

What's next for the new contract?

Following last week's announcement that a deal has been reached on funding the new contract, **Clare Bellingham** finds out what happens next

Last week's announcement that the funding for the new community pharmacy contract has been agreed (*PJ*, 28 August, p277) was a significant step forwards in the negotiations. But it is in finding a way to carve up this sum fairly for individual contractors that the Pharmaceutical Services Negotiating Committee faces a major challenge. This is what will be happening in the next few weeks.

"Clearly the distribution will be critical," says Sue Sharpe, PSNC chief executive. "We will be developing options and proposals that will be discussed in depth at the PSNC's September meeting. Until we had the total funding agreed, we couldn't get to the very difficult task of how to distribute the funds." These models, she stresses, will be developed on a principle of equitable funding. "What we are seeking to do is to ensure we support pharmacies both large and small."

Details of the distribution models will not be revealed until the end of September but it is clear that funding will be different from the model in place today. The principle of rewarding quality rather than volume will not come as a surprise: it was stated in the pharmacy plan in 2000 (*PJ*, 16 September 2000, p384). "The contract is very much focused around services so it can be expected that the structures will reflect some of the quality aspects of the new contract, with that caveat of supporting the range of sizes of pharmacies in the market," says Mrs Sharpe.

Ash Soni, National Pharmaceutical Association chairman, comments: "One of the provisos to accepting the Department of Health's offer was that it was subject to a satisfactory outcome on the distribution of funds." He adds: "In negotiating the contract, it was always assumed that all contractors should have the opportunity to provide services under it and to be fairly rewarded for doing so. Failure to ensure equity of distribution and participation will threaten continued acceptance of the terms of the new contract."

Carving the sum up

It is not until the sum has been carved up, that contractors will be able to assess what it means to them individually. What the PSNC is confident about is that the £1.766bn deal reflects fair funding. It does not believe that a shortfall will be discovered once the numbers have been crunched through the distribution models. This is because of the work that went into calculating exactly how much it costs to run a pharmacy in last year's PSNC/DoH joint cost enquiry.

Of course, it is widely acknowledged that the current global sum — at roughly half of the new total sum — does not fund the pharmacy service. Instead, pharmacists have to rely on other sources of income, such as making



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profits on drug purchasing, to subsidise the services they provide. For some time, it has been feared that the opportunity to make these profits will be taken away. This was demonstrated when plans to cut the Drug Tariff price of four generic medicines were announced earlier this year (*PJ*, 17 July, p77). Final proposals on new arrangements for the supply, pricing and reimbursement of generic medicines (consulted on in 2003) are still awaited but the direction of travel seems clear.

"Throughout the discussions on generics, the Government has made clear its intention to reduce reimbursement on generics," comments Mrs Sharpe. Despite suggestions in 2001 that all purchase profit would be removed, she says that the Government has now been persuaded to keep some purchasing incentives in place.

So although the new funding is higher than the current global sum, it is important to recognise that only part of this is money for new services: some is to compensate for future cuts in profits on drug purchasing. But even if it represents no increase in the total amount of money, what it does mean is that pharmacists are being remunerated fairly, and that funding is out in the open. Mrs Sharpe comments: "I think it is absolutely essential to understand that it moves from a position when contractors in England get around £800m guaranteed for pharmacy services and all other money is vulnerable and unassured to a position where this sum is assured money. It is a fundamental change from a very low level of guaranteed funding."

All the costs of providing the national pharmacy contract fall within the £1.766bn sum; and that includes funding for new IT. The only thing excluded at present is pre-registration training. "It is inevitable that there will be future issues that we don't know about yet that cannot be costed," says Mrs Sharpe. "But we are making sure that we have safeguards in place for adjustments to reflect additional cost burdens."

Funding is to be based on the cost of providing the service and a fair return. So, for providing essential services, pharmacists will be paid the cost of providing that service plus a fair return on top. The same applies to the second tier of services at the advanced level.

Enhanced services, which form the third tier of the new contract, are subject to local agreements with primary care trusts and the funding for these is separate from the £1.766bn. The PSNC is aiming to agree a national valuation scheme for enhanced services. It will provide a core service specification and a value — but whether the value will be determined in points (like the GP contract) or in pounds is not yet known. PCTs and local pharmaceutical committees will be able to amend specifications locally.

Concern exists that some PCTs are unaware about the services that pharmacists can provide. Moreover, while some PCTs are keen to commission pharmacists to provide services, others have little interest in doing so. "This is why the national contract must fund the national pharmacy service," says Mrs Sharpe. "It is unacceptable that contractors would have to depend for essential income on uncertainties of PCT commissioning."

It is true that a pharmacy that only provides essential services could be viable under the new contract. But will this lead to so-called dispensing factories? "The great thing about the new contract is that it provides pharmacists with the opportunity to develop their patient care role," says Mrs Sharpe. "Once patients see what services they can get from one pharmacy, I wonder the extent to which a pharmacy down the road which does not offer extra services will continue to attract a high volume five years down the line."

Autumn dates for roadshows

Providing an agreement is reached at the September meeting, the PSNC expects to reveal details of the distribution model at the end of the month. Only at this point will contractors be able to assess the effect that the new contract will have on their income.

The PSNC plans to start roadshows in October and to run them in at least 12 locations on Sundays. A ballot of contractors will also be held in the autumn.

The new contract could then be implemented in January, providing all goes smoothly in the next few months. Even if this date is missed, implementation looks certain early in 2005. "Something would have to be going very badly wrong to delay it beyond April," says Mrs Sharpe.

Whatever date is set for implementation, all contractors will transfer immediately to the new contract. A transitional period will be agreed to give both pharmacists and PCTs time to adjust.