Supplementary written evidence submitted by the Company Chemists' Association (PHA0075)

The Company Chemists' Association's (CCA) supplementary evidence has been submitted following oral evidence[1] given to the Committee by our Chief Executive, Malcolm Harrison, on 21st November 2023 and follows our written evidence (PHA0045)[2].

The CCA is the trade association for large pharmacy operators in England, Scotland, and Wales. Our members are ASDA, Boots, Morrisons, Pharmacy2U, Rowlands Pharmacy, Superdrug, Tesco and Well. Collectively they dispense 300m+ prescription items each year and employ over 5,500 pharmacists in England alone[3].

Executive summary

- The pharmacy network urgently needs additional funding to protect the current level of patient access it provides. A 30% real terms cut in funding since 2015 has resulted in the loss of 1,110+ pharmacies in England and many more will close without action.
- The new Pharmacy First service has been warmly welcomed by patients and is already saving thousands of GP appointments. It should be funded beyond 2025 and expanded to cover further common conditions, to free up additional GP capacity and to give the sector longer-term certainty and confidence to invest.
- NHS England should revoke the contracts of 'pseudo' Distance Selling Pharmacies[4] operating in breach of their NHS contract and who we believe are hastening the closure of bricks and mortar pharmacies.
- The Department of Health and Social Care (DHSC) must increase 'retained margin' which we believe is currently underfunded and review drug pricing and bring margin in line with a decade of volume and price increases.
- Beyond this, the DHSC must undertake a wholesale review of the medicines supply chain to ensure it is fit for purpose.
- NHS England must spell out how the pledges in their long-term workforce plan regarding the expansion of the Additional Roles Reimbursement Scheme (ARRS) and increase in training places, will be achieved in practice.

Pharmacy closures

The CCA's latest analysis of NHS data[5] shows that there are now **1,110+ fewer pharmacies in England since 2015. Since the start of the 2023/24 financial year alone, there has been a net loss of almost 400 community pharmacies in England.**

Since 2015, there has been a real terms cut in core funding of over 30%[6] which has led to the permanent closures seen. What is more, these closures have disproportionately affected the most deprived communities in England, exacerbating health inequalities. Between 2015 and February

[1] Health and Social Care Committee, Oral evidence: Pharmacy, HC 140, 21 November 2023
[2] Written evidence submitted by the Company Chemists' Association (CCA) (PHA0045), Published 18 October 2023
[3] CCA analysis of data submitted by CCA members to the Community Pharmacy Workforce Survey 2023.
[4] Distance Selling Pharmacies (DSPs) provide medicines to patients remotely, for example by post or by courier. Their NHS contract obligates them to offer their services and deliver prescriptions across the country. 'Pseudo' DSPs are DSPs that are failing to offer their services nationally, most often by offering their services in a hyper-local area.
[5] CCA analysis of NHS Digital Organisation Data Service data (downloaded as eDispensary files), February 2024
[6] Community Pharmacy England, Information for politicians

2024, 34.9% closures occurred in Indices of Multiple Deprivation deciles 1 and 2, the 20% most deprived of neighbourhoods in the country.

We urge the Government to provide additional funding to protect the current level of patient access provided by what still remains of the network of pharmacies.

Pharmacy First

We welcome the recent launch of the NHS Pharmacy First service. However, the funding for the service is currently only assured until 2025. Moreover, we are unclear as to whether thinking has been undertaken to further support GP services in England by broadening the service to cover other common conditions beyond the seven already included[7].

We urge the Government and NHS England to fund Pharmacy First beyond 2025 and begin thinking now on its expansion to cover further common conditions. Investing in community pharmacy in this way will create a virtuous circle, protecting and increasing the patient access that pharmacies offer, thus freeing up GP capacity.

NHS long-term workforce plan

There are now 7,652 full time equivalent pharmacists[8] working in general practice[9] and primary care networks[10]. Approximately 5,550 of these have been recruited from hospitals and community pharmacies, into general practice and primary care networks using the NHS' Additional Roles Reimbursement Scheme (ARRS) money[11]. This has created significant shortages across all settings and driven up the cost of pharmacists. Between 2020[12] and April-July 2022[13], pharmacies and Hospitals have been forced to absorb an 87% increase in the cost of locum pharmacists as a result of this flagship NHS policy.

Thankfully, the NHS long-term workforce plan[14] recognises the impact of the scheme by committing to ensure the expansion of ARRS is 'carefully managed' to account for the additional training of pharmacists. Moreover, it outlines an ambition to expand training places for pharmacists by 29% to around 4,300 by 2028/29.

Since its publication in June 2023, NHS England have not provided further detail on either measure. The pledge regarding ARRS fails to address the damage that has already been caused as a result of ARRS recruitment.

We are concerned that the pledge to increase training places by 29% by 2028/29 will not be achieved as no corresponding measures are being undertaken to increase the pipeline of new pharmacy students.

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[7] In a parliamentary written answer, Parliamentary Under Secretary of State Dame Andrea Leadsom said "at present, there are no plans to expand the seven conditions covered by Pharmacy First" see UK Parliament, Written Question, Primary Health Care: Pharmacy, UIN 9873, January 2024

[8] Includes pharmacists directly employed by GP practices, as well as pharmacists employed by PCNs through the ARRS scheme. A total is calculated by adding together the number of pharmacists in the NHS England data publications *General Practice Workforce* and *Primary Care Network Workforce.*

[9] NHS England, General Practice Workforce, 31 January 2024

[10] NHS England, Primary Care Network Workforce, 31 January 2024

[11] NHS England, Primary Care Network Workforce, 31 January 2024

[12] Locate a Locum, Annual Locum Rates Report, April 2022

[13] Locate a Locum, Are locum pharmacist rates rising in line with inflation?, August 2022

[14] NHS England, NHS Long Term Workforce Plan, June 2023

We urge NHS England to spell out how the pledges within the NHS long-term workforce plan corresponding to pharmacists will be achieved in practice.

Medicine shortages

UK generic reimbursement prices are now so low that manufacturers are prioritising other global markets, which they believe to be more favourable. This directly impacts the availability of, and patient access, to medicines. Furthermore, there is a risk that DHSC pricing policies **unfortunately mean that the taxpayer is often forced to buy medicines in short supply at massively inflated prices.**

Community pharmacies dispense over 1.1 billion NHS prescription items, worth £9bn, a year and must deal with medicines supply issues daily[15]. However, the procuring and dispensing of medicines for the NHS makes up 86% of total funding, and 88% of the workload, for pharmacies but delivers little to no return.

Pharmacies work closely with wholesalers and suppliers so that patients receive the medicines they need in a timely manner. Where supplies cannot be obtained, they work with prescribers to ensure patients receive suitable alternatives on an individual patient basis. However, this naturally takes time, and costs money. Workforce pressures, caused by years of underfunding and NHS policy to recruit pharmacists from pharmacies to work in GP practices, means the capacity to meet increased patient demand is narrowing[16].

Each year, pharmacies in England are allowed to collectively earn £800m of 'retained margin' by purchasing medicines for less than the Drug Tariff price. The current level of allowable retained margin (£800m per year) was set in 2014/15 and has not been reviewed since[17], despite significant increases in the volume and price of medicines procured.

Retained margin ensures value for money on medicines procured for the NHS by encouraging pharmacies to search for the best purchase price for the NHS. In turn, this forces wholesalers in the UK to obtain stock at the lowest price. An Oxera report[18] recognised that the UK system worked well compared to other European countries, from 2012 to 2018. Between 2005/06 and 2008/09, the system delivered medicine cost savings of around £1.8bn[19].

Over the past few decades, the competitive nature of medicines procurement by pharmacies has successfully driven down the cost of medicines in the UK. **Unfortunately, UK generic reimbursement prices are now so low that manufacturers are prioritising other global markets, which they believe to be more favorable. This directly impacts the availability of, and patient access, to medicines.**

We believe that the underfunding of 'retained' margin is now directly contributing to medicine shortages, forcing the taxpayer to buy medicines which are in short supply at inflated prices.

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[15] 92% of pharmacy teams are dealing with medicine supply issues daily according to the 2023 Pharmacy Pressures Survey see Community Pharmacy England, April 2023

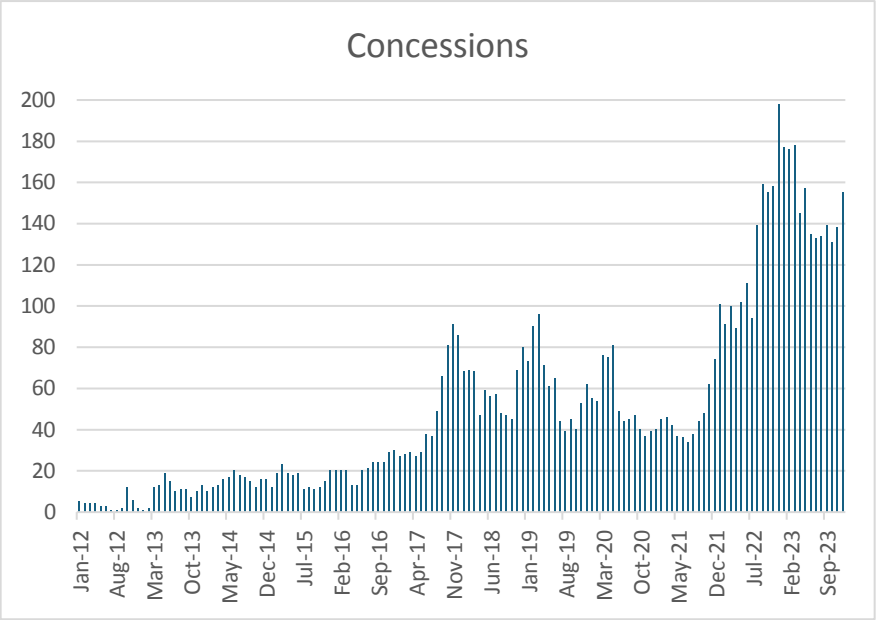
[16] CCA, National pharmacist shortfall of over 3,000 poses significant risk to local pharmacies, February 2022, available here

[17] Retained margin only increased slightly on a non-recurrent basis to £850m in 2022/23 and 2023/24.

[18] Oxera, The supply of generic medicines in the UK, June 2019

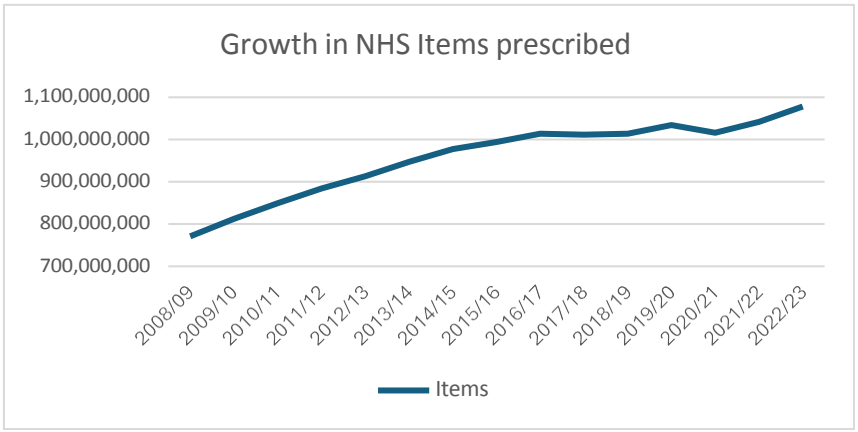
[19] National Audit Office, The Community Pharmacy Contractual Framework and the retained medicine margin

The number of medicines that are in short supply, and which require an increase in tariff price (concession price) has increased dramatically in recent years – see below.

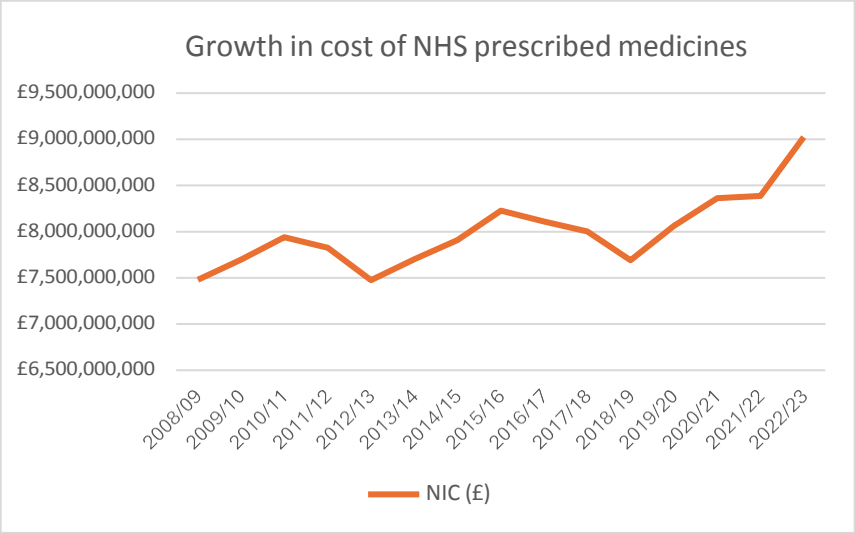


When medicines are in short supply, they are subject to the same market dynamics as other commodities. Increased demand or shortage of supply drives up prices. **Unfortunately, this means that the taxpayer is often forced to buy medicines that are in short supply at inflated prices.**

During the period of the current fixed retained margin agreement, the volume and value of medicines prescribed has increased each year. This is due to an increase in the number of medicines prescribed for individuals[20] as well as a growing[21] and ageing population. In 2015/16, 993.7m items were dispensed in community pharmacies in England – by 2022/23 this had risen to 1.08bn (an increase of 8.5%). Similarly, the average number of medicines per head of population has risen from 18.1 (2015/16) to 19.1 (2022/23). Taken together, these have contributed to the 9.7% increase in the total value of the dispensed medicines from £8.23bn in 2015/16 to £9.02bn in 2022/23[22].



[20] See PD1 Reports | NHSBSA using Pharmacy Contractors items October 2023.xlsx (live.com)
[21] See England population mid-year estimate - Office for National Statistics (ons.gov.uk)
[22] See PD1 Reports | NHSBSA using Pharmacy Contractors items October 2023.xlsx (live.com)



The increase in the volume and value of medicines, within a fixed retained margin, means that the margin available on each item is eroded. This continued downward pressure on Category M[23] prices has the knock-on effect of reducing the resilience of the medicines supply chain, making it more susceptible to spikes in demand or unexpected disruptions in supply.

We urge the Department of Health and Social Care to increase the funding associated with 'retained margin' as well as undertaking a wholesale review of the medicines supply chain to ensure it is fit for purpose.

Proliferation of 'pseudo' Distance Selling Pharmacies (DSP)

When a 'pseudo-DSP' opens, it harms the viability of local bricks and mortar pharmacies, hastening closures.

Since 2015, there has been a significant rise in the number of DSPs. Genuine DSPs are intended to provide medicines to patients remotely, for example by post or by courier. DSPs are contractually obligated to promote their services and deliver prescriptions across the whole country. The CCA supports policies that improve patient access to healthcare.

However, we are concerned that there has been a proliferation of 'pseudo' DSPs that are failing to offer their services nationally, and thus operating in breach of their NHS contracts. Our analysis[24] found that 268 DSPs (72%) are failing to provide access to medicines nationally. The CCA uncovered one example of a 'pseudo-DSP' which received 99.9% of its prescriptions from a single postal area (or less than 0.04% of items from further than 10 miles away) which was in the same postcode as the closure of seven traditional bricks and mortar pharmacies. A later investigation[25] conducted test purchases and confirmed that some of the worst-offending DSPs are openly refusing to dispense NHS prescriptions presented by patients outside of their local area, a clear breach of their terms of service.

[23] Category M was introduced into the Drug Tariff in April 2005 when the new community pharmacy contractual framework was launched. Category M is used to set the reimbursement prices of over 600 medicines. It is the principal price adjustment mechanism to ensure delivery of the retained margin guaranteed as part of the contractual framework. More information about Category M is available via Community Pharmacy England.

[24] CCA, The impact of 'pseudo' Distance Selling Pharmacies, July 2023

[25] Daily Mail, How new online chemists backed by the NHS could put your local pharmacist out of business, February 2024

We are concerned that when a 'pseudo-DSP' opens, it harms the viability of local bricks and mortar pharmacies, hastening closures.

Evidence of pseudo-DSPs has been previously supplied to NHS England, but no resulting action appears to have been undertaken.

We urge NHS England and regional teams to challenge DSPs to provide evidence of national provision, and ultimately revoke contracts from DSPs failing to meet their contractual obligations.

March 2024