

Dear Colleague

**PHARMACEUTICAL SERVICES:  
AMENDMENTS TO DRUG TARIFF IN RESPECT OF  
REMUNERATION ARRANGEMENTS FROM 1 APRIL  
2016**

**Summary**

1. This circular advises community pharmacy contractors and NHS Boards on the outcome of the negotiations for the community pharmacy funding envelope for 2016-17.

**Background**

2. Circular [PCA \(P\) \(2016\) 7](#), published 11 May 2016, advised of the key and headline elements of the community pharmacy funding settlement for 2016-17.

**Details**

3. This circular now advises of further changes in respect of payments from July 2016 dispensings as follow:

- The annual pool for dispensing pool payments is increased by £2.063m, providing an annualised pool of £74.063m with effect from July 2016 dispensings
- A Quality Improvement Methodology pool of £2m for 2016-17, for quality improvement activities undertaken in the financial year 2016-17.
- A Closer Partnership Working Payment pool of £1.129m, for initiatives of fostering closer working with General Practices.

18 July 2016

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**Addresses**

For action

Chief Executives, NHS Boards

For information

Chief Executive, NHS NSS  
Director of Practitioner Services,  
NHS NSS  
NHS Directors of Finance  
NHS Directors of Pharmacy

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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 contents of this Circular and the Drug Tariff amendments.

### **Action**

6. **NHS Boards should share a copy of this Circular with all Community Pharmacy Contractors, Health and Social Care Partnerships and the Area Pharmaceutical Committee.**

Yours sincerely

A handwritten signature in cursive script, reading "Rose Marie Parr".

**Rose Marie Parr**  
Chief Pharmaceutical Officer and  
Deputy Director, Pharmacy & Medicines Division

**DRUG TARIFF PROVISIONS WITH RESPECT TO COMMUNITY PHARMACY REMUNERATION WITH EFFECT FOR THE DISPENSING PERIOD UPDATED TO INCLUDE CHANGES FOR DISPENSINGS FROM JULY 2016**

***Dispensing Pool Payment – standard arrangements for contractors with established dispensing histories – annualised pool £74.063m***

From 1<sup>st</sup> April 2016 all contractors on the list on the 1<sup>st</sup> day of the dispensing month concerned will be eligible to receive a Dispensing Pool Payment. This will be calculated as a discrete payment for each contractor.

For dispensing months July 2016 onwards it will be calculated as a share of an aggregate monthly dispensing pool of **£6.171m (i.e. an annualised pool of £74.063m)**.

The share of each eligible contractor is to be calculated as that contractors share of aggregate dispensings made by all eligible contractors over a prior reference period. For dispensing pool payments for the dispensing months July to September 2016 the prior reference period will be December 2015 to February 2016 inclusive. For subsequent dispensing quarters the prior reference period will also be reset forwards by one quarter. Therefore for dispensing pool payments for the dispensing months October to December 2016 the prior reference period will be March to May 2016 inclusive.

To provide an appropriate recognition of activity associated with complex dispensings and to avoid the need for a separate payment in that regard the aggregate dispensings pool and each contractor's share thereof will comprise discrete dispensing plus instalments, with each instalment currently weighted on a par with a dispensing.

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

A minimum monthly payment of **£750** will apply for dispensing months April 2016 onwards in respect of eligible contractors who were not on the list, or who did not have a predecessor contractor on the list for the relevant prior reference period used when calculating dispensing pool payments. That minimum payment would then remain in place until the contractor has 3 (three) consecutive months dispensing activity to be used for the determination of the dispensing pool payment.

However where a contractor recently added to the list considers that the **£750** payment does not fairly reflect their share of overall dispensing activity in the first 3 months of operation they may make a specific request to ISD within 9 months of the dispensing months concerned for a retrospective adjustment calculation to be carried out. This would establish whether an adjustment calculated by reference to the previous quarter's dispensing pool would be appropriate. Where the total amount

due is less than the **£750** already paid no further action will be taken. Where the amount due exceeds **£750** an adjustment will be made as soon as practical for the dispensing months concerned and if necessary as a retrospective payment. This provision is back dated to apply for payments related to dispensing month April 2015 onwards.

### ***CMS Capitation Payment – annualised pool £36.010m***

The base pool which CMS capitation payments will be calculated for dispensing months **April – June 2016** will continue at the same level in force for the March 2015 dispensing month i.e. £3m.

Eligible contractors, i.e. contractors who on the first day of the dispensing month concerned are contracted with their NHS Board to provide CMS, will receive a share from this pool in proportion to the number of patients registered by the contractor for CMS and assigned with a priority for a care plan in the patient's pharmacy care record on the last day of the month concerned, to the total number of registered by all contractors for CMS and assigned with a priority for a care plan in the patient's pharmacy care record on the last day of the month concerned.

The monthly base pool of **£3m** will be increased each month by any amount not distributed from within the prior month's monthly base pool plus increase.

Payments to any eligible contractor who was on the pharmaceutical list at 31 March 2012 and to any contractor who takes over a contractor who was on the pharmaceutical list at 31 March 2012 are subject to a maximum and minimum monthly payment which for each contractor in respect of dispensing months April 2016 onwards will be the maximum and minimum monthly payments which were already in place at 31 March 2016. Contractors who first joined the list on 1 April 2012 onwards and who have not 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 £27.936m***

A single flat rate payment of **£1,730** will be made to all contractors on the Pharmaceutical List on the first day of each dispensing month.

### ***Establishment Payment to part time ESPs***

For part time ESPs, the Establishment payment will be made in the following proportions of the single flat rate payment detailed above:

Hours Contractor is 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 £15.031m**

Contractors with whom the NHS Board have made an arrangement for the provision of MAS for the dispensing month concerned will receive the following tiered payments related to the number of patients for the dispensing for the month concerned:

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	£15,288 + £8.04 per patient above the threshold	£1,269.00 + £0.67 per patient above the threshold

**MAS availability for service payments to part time ESPs**

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

Hours contractor is Open	% of MAS payment scale to be paid
>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 appropriate 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 and, will be based on the number of patients registered on the last date of that month.

When a contractor is taken over by another, the successor contractor will receive any MAS payments due for the month during which the takeover takes place.

**Operations and Development Payment (O&D) - annualised pool £4.307m**

Arrangements for O&D payments for the dispensing months 1 April 2016 to 31 March 2017 will be updated to remove the achievement criterion for high risk and new medicines assessments following CMS registration. The following checks will no longer be required to be performed during 2016:

- E25, E26 and E27

Checks on completed assessments of registered patients, outlined in Circular PCA (P) (2015) 15 remain in place.

*Eligibility Criterion*

Eligibility to receive both the fixed and variable element of this payment in respect of July – March 2017 dispensings is that a contractor has to have been on the Pharmaceutical List on 1 April 2016 and to continue to be so at the 1<sup>st</sup> day of the dispensing month concerned.

Contractors who join the Pharmaceutical List on a date after the 1 April 2016 will be eligible for the fixed element of the payment only.

*Pool available for payment*

For the dispensing months July – March 2017, the aggregate monthly amount available for the calculation of target O&D payments to contractors is **£0.358m**.

*Determination of the fixed and variable elements of the payment*

The fixed element for all contractors will be the same and will be **£125**.

The variable element for each contractor will be recalculated 'aggregate target O&D payment for that contractor less **£125**.'

For example:

An aggregate target monthly O&D phasing payment of £500 for dispensing month July 2016 would be divided as;

- fixed element: **£125**
- variable element: **£375**

Where a contractor acquires an established pharmacy after 1 April 2016 the new contractor will inherit the target O&D payments of the original contractor.

For the dispensing months July – March 2017, the variable element of the target will be targeted to:

- implementation of Standard Operating Procedures (SOPs) for serial dispensing

The fixed element towards support for contractors who have agreed to offer the Gluten Free Foods additional pharmaceutical service from 1 April 16.

The criteria and calculations which will determine payments in respect of the dispensing months July – March 2017 paid respectively September – May 2017 will be as in the previous year:

### Criteria for payment of fixed element

All contractors, who are on the list on the 1<sup>st</sup> day of the dispensing month concerned in the July – September 2016 dispensing quarter and who have accepted their Health Board's invitation to offer Gluten Free Foods Additional Pharmaceutical Service, will automatically receive the fixed element of the payment.

The fixed element for all contractors who have agreed to provide the Gluten Free Food Service (GFFS) will be **£125** monthly.

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

### Criteria for payment of the variable element

Checks B22-B24 in respect of dispensing months July – September 2016 respectively, Boards will check contractors' performance with respect to a target for all patients registered at end of April-June 2016 respectively, having been assessed.

Checks F22-F24 Boards will check if the contractor has completed implementation of Standard Operating Procedures (SOPs) for serial dispensing by 31 July / 31 August / 30 September 2016 respectively.

### ***Quality and Efficiency Payment – annualised pool £5.648m***

The arrangements in place at 31 March 2016 will roll forward for dispensing month April 2016 onwards.

All contractors on the Pharmaceutical List at 1 April 2016 will receive the monthly Quality and Efficiency Payment of **£150**.

All contractors on the Pharmaceutical List for the dispensing months April 2016 onwards will continue to be eligible to receive a contractor specific Quality and Efficiency Payment for a particular month a contractor will have to achieve a rate of claims of at least **90%**. At or above this threshold the contractor will receive a payment at the rate of each contractor's own target Q&E payment.

Below this threshold of achievement the contractor will not be eligible for any payment, expect in the following circumstances:

A contractor who would not otherwise receive a payment for a particular month may request the Health Board to consider that the reasons for non achievement of the **90%** threshold are exceptional and outwith the contractor's own control, and therefore to authorise a special payment. In such circumstances where an application has been made, and where the Health Board considers that a contractor's failure to achieve the **90%** threshold is due to circumstances beyond the contractor's own control, a full or partial payment may be authorised by the Health Board at its discretion on the basis of the information available.

Performance of all contractors against the target electronic claims rate of **90%** will continue to be monitored in 2016-17.

***Patient Services elements of Public Health Service (PHS) Smoking Cessation, Sexual Health and Meningitis B – annualised pool £4.512m***

***PHS Smoking Cessation***

All contractors with who have arrangements in place with the NHS Board for the provision of the Public Health Service (PHS) will receive payments in respect of dispensing months April 2016 onwards as follows:

The contractor will be remunerated for the submission of MDS information at each of the 3 quit-attempt milestones detailed below at the rates details. These are intended to help improve the level of service provided to patients seeking to quit smoking and the monitoring thereof 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 client. This will form the basis of the timelines for the four-week and twelve-week date follow ups.	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 stage that meet the validation requirements that have not been remunerated.

The counts of patients will be made at the end of the calendar month.

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

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

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

***PHS Emergency Hormonal Contraception***

All contractors which NHS Boards have made arrangement for the provision of the Patient Service element of Public Health Service (PHS) (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**

Arrangements for the provision of the MenB vaccine and other childhood vaccinations, where clinically indicated or appropriate, under the Public Health Service shall continue from 1<sup>st</sup> April 2016 as per the guidance outlined in NHS Circular PCA (P) (2015) 25.

All contractors with whom their NHS Board has made arrangement for the provision of the **Patient Service element of Public Health Service (PHS) (support for Meningitis B vaccination programme)** will receive commencing with April 2016 dispensings a monthly payment of **£40**.

Following the introduction of the MenB vaccine provision in 2015, analysis will be undertaken during 2016 on uptake of the service to ensure the appropriate funding resource is in place to support this service.

**Pharmaceutical Needs Weighting Payment – annualised pool £3.843m**

From April 2016 dispensing's, all contractors on the list at the start of the dispensing month concerned and in receipt of a Dispensing Pool Payment will be eligible for the period April 2016 – March 2017 for a Pharmaceutical Needs Weighting payment. This is intended to acknowledge additional pharmaceutical needs arising from age of deprivation characteristics of the post code of presenting patients. For dispensing months April 2016 onwards it will be calculated from a monthly pool of **£0.32m (i.e. an annualised pool of £3.84m)**.

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 are calculated in accordance with the following table and those two discrete indices are then 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 postcode in the two most deprived quintiles	1.0
Between 65% - 75% of patients under 60 years	1.2	Between 40% - 60% of patients with postcode 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 postcode in the most deprived quintiles, and more in the most deprived quintiles	1.3
Between 55% - 65% of patients under 60 years	1.4	Between 60% - 80% if patients with postcode 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% if patients with postcode in the most deprived quintiles and more in the deprived quintiles	1.5
Between 45% - 55% of patients under 60 years	1.6	Between 80% - 90% of patients with postcode in 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 postcode in most deprived quintiles and more in the deprived quintiles	1.7
Between 35% - 45% of patients under 60 years	1.8	More than 90% of patients with postcode in the most deprived quintiles	1.8
Less than 35% of patients under 60 years	2.0	More than 90% of patients with postcode in the most deprived quintiles and more in the deprived quintiles	2.0

The **combined index** is then applied to the monthly pool of £0.32m (£3.84m annualised), derived from the total transitional payments available for redistribution to determine the Pharmaceutical Needs Weighting Payment for each contractor.

Any contractor added to the list between 1 April 2016 and 31 March 2017 inclusive and/or without any dispensing history in the reference period will receive a **proxy monthly Pharmaceutical Needs Weighting Payment** calculated as above but using a **combined index of 1.0**.

### **Care Home Dispensing Payment – annualised pool £3.816m**

Arrangements for Care Home Dispensing Payment to all qualifying contractors continue from April 2016 as follows:

An annual quantum of **£3.816m** for the year 2016-17 is to be distributed quarterly (quarterly quantum of **£0.954m**) between all contractors.

For the dispensing period April – June 2016 eligibility for a contractor is to be on the list at 1 April 2016 and to have been on the list for the full reference period (1 September – 30 November 2015).

The amount to be paid to each contractor is calculated on the basis of an analysis by ISD of the identifiable CHI numbers on prescription items processed by each contractor in that reference period (1 September – 30 November 2015) which relate to residents in care homes as a percentage of all prescription items.

A tolerance factor applies such 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 2016 onwards eligibility will require a contractor 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 quantum (**£3.816m**) – quarterly equivalent **£0.954m**.

For example for 3 dispensing months of the quarter concerned (i.e. commencing July 2016 / October 2016 / January 2017 / April 2017) commencing with July 2016 dispensing payments paid in September, all contractors on the list on the first day of the quarter and on the list for the full relevant reference period (1 December 2015 – 29 February 2016 / 1 March – 31 May 2016 / 1 June – 31 August 2016 / 1 September – 30 November 2016 etc. respectively) on the basis of an analysis by ISD of identifiable CHI numbers on prescription items processed by each contractor in the

relevant reference period which relate to residents in care homes as a percentage of all prescription items

***Stock Order on Costs – annualised pool £1.430m***

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 of the item concerned, calculated in accordance with paragraph 16 of Pt 1 of the Drug Tariff.

***Quality Improvement Methodology Payment – annualised pool £2.000m (non-recurring)***

A single flat rate payment of **£1,600** will be made to all contractors on the Pharmaceutical List at 1<sup>st</sup> April 2016 against dispensings for **August 2016 paid October 2016**.

This payment will be made to contractors to facilitate and support the implementation of Quality Improvement methodology within the community pharmacy network. Further details on the Quality Improvement bundles which shall be available for contractors will be issued via an additional Circular in the coming weeks.

***Closer Partnership Working Payment – annualised pool £1.129m***

A single flat rate payment of **£900** will be made to all contractors on the Pharmaceutical List at 1<sup>st</sup> April 2016 against dispensings for **August 2016 paid October 2016**.

Further details on the Closer Partnership Working Payment available for contractors will be issued via an additional Circular in the coming weeks

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

The aggregate of Establishment Payment plus Dispensing Pool plus Pharmaceutical Needs Weighting Payment made to an ESP each month will also be subject from July 2016 dispensing to a guarantee of a minimum target income of:

**£3,804** for full time contractors

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

Hours contractor is Open	% of Guaranteed Payment for Full Time Contractors
>5</=10	60%
>10</=15	75%
>15</=20	85%
>20</=25	90%
>25</=30	95%
>30	100%

The aggregate 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.

To be eligible for this minimum guaranteed target income for ESPs a contractor must be included in the register of essential small pharmacies held by their host NHS Board, and if a successor to an existing ESP, have their continued inclusion in the ESP register ratified by the Health Board.

### ***Hosiery and trusses measured and fitted fee – annualised pool £0.144m***

For dispensing's April 2016 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 Pharmaceutical Service arrangements, e.g. locally set fees for methadone dispensing etc. and centrally set fees for the non Pharmaceutical Services stoma appliance dispensing services will continue unchanged and/or changes will be notified separately.

### ***Arrangements for contractors added to the list from 1 April 2016 onwards***

Where a contractor is added to the list at 1 April 2016 onwards, they will be invited by NHS NSS to confirm whether they are a totally new contractor or whether they are taking over a contractor already on the Pharmaceutical List and in the same location.

Totally new contractors will be eligible for individual payments in accordance with the specific eligibility 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 2016 onwards is as follows.

The advance payment for dispensing months February – November inclusive is calculated as **90%** of the 12 month mean monthly payment made to each contractor or its predecessors 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 for 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 of 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 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 1<sup>st</sup> of the month, their month 2 advance will equal: (no. of days / 31) x **£18,000**; then month 3 and subsequent advances until a 12 months 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 commencement of business operation, i.e. due to fire, flood or other exceptional circumstances which in the Board's opinion was entirely out with the contractor's control and as a result the premises are rendered unfit for trade, the Board may as its discretion may 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.