 2018-19 settlement are as follows:

- The Global Sum will be reset for 2018-19 at **£180.959m, an increase of £2.6m.**
- The non-Global Sum shall roll forward at its current level of **£1.3m.**
- A reduction of **£10m** in Pregabalin capsules in Part 7 of the Drug Tariff (generic drugs) effective **from 1 June 2018.**
- A total of **£20m to be mapped from Part 7 of the Drug Tariff (generic drugs) to the Global Sum in 2018-19.** This shall comprise a further substantial reduction in Pregabalin and a balancing figure across a small group of drugs.

29 June 2018

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#### Addresses

##### For action

Chief Executives, NHS Boards  
Director of Practitioner  
Services, NHS NSS

##### For information

Directors of Finance, NHS  
Boards  
Directors of Pharmacy  
Chief Executive, NHS NSS

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- Inclusive of the re-baselined Global Sum and the £20m mapped from Part 7 of the Drug Tariff (generic drugs), the guaranteed element of the funding package will deliver **£200.959m**.
- The guaranteed minimum margin for community pharmacy contractors will be reset to **£100m**. Should market conditions permit, any amount earned above the guaranteed minimum margin will be shared on a 50:50 basis with the NHS Boards and pharmacy contractors continuing to share risk and margin.
- The generic clawback will be applied at a rate of **1.5% effective from 1 June 2018**.
- In the event of market deterioration during the financial year 2018-19, a support mechanism to ensure sufficient cash liquidity to the pharmacy network shall see the temporary suspension or adjustment to the generic clawback rate in 2018-19.
- In the event that support mechanism are invoked and market conditions recover, the generic clawback rate will be reintroduced at the rate prior to temporary suspension or adjustment. Any outstanding clawback balance at the end of the financial year (2018-19) will be carried forward to the new financial year (2019-20).

4. Amendments to the above effects are included in the new composite arrangements detailed in the Annex and supercede all previous entries in the Drug Tariff with respect to centrally set remuneration.

### **Consultation**

5. Community Pharmacy Scotland has been consulted on the Drug Tariff amendments and the contents of this circular.

### **Action**

6. **NHS Boards are asked to:**

- **Copy this circular to all community pharmacy contractors on their pharmaceutical lists, Health and Social Care Partnerships and the Area Pharmaceutical Board.**

Yours sincerely,



**Rose Marie Parr**

Chief Pharmaceutical Officer and  
Deputy Director Pharmacy & Medicines Division

**DRUG TARIFF PROVISIONS WITH RESPECT TO COMMUNITY PHARMACY REMUNERATION WITH EFFECT FOR DISPENSING PERIOD UPDATED TO INCLUDE CHANGES FOR DISPENSINGS FROM JULY 2018*****Dispensing Pool Payment – standard arrangements for contractors with established dispensing histories – annualised pool £94.050m.***

From 1 April 2018 all contractors on the pharmaceutical list on the 1<sup>st</sup> day of the dispensing month will be eligible to receive a Dispensing Pool Payment. This will be calculated as a discrete payment for each contractor. The **annualised pool has been increased by 27%** and will be reflected in each contractor's share of the monthly dispensing pool.

For dispensing months July 2018 onwards it will be calculated as a share of a total monthly dispensing pool of **£7.838m**. To ensure that the full annualised pool is distributed in the financial year, a **balancing payment will be made with July 2018 dispensings, a further circular outlining details will be issued in due course.**

Each eligible contractor's share will be calculated as that contractor's share of total dispensings made over a previously determined period. The reference period for dispensing pool payments for the dispensing months July to September 2018 will be December 2017 to February 2018 Inclusive. For subsequent quarters the reference period will roll forward by one month.

In recognition of the activity associated with complex dispensings and to avoid the need for a separate payment, the aggregate dispensing pool and each contractor's share will compromise discrete dispensing plus instalments, with each instalment currently weighted on a par with a dispensing.

***Dispensing Pool Payment – arrangements for contractors recently added to the Pharmaceutical List, and/or with incomplete dispensing history, or whose dispensing pool payment would otherwise fall below the minimum target***

A minimum monthly payment of **£750** will apply for dispensing months April 2018 onwards to eligible contractors who were not on the list, or where no previous contractor was on the list for the applicable prior reference period used when calculating the dispensing pool payments. The minimum payment will remain in place until the contractor has 3 months consecutive months dispensings activity to be used to determine the dispensing pool payment.

If a contractor recently added to the list considers that the **£750** payment doesn't fairly reflect their share of overall dispensing activity in the first 3 months of operation, they may request ISD within 9 months of the dispensing months concerned for a retrospective adjustment calculation to be completed. This will establish if an adjustment, calculated by reference to the previous quarter's dispensing pool, would be appropriate.

If the total amount due is less than the £750 already paid, no further action will be taken. If the amount due exceeds £750 an adjustment will be made as soon as practical for the months concerned and if necessary as a retrospective payment. This provision is back dated to apply for payments related to dispensing month April 2017 onwards.

**Chronic Medication Service (CMS) Capitation Payment – annualised pool £36.049m**

The base pool which CMS capitation payments will be calculated for dispensing months **April 2018 to June 2018** will continue to use the same level in place for the March 2017 dispensing month i.e. **£3.004m**.

Contractors, on the list on the 1<sup>st</sup> day of the dispensing month and contracted with their NHS Board to provide CMS, will receive a share from this pool in proportion to the number of patients registered for CMS and assigned with a priority care plan in the patient's Pharmacy Care Record on the last day of the month concerned.

Thereafter, the monthly base pool of **£3.004m** will be increased or decreased each month by any amount not distributed or overpaid from with the previous month's monthly base pool.

Payments to any eligible contractor who was on the pharmaceutical list at 31<sup>st</sup> March 2012 and to any contractor who takes over a contractor also on the list at 31<sup>st</sup> March 2012 are subject to minimum and maximum monthly payment. For dispensing months April 2018 onwards this will remain the minimum and maximum payments which were already in place at 31<sup>st</sup> March 2018. Contractors who first joined the list on 1<sup>st</sup> April 2012 and who have taken over an existing contractor, will not be subject to any maximum monthly payment but will be subject to a minimum monthly payment of **£600**.

**Establishment Payment – annualised pool £28.961m**

The annualised pool will be **increased by 10%**. A revised single flat rate payment of **£1,920** will be made to all contractors on the Pharmaceutical List on the first day of each dispensing month.

**Establishment Payments for part time Essential Small Pharmacy (ESP)**

For part time ESPs, the Establishment Payment will be made in the following proportions of the single flat rate payment of **£1,920**:

Hours Contractor Open	% of Single Flat rate Payment
>5</=10	60%
>10</=15	75%
>15</=20	85%
>20</=25	90%
>25</=30	95%
>30	100%

**Minor Ailment Service (MAS) – Availability for service payment - annualised pool £15.815m**

Contractors who have arrangements with NHS Boards for the provision of MAS for the dispensing month will receive the following tiered payment related to the number of patients for that month:

Band	Number of Registrations	Annual Payment	Monthly Payment
1	1 – 250	£7,300.92	£608.41
2	251 – 500	£9,253.92	£771.16
3	501 – 750	£11,208.00	£934.00
4	751 – 1000	£13,218.00	£1,101.50
5	1001 – 1250	£15,228.00	£1,269.00
6	> 1250	Band 5 +£8.04 per patient	Band 5 + £0.67 per patient

**MAS availability for service payment for part time ESPs**

For part time ESPs, MAS availability for service payments will be made at the following rates of the payment scale outlined above:

Hours Contractor Open	% of Single Flat rate Payment
>5</=10	60%
>10</=15	75%
>15</=20	85%
>20</=25	90%
>25</=30	95%
>30	100%

**Applicable dates for eligibility for payment of MAS**

The level of MAS allowance payable to a listed contractor for a particular month will be paid to the contractor listed on the last day of that month. The payment due will be based on the number of patients registered on the last date of that month.

When a contractor is taken over by another, **only** the new contractor will receive any MAS payments due for the month during which the takeover occurred.

**Operations and Development Payment (O&D) – annualised pool £6.133m***Pool available for payment*

For the dispensing months July 2018 – March 2019, the aggregate monthly amount available for the calculation of the target O&D payments to contractors is **£0.511m**.

*Determination of the fixed element payment*Gluten Free Foods Service

The fixed element for all contractors will remain at **£125**. This element supports contractors who have agreed to offer the Gluten Free Foods additional pharmaceutical service from 1 April 2018 or any date since.

All contractors, who are on the list on the 1<sup>st</sup> day of the dispensing month concerned in the July – September 2018 dispensing quarter and who have accepted their Health Board's invitation to offer the Gluten Free Foods additional pharmaceutical service, will automatically receive the fixed element payment.

**All contractors providing the GFFS must ensure that patients' full and accurate CHI numbers are provided when making claims.**

#### Quality Improvement

Contractors on the pharmaceutical list from 1 April 2018 and who are working to complete the Scottish Patients Safety Climate Survey by 30 September will be entitled to a fixed fee of **£220**. Activities from October 2018 will be outlined under a separate circular once finalised.

#### *Determination of the variable element of payment*

For the dispensing months July 2018 – March 2019, the variable element of the target will be targeted to:

- **Implementation of Standard Operating Procedures (SOP) for serial dispensing.**

A monthly payment of **£60** will be made to contractors to ensure that full and proper Standard Operating Procedures for serial prescribing are implemented across the pharmacy.

Checks F22 – F24 Boards will check if the contractor has completed implementation of SOPs for serial dispensing by 30 November/ 31 December 2018 and 31 January 2019 respectively. Each check will be carried out once only and the level of the variable payment for each dispensing month will be made in accordance with the details noted in circular PCA (P) (2015) 7.

#### ***Quality and Efficiency Payment – annualised pool £5.762m***

In order to drive and adopt a digital first approach to claiming, electronic claims must be the default approach for all reimbursement claims where available. Arrangements for the monthly Quality and Efficiency Payment will be amended to an absolute eClaim target that will effectively measure all AMS claims and **will no longer exclude care home, instalment and stoma claims from 1 September date.** As such a **revised rate of claims of 80% will be introduced effective from 1 September.**

**Payments for April - August 2018 will be made under the existing arrangements** i.e. against a claim rate of **90%**. There are no negative retrospective adjustments.

All new contractors on the Pharmaceutical List at or since 1<sup>st</sup> April 2018 will receive the monthly Quality and Efficiency Payment of **£150**.

All contractors on the Pharmaceutical List for the dispensing months April to August 2018 will continue to be eligible to receive a contractor specific Quality and Efficiency payment for a particular month if the rate of claim achieved is **90%**.

For the dispensing month **September 2018 onwards, contractors will have to achieve a rate of claims of at least 80%**. This will be calculated as;

***Q&E% = Total eClaims / Total possible eClaims (inclusive of care home, instalment and stoma claims)***

Contractors must ensure their operation procedures are updated to reflect this change.

At or above this threshold the contractor will receive a payment at the rate of each contractors own target Q&E payment. Below the threshold, contractors will not be eligible for any payment, except in the following circumstances:

A contractor who wouldn't otherwise receive a payment for a particular month may request the Health Board to consider failure to achieve the **80% threshold** are exceptional and outwith the contractors control, and authorise a special payment. If an application is made, and the Health Board considers that failure to achieve the **80% threshold** is out with the contractors control, a full or partial payment may be authorised at the discretion of the Health Board.

**Performance of all contractors against the target electronic claims rate of 80% will be monitored throughout 2018-19.**

***Patient Services elements of Public Health Service (PHS) Smoking Cessation, Emergency Hormonal Contraception (Sexual Health) and Meningitis B – total annualised pool £4.279m***

All contractors who have arrangements in place with NHS Boards for the provision of the PHS will receive payments in respect of the dispensing months April 2018 onwards for the following services:

### ***PHS Smoking Cessation***

The contractor will be remunerated for the submission of MDS information at each of the 3 quit-attempt milestones and rates noted below. Milestones are intended to help improve the level of service provided to clients looking to quit smoking and the monitoring of that through the HEAT target process.

Quit Attempt Event	MDS Submission	Remuneration Basis
<u>Event A</u> Submission of the DS information with confirmed quit date (normally first return appointment)	To be electronically submitted once the quit date is confirmed with the client. This will inform the basis of the timelines for the four week and twelve week date follow up.	A count will be made on the central smoking cessation database of patients for MDS submission for new quit attempts that meet the validation requirements that have not been remunerated.
<u>Event B</u> Four week post quit date	To be electronically submitted immediately after the four week post quit date and not later than six weeks from the confirmed quit date	A count will be made on the central smoking cessation database of patients for MDS submission for the four week stage that meet the validation requirements that have not been remunerated.
<u>Event C</u> Twelve week post quit date	To be electronically submitted immediately after the twelve week post quit date and not later than sixteen weeks from the confirmed quit date	A count will be made on the central smoking cessation database of patients for MDS submission for the twelve week sage that meet the validation requirements that have not been remunerated.

The client count will be made at the end of the calendar month.

Capitation payment in respect of clients at Event A: **£30**

Capitation payment in respect of clients at Event B: **£15**

Capitation payment in respect of clients at Event C: **£35**

### ***PHS Emergency Hormonal Contraception (Sexual Health)***

All contractors who have arrangements with NHS Boards for the provision of the **Emergency Hormonal Contraception (Sexual Health)** will receive a **capitation payment of £25 per patient** reported by the contractor as receiving PHS EHC treatment.

### ***PHS Provision of Prophylactic Antipyretic (Paracetamol) following Meningococcal Group B Vaccine***

All contractors who have arrangements with their NHS Board for the provision to **support for Meningitis B vaccination programme** will receive with April 2018 dispensings a monthly payment of **£20**.

### ***Pharmaceutical Needs Weighting Payment – annualised pool £3.845m***

From April 2018 dispensings, all contractors on the list at the start of the dispensing month and in receipt of a Dispensing Pool Payment, will be eligible for the period April 2018 – March 2019 for a Pharmaceutical Needs Weighting Payment. This acknowledges the additional pharmaceutical needs arising from age and deprivation characteristics of the post code of presenting patients. For dispensing months April 2018 onwards it will be calculated from a **monthly pool of £0.320m**.

For each contractor the following has been identified:

- Proportion of dispensing patients aged 60 or over
- The percentage of dispensing patients with postcodes in the two most deprived quintiles according to the Scottish Index of Multiple Deprivation (SIMD)

Two indices will be calculated in accordance with the following table and those two discrete indices are averaged to produce a **combined index** which is the weighting to be applied.

Age	Age Index	SIMD	SIMD Index
75% or more of patients under 60 years	1.0	40% or less of patients with postcodes in the two most deprived quintiles	1.0
Between 65% - 75% of patients under 60 years	1.2	Between 40% - 60% of patients with postcodes in the most deprived quintiles	1.2
Between 65% - 75% of patients under 60 years, with more 75+ than 60 – 74	1.3	Between 40% - 60% of patients with postcodes in the most deprived quintiles and more in the most deprived quintiles	1.2
Between 55% - 65% of patients under 60 years	1.4	Between 60% - 80% of patients with postcodes in the most deprived quintiles	1.4
Between 55% - 65% of patients under 60 years, with more 75+ than 60 – 74	1.5	Between 60% - 80% of patients with postcodes in the most deprived quintiles and more in the most deprived quintiles	1.5
Between 45% - 55% of patients under 60 years	1.6	Between 80% - 90% of patients with postcodes in the most deprived quintiles	1.6
Between 45% - 55% of patients under 60 years, with more 75+ than 60 – 74	1.7	Between 80% - 90% of patients with postcodes in most deprived quintiles and more in the most deprived quintiles	1.7



Between 35% - 45% of patients under 60 years	1.8	More than 90% of patients with postcodes in the most deprived quintiles	1.8
Less than 35% of patients under 60 years	2.0	More than 90% of patients with postcodes in the most deprived quintiles and more in the most deprived quintiles	2.0

The combined index will be applied to the monthly pool, derived from the total transitional payments available for redistribution to determine the Pharmaceutical Needs Weighting Payment for each contractor. Contractors added to the list between 1 April 2018 and 31 March 2019 inclusive and/or without any dispensing history in the reference period will receive a **proxy monthly Pharmaceutical Needs Weighting Payment** calculated using a **combined index of 1.0**.

### ***Care Home Dispensing Payment – annualised pool £4.015m***

Arrangements for Care Home Dispensing Payments to all qualifying contractors continue from April 2018 as follows:

The annualised pool will be **increased by 5% to £4.015m** for the year 2018-19 and is to be distributed quarterly (quarterly pool of **£1.004m**) between all contractors.

For the dispensing period April 2018 – June 2018 eligible contractors must have been on the list at 1<sup>st</sup> April 2018 and to have been on the list from the full reference period (1<sup>st</sup> September 2017 – 30<sup>th</sup> November 2017).

The amount paid to each contractor is calculated on analysis by ISD of the identifiable CHI numbers on prescription items processed by each contractor in that reference period (1<sup>st</sup> September 2017 – 30<sup>th</sup> November 2017) relating to patients in care homes as a percentage of all prescription items.

A tolerance factor applies that contractors whose historic dispensing for patients in care homes was less than **2.5%** of the total will be regarded as having no substantive care home activity.

For quarterly dispensing periods commencing July 2018 onwards eligibility contractors must be on the list on the first day of the quarter concerned. Payments to eligible contractors will also continue to be updated quarterly on the basis of the same annual pool of **£4.015m**.

### ***Stock Order on Costs – annualised pool £1.413m***

The on cost allowance for items (except pneumococcal vaccines) ordered by General Medical Practitioners on Form GP10A as **17.5%** of the net ingredient cost, calculated in accordance with paragraph 16 of Part 1 of the Drug Tariff.

### ***Guaranteed Minimum Target Income for Essential Small Pharmacy (ESP) – annualised pool £0.124m***

The total Establishment Payment **plus** Dispensing Pool **plus** Pharmaceutical Needs Weighting Payment made to an ESP each month, from July 2018 dispensing, are subject to a guarantee minimum target income of **£3,804** for full time contractors.

An equivalent guarantee for part time contractors is calculated as follows:

Hours Contractor Open	% of Single Flat rate Payment
>5</=10	60%
>10</=15	75%
>15</=20	85%
>20</=25	90%
>25</=30	95%
>30	100%

The total of Establishment Payment **plus** Dispensing Pool **plus** Pharmaceutical Needs Weighting Payment to be made to an ESP each month will be calculated as for all other contractors and if that aggregate is less than the level of the guaranteed minimum payment at a top up – the Essential Small Pharmacy Allowance – equivalent to the shortfall will be paid for the months concerned.

Eligibility for the ESP requires a contractor to be included on the register of essential small pharmacies held by their host NHS Board. Contractors taking over an existing ESP must have their continued inclusion in the ESP register approved by the Health Board.

### ***Measured and Fitted Fee – annualised pool £0.147m***

For dispensings April 2018 onwards, a measured and fitted fee of **£25** is payable in respect of hosiery and trusses and all lymphedema garments which have been 'measured and fitted' if the prescription concerned is submitted for reimbursement appropriately **endorsed 'measured and fitted'**.

### ***Other Payments***

All other payments to community pharmacy contractors which are not set centrally under the Pharmaceutical Service arrangements e.g. locally set fees for methadone dispensing etc. and centrally set fees for non Pharmaceutical Services such as stoma appliance dispensing services will continue unchanged unless otherwise notified.

### ***Arrangements for contractors added to the list from 1<sup>st</sup> April 2018 onwards***

Where a contractor is added to the list at 1<sup>st</sup> April 2018, they will be invited by NHS NSS to confirm whether they are a totally new contractor or whether they are taking over an existing contractor already on the Pharmaceutical List and in the same location.

A completely new contractor will be eligible for individual payments in accordance with the specific arrangements as detailed in Annex A of this circular.

Those contractors who are taking over an existing contractor will for the purpose of calculation payments to be made, be assumed to inherit the characteristics, dispensing history, and stabilisation arrangements etc. of the predecessor contractor.

### ***Calculation of advance payments***

The method of calculation of advance payments to community pharmacy contractors in respect of centrally set remuneration and reimbursement for dispensing months April 2018 onwards is as follows:

The advance payment for dispensing months February – March inclusive is calculated as 90% of the 12 month mean monthly payment made to each contractor or its predecessor over the immediately preceding 12 month period for which calculated actual gross payments for the remuneration payments and reimbursements are available, at the time the advance payment is calculated.

For the dispensing month of December the advance payment rate is 100%.  
For the dispensing month of January the advance payment rate is 95%.

Where a contractor or its predecessor has a history of less than 12 months actual payments at the time the advance is calculated, it will be calculated as 90% (or 100% for dispensing month December or 95% for dispensing month January) of the mean of the number of actual months for which data is available.

For brand new contractors the advance payment will be calculated as follows:

- Month 1 advance = (no.of days open/31) x £18,000
- For contractors who opened on the 1<sup>st</sup> of the month, their month 2 and subsequent advance will be calculated as the % applied to advance payments for all contractors as above for that month of the mean of the number of actual months which data is available.
- For contractors who opened on the month, their month 2 advance will equal: (no. of days /31) x £18,000; month 3 and subsequent advances until a 12 month history is available will be calculated as the % applied to advance payments for all contractors as above for that month of the mean of the number of actual months for which data is available.

### ***Contractors in exceptional circumstances***

Where a contractor has been subject to specific exceptional circumstances resulting in an interruption or delay in start of business operation i.e. due to fire, flood or another exceptional circumstance which in the Board's opinion was outwith the contractors control and as a result the premises are rendered unfit for trade, the Board may, at its discretion, grant an application from the contractor for a payment or proportion of a payment stated in the Drug Tariff and which would otherwise have been paid, provided the Board is satisfied that it would be reasonable to do so. Nothing in this paragraph removes the need for contractors to conduct their business with normal commercial diligence and to be appropriately insured.