Written evidence submitted by the Company Chemists' Association

About the Company Chemists' Association (CCA)

Established in 1898, the CCA is the trade association for large pharmacy operators in England, Scotland, and Wales. The CCA membership includes ASDA, Boots, LloydsPharmacy, Morrisons, Rowlands Pharmacy, Superdrug, Tesco, and Well, who between them own and operate around 6,000 pharmacies, which represents nearly half the market. CCA members deliver a broad range of healthcare and wellbeing services, from a variety of locations and settings, as well as dispensing almost 500 million NHS prescription items every year. The CCA represents the interests of its members and brings together their unique skills, knowledge, and scale for the benefit of community pharmacy, the NHS, patients, and the public.

Executive summary

- Despite statements by ministers funding for costs incurred by the sector to maintain delivery of NHS pharmaceutical care remain outstanding. This financial stress, coupled with the continued threat of repayment, hampers both in-year attempts to combat the virus whilst maintaining a viable business as well as attempts to future plan. Without meeting the costs incurred, there remains a risk to the entire community pharmacy network – with the associated impact on local communities and health systems.

- Unlike many other NHS providers, pharmacies face the very real possibility of bankruptcy if unable to receive sufficient income. Underlying funding remains an ongoing point of discussion, but the advance payments made during the pandemic must be written off as a matter of urgency.

- There is a need for rapid and clear decisions, that are co-ordinated across government departments. Businesses were forced to take decisions in good faith when there was a lack of national guidance, which in some cases had to be reversed once guidance was published. Variation in local implementation causes additional confusion and increases costs to service provision.

- The sector responded admirably to the pandemic, delivering a valued public service that is an essential part of NHS primary health provision. However, to increase future resilience there is a need to enable better technologies, reduce bureaucracy and provide fairer funding for the sector.

Response

The CCA welcomes the opportunity to submit evidence to this inquiry into the economic impact of the coronavirus pandemic. As the 'front door' to the NHS, the community pharmacy sector was and remains key to tackling COVID-19. Pharmacists and pharmacy teams rose to the challenge of unprecedented demand to support their local communities through a once in a lifetime global health crisis. Community pharmacy remained open to the public, without appointment, and has operated under increased pressure and demand for prescriptions, advice and support since the pandemic started. A record 93 million prescribed medicines were dispensed in March 2020 immediately before lockdown, the most since current records began in 2014. Understandably, the focus of community pharmacies initially shifted to medicines supply and core services. This focus may have irreversibly damaged some pharmacies as they have lost funding for additional services, risking their longevity and crucial provision of healthcare within communities.

The community pharmacy sector faced an unparalleled period where it was often the only health service provider which remained 'open' to the public as GPs swiftly introduced telephone triage and virtual appointments. This has shifted demand from GPs to community pharmacy. Despite this, community pharmacy showed rapid and agile decision-making to ensure patients could access their medicines.

Community pharmacy negotiating bodies (Pharmaceutical Services Negotiating Committee, Community Pharmacy Wales and Community Pharmacy Scotland) have been in constant dialogue with the government since the outbreak and first lockdown at the start of the year over incremental COVID-19 costs. Notwithstanding this, there is yet to be agreement in England for substantive government financial support. Community pharmacy remained open, with all the costs of normal business, the significant extra costs of the pandemic and a reduced income from normal business (including service provision, private healthcare, and retail activity). This has not yet been recognised in a meaningful way.

Within England £370m has been provided to community pharmacy as advanced funding, a there is now an agreed claims process for PPE. Despite the ongoing pandemic and subsequent infection waves, there is an expectation in England that the initial £370m advance funding is paid back. This policy is not in line with Ministers' pledges to give the NHS whatever it needs during the pandemic. Remaining open to the public, providing essential services with reduced income opportunities, community pharmacy has not had the opportunity to claim compensation for the impact on businesses. These advance payments should be written off, recognising the essential role of community pharmacy in the nation's health.

Failure to recognise and realise the funding needed for community pharmacy risks the viability of the entire network – with the ultimate risks that brings to the wider health and social economy.

The stress placed on business owners seeking to maintain the highest quality NHS pharmaceutical care to the public, compounded by an uncertain loan repayment term, inhibits sound business decisions, including keeping premises open and colleagues on the payroll. Concerns about cash flow remain constant, and there appears to be a lack of insight to the importance of this within some government departments. A fundamental shift in thinking is required, recognising the shared values of government and community pharmacy. Working in partnership and understanding the commercial reality that pharmacy contractors must face, policy makers will be able to deliver significant value to the taxpayer.

More broadly, this pandemic has highlighted a weakness in robust and timely decision making within government departments. There is a need to work with businesses to identify the areas of biggest impact and jointly design and implement changes. The disconnects between national and local decision making and implementation was apparent. Local interpretation of guidance caused confusion and delay, particularly relevant for CCA members with pharmacies across the four nations.

We would be happy to provide further evidence to support any of the points raised in this inquiry, or any other areas the inquiry may be interested in, if requested to do so.

To what extent do Government measures protect viable jobs in the future and reduce the risk of long-term unemployment?

Despite statements from ministers, community pharmacy in England has not been compensated for the incurred costs of COVID-19. An initial loan was made available, which was welcomed, to support cash flow in the early stages of the first lock down. However, final settlement of the support to be allocated remains elusive. Not paying pandemic costs to community pharmacy contractors will fundamentally undermine and harm the viability of the whole network. These additional costs destabilise the cost/income balance of pharmacy businesses - risking closure or at a minimum, a curtailing of investment, growth, and innovation. Where government support has been made available, and used, it has been welcomed to retain jobs and long-term skills and knowledge. However, the lack of action to meet core-healthcare costs undermines any other support provided. It is recognised that the loan provided to community pharmacies helped at a much-needed time, but the continued risk of re-payment stifles attempts to innovate and adapt to the new post-COVID-19 environment. The lack of future clarity also prevents any planning for the future, including recovering from the COVID-19 pandemic. The needs of patients across the population make this not just business critical, but also fundamental for the nation's health and the wider economic outlook of the UK.

Supplementary to ongoing COVID-19 pressures there remains an uncertainty of the long-term impact of EU-exit. Statements made to date by the Chancellor have understandably focussed on the short term, particularly driven by the pandemic. However, the lack of medium- and long-term plans (and corresponding government support and guidance) creates hesitancy to invest and grow - risking long-term job prospects. The impact of EU-exit is likely to be both additional and different to that of COVID-19 and separate measures should be introduced.

To what extent are Government measures value for money for the taxpayer?

Community pharmacy is a core part of the primary care NHS service, providing medicines, direct care, and public health interventions. Patients have a right, under the NHS constitution, to receive care and treatment appropriate to them, reflecting their preferences. If greater support is not made available (through meeting COVID-19 excess costs) the network will be fundamentally damaged, putting the quality of pharmaceutical care to the public at risk. This in turn will be more expensive for the taxpayer. In a post-COVID-19 environment, this risks abruptly disadvantaging more communities and individuals, who were already at risk from economic decline before the pandemic. By covering COVID-19 costs, government will relieve the financial stress that pharmacy contractors are currently under, enabling them to re-focus on delivering the change agenda detailed in the current 5 year agreement and provide new, valuable services that the NHS needs (such as Discharge Medicines Reviews, Hepatitis C testing and taking GP referrals into the Community Pharmacist Consultation Service to relieve pressure on GP surgeries) as well as providing a valuable contribution to the seasonal flu and future COVID-19 vaccination programme.

How effective is the Government support to businesses and individuals across different regions and sectors? Does the effectiveness of the Government support vary across different regions?

Whilst it is recognised that the pandemic created new scenarios for all government agencies the inconsistencies between government national guidance and local implementation created many challenges. In each case, closer collaboration and consistency in approach could have avoided work and reduced pressures on businesses. Examples include:

- Local Health Protection Teams frequently applied local standards or interpretation to national guidance. This not only duplicated efforts but also undermined national decisions.
- National frameworks were implemented locally and despite pressure to bring relevant stakeholders together this did not happen in a timely manner. For example, the BEIS/MHCLG group assembled to discuss queue management did not convene until November.

- Much of the responsibility for implementing measures sat with businesses not local authorities. However, a piecemeal response from local authorities created additional confusion. Effective Local Authorities or Business Improvement Districts provided support within their locality, but this was not replicated elsewhere – national co-ordination was needed.
- Safer Working Guidance changed rapidly with corresponding confusion about how to implement it. This led to the purchase of PPE that ultimately did not meet the newly updated guidance.
- Areas of divergence between government departments (e.g., regarding test and trace) led to increased costs. There was a lack of co-ordination between different departments, creating significant challenges for businesses needing to implement differing guidance.
- Despite promises regarding PPE, for much of the early part of the pandemic PPE was not available through the NHS. Compounded by confused and changing guidance on the necessity within community pharmacy, businesses were required to invest significant sums in PPE, often with inflated costs. Reimbursement for PPE is only now being resolved
- England, Wales and NI commissioned a form of national pandemic delivery service from community pharmacy, principally to support the shielding population. However, the service was commissioned too late to truly meet patient's needs, was commissioned and then de-commissioned, and lacked the strategic placement within the wider pandemic response. This caused confusion for patients, especially those shielding who will have continued to expect their medicines to be delivered. The service did not accurately reflect the complexity and workload that contractors needed to take on, to ensure the most vulnerable accessed the NHS medicines they needed whilst keeping safe in isolation.

Business Rates Relief was a welcome part of the wider economic package helping liquidity and kept individual premises viable. We hope that the new year begins a start towards normal business but would urge the government to carefully plan the reintroduction of rates in the new financial year and consider targeted location-based relief for large and small businesses. COVID-19 has demonstrated the importance of overall rates reform and we would welcome an ambitious review of the overall model by HMT this year.

The Individual Property Grant was again welcomed. Ensuring this was free of State Aid limits would have helped ensure consistency in access across the sector as well as reducing confusion in administration. More generally the administration burden of business rates and property grants has increased over the years. This was clear during the pandemic with significant administration for relatively small sums. Reducing this administration burden should be a key outcome for any review or reform.

The commercial lease debt moratorium announced by MHCGL provided welcome breathing space at the start of the lockdown. The commercial rental space underwent a turbulent move where for example, previously high rent areas (such as city centres and other urban areas dependent on commuters footfall) have seen and continue to see a massive drop in activity which meant that these rents have become unsustainable and put a liquidity squeeze on these premises. However, this moratorium was extended every three months, sometimes just days before rents were due, which increased business uncertainty and administration costs. The model of business rates relief – which provided certainty for a year – should have been followed.

In an increasingly digital environment, it is easy to forget, and difficult to quantify, the value of physical premises to local communities. However, success of recent initiatives such as the Home Office's "Ask for ANI" and Safe Spaces scheme, highlights the essential role premises play. Providing face-to-face contact for those with additional needs, safeguarding concerns or a need for acute mental health support is an essential part of the broader role of community pharmacy. Rates relief and debt moratorium played a key role in ensuring this access remained throughout the pandemic. Community pharmacy remained open to all patients, without appointment, at every stage of the pandemic and were able to provide this support to the most vulnerable in society.

What lessons can be learnt from the different approaches undertaken by the nations in the UK to combatting the coronavirus?

Healthcare is a devolved matter, however the differing support available in England, Wales and Scotland is notable. Key government support needed during this pandemic was a relaxation of bureaucracy, the agility to update ways of operating in response to rapidly changing information, and financial support.

- Within Wales a loan was offered very quickly to community pharmacy which was welcomed, however the requirement to pay this back *during the ongoing pandemic* placed a significant burden on businesses. This has been recognised, and the final 3 of 10 monthly repayments has been deferred to the 2021/22 financial year. Slightly later in the pandemic a loan was also offered in England, and the possibility of repayment and unknown uncertain future terms overshadows any attempts of businesses to plan. These both contrasts sharply with Scotland and Northern Ireland where financial aid (not a loan) was made available almost immediately. Northern Ireland has met all COVID-19 costs, and Scotland have met much of the costs, with discussions ongoing. This single policy regarding financial aid of pharmacy contractors dramatically changes the confidence with which businesses can have in different nations, which in turn influences all decisions on future innovation and investment.
- Critical to being able to meet the health needs of local communities was a relaxation of bureaucracy and NHS Terms of Service. Whilst all nations have delivered this to some degree the variation in approach and speed was notable. England was late to agree changes, with simple changes to written consent being made as late as September.
- Within Wales, where activities were either cancelled or suspended the funding still flowed to the pharmacy supporting pharmaceutical care to the most vulnerable.
- In Scotland, the creation of COVID-19 hubs which handled deliveries of medicines to patients worked well and relieved pressures around increased repeat prescriptions (in contrast to the English and Welsh systems which had lengthy delays). Additionally, the Minor Ailments Service (MAS) was quickly extended to whole population of Scotland. By 9th April registrations were increasing by more than 200 per day.
- Guidance on essential and non-essential businesses also caused confusion, especially for businesses operating across the UK. With a lack of clarity on both premises and managing footfall, customers and patients engaged in self-policing creating additional pressures for stretched healthcare teams.

What impact will a second lockdown have on the economy? How should the Government best support the economy if intermittent lockdowns become a feature over the next year?

To retain business viability, any financial support or bureaucratic easing must continue for as long as there are restrictions to normal operations in place. Each new lockdown introduces its own costs and to stay open the need for economic stimulus remains. Additionally, new COVID-19 costs need to be reimbursed. To support this an agreement should be reached as soon as possible for how these will be calculated, what evidence (if any) is required and how this will be distributed.

We would welcome consideration of location specific relief, based on the tiers system. Additionally, whilst it is recognised that different sectors struggle in different ways, support should not be restricted. Where there is a need for further support (e.g., hospitality) this should come from new sources, not at the expenses of existing packages to other businesses or sectors.

What changes to the economy are now permanent?

Following the significant uptake in the pandemic medication delivery service there has been a marked change in patient expectation. As a private (unfunded) arrangement between pharmacies and patients before the pandemic, there is now an expectation for NHS deliveries. This reflects a change in population behaviours that has not yet shown any sign of altering - yet there is no long-term plan for a funded NHS delivery service.

While the permanent impact is yet to be determined, changing public behaviours have dramatically effected footfall in previous high trafficked areas. For example, health centres traditionally see high numbers of patients, but the increased use of deliveries, telephone consultations by GP surgeries and

new working from home practices have resulted in a moving of patient cohorts. This in turn risks the viability of some premises where costs (such as rent) are calculated on previous income opportunities. It is unclear how permanent these changes are, but we would urge that the government considers how to work in a co-ordinated fashion with businesses and local authorities to understand and buffer this transition. Communities and local economies/high streets that were already in decline before the pandemic are seeing an acceleration in this trend with consequent multigenerational impacts.

What difference will the discovery of a vaccine and/or treatment make? Will behavioural changes such as working from home necessitate structural changes, whether or not a vaccine is discovered?

The advent of a COVID-19 vaccination sets a path out of current restrictions and community pharmacy provides an opportunity to support the government in achieving its ambitious aims, set out in the vaccine delivery plan. Community pharmacies are experienced in vaccination and have the necessary skills to provide vaccination at scale. The 2020/21 influenza vaccination programme demonstrated the sectors ability to meet challenges, adapt business and find the necessary capacity. Using this capacity should be a key part of government plans.

As frontline healthcare workers, many pharmacy staff are receiving vaccination. Guidance on self-isolation has not yet changed, and we would urge an update to this. Community pharmacy provision is essential to healthcare, and updating the risk-based consideration of likely COVID-19 transmission once vaccination is established in the workforce and a greater understanding of the vaccine is gained is vital.

How large a problem is corporate indebtedness? How effectively did the financial sector give assistance to businesses?

- **Is there a need for a new state sponsored investment bank? If so, what should it do?**

No response

What improvements can be made to institutions to ensure that responses to crises like these are more robust in the future and policy makers have the data they need? What further analysis should the Government do and make transparent?

Whilst the current pandemic raises issues not seen before, the most recent pandemic guidance relevant to community pharmacy was developed in 2013. Whilst it was updated in 2017, it was based on the 2009 Swine Flu outbreak and relied on the next pandemic being a pandemic flu. Notwithstanding the lack of preparation, the decision-making process caused additional pressures within community pharmacy. The speed of decision making was excruciatingly slow, with an apparent lack of concern for the impact no-decision had on businesses. In many cases contractors were forced to make unilateral decisions on key aspects of disease control, which in turn caused patient confusion from differing actions and added costs where decisions made in good faith but later needed to be reversed. These challenges of decision making were compounded by the split (and occasionally competing) responsibilities of NHSE&I and the Department of Health and Social Care.

Impact assessments are a vital part of policy implementation and should always be undertaken and shared with stakeholders. However, following an undertaking of the proposed change, the impact assessment should be revisited – understanding what happened and how this differs to the assessment. These reviews will enhance the robustness of future impact assessments while informing and enabling faster decision making in the future.

Community pharmacy is an essential part of the NHS but operates in a fundamentally different way. As private businesses, primarily contracted to the NHS, the risk of business viability is a real concern. Working on an activity payment basis means any restrictions or reductions to workload undermines the business health in a way not seen in the wider NHS. Similarly, local restrictions and changed

patient pathways mean that local service income required to supplement an insufficient national contract was significantly curtailed. Pharmacies face the very real possibility of bankruptcy if unable to receive sufficient income. Other NHS providers do not.

The pandemic has led to an increase in the costs of providing care. Social distancing requirements, PPE costs and changes to ways of working inhibit the efficiency of pharmacy teams – which in turn increases the costs of 'every day' business. Managing freely accessible public spaces and the corresponding queues takes additional staff time, above that pre-COVID-19. Other parts of the NHS have (understandably) changed their workload, or delayed patient treatment. The funding model of community pharmacy does not allow this. Accordingly, pharmacies are paying more to achieve similar outputs. These increased costs and reduced efficiencies not only undermine the business model but also places pressures on cash flow.

Policy makers need an understanding of how cash flow pressures can drive behaviour. The stress placed on business owners, compounded by an uncertain loan repayment term, inhibits sound business decisions, including keeping premises open and colleagues on the payroll. Businesses have the data/insight, combined with contact and local knowledge of the populations they serve. This is not available to policy makers and should be a valuable part of creating and implementing policy. A fundamental shift in thinking is required, recognising the shared values of government and community pharmacy. As demonstrated during the pandemic community pharmacy provided an essential lifeline to communities and the NHS, not to maximise profit but as part of a wider social responsibility. By harnessing this potential partnership and understanding the needs of business, policy makers will be able to respond more quickly and decisively.

What are the consequences of high national debt? What should the new fiscal rules be?

No response.

The Spending Review was originally due in the Autumn 2019 but has now been postponed for more than a year. How robust is it in times of crisis?

The spending review was not comprehensive enough to provide businesses with the details needed to plan. Much of the content provided short term details and greater clarity is needed. In particular, the absence of clear information on the impact of EU-exit was concerning. It is not yet known how EU-exit may impact the costs of key supply chains, such as medicines. This in turn risks cash flow within community pharmacies. The spending review did result in additional funding for the NHS, critical during a health crisis. However, despite this additional funding community pharmacy (in England) has not received any specific and meaningful financial aid. Additionally, the review did not include details on rates relief including recognising physical premises and the associated costs of operating these.

How effectively did the Government work with the Bank of England? Was fiscal and monetary policy well-co-ordinated? Do there need to be changes to the monetary and fiscal framework?

No response.

What are the productivity challenges in the wake of the coronavirus crisis?

- **How has the crisis impacted on innovation and technological development? What problems could technology solve and what problems will it cause?**

Within England NHSE&I have, prior to the coronavirus pandemic, expressed their desire to increase the use of technology within community pharmacy, releasing the capacity gains within pharmacies allowing greater clinical patient care. However, to date key enablers to these changes remain unrealised. Additionally, it became evident early in the pandemic that the current technology used within primary care did not meet the needs of the modern healthcare setting. Existing digital solutions were not flexible to change and the changing environment meant businesses were forced to use inefficient workarounds to meet the needs of patients and customers.

- The Medicines and Medical Devices Bill, whilst currently passing through the legislative process will need significant efforts to implement. Whilst allowing “Hub and Spoke” technology between legal entities there is a need to carefully plan and implement the changes this will bring. We would want to see an agreed programme, developed in conjunction with all sectors across the medicines and devices supply chain and users to implement the benefits of this legislation.
- To enable greater automation there is a need to allow ‘Original Pack Dispensing’. This requires both changes to the Drug Tariff and a capability increase of the current electronic prescribing system. However, the changes to capacity in community pharmacy are expected to be sizeable.
- The current and common understanding of dispensing practice within community pharmacy is limiting to clinical practice. The ability to confidently and safely delegate responsibilities within the day-to-day running of a dispensary is essential to innovation and enabling the use of new technologies.
- An absence of a single patient record meant that patients displaced from their usual place of care (due to lock down restrictions, different NHS ways of working and changing behaviours) received care from pharmacies with incomplete information. Whilst the Summary Care Record (which came later in the pandemic) provided some benefit, it was and remains insufficient. There is a need for greater access to combined patient records to ensure continuity of care.
- Much of the necessary innovation and change throughout the pandemic was hampered by the bureaucracy endemic in the healthcare system. There is a need to ruthlessly review existing requirements, automate any necessary data collection and create new systems and specifications that can respond to a quickly changing environment.
- The Electronic Prescribing System within England is no longer fit for purpose, not meeting the needs of a modern healthcare system. A new system is required that supports linked messaging, prioritise prescriptions and provide full end-to-end visibility of prescription status.
- General Practice began triaging patients very early in the pandemic which led to a significant (and (unintended) increase in patients physically accessing community pharmacy for face to face consultations, advice, and treatment. Whilst the NHS will rightly celebrate the digital transformation in primary care this has in turn moved more complicated patient scenarios into community pharmacy. This adds pressure both through the level of training needed by pharmacy teams but also the efficiency with which large numbers of patients can be managed. This places higher risk patients under the care of community pharmacy. Whilst this is within the capability of the sector and part of the NHSE&I desired transformation of practice, this work is currently unfunded risking long-term viability. There needs to be an appreciation in all innovation of the impact on linked environments, such as GPs and community pharmacies.

More broadly there is a looming workforce concern amplified by COVID-19.

- The increased tendency to work from home adds additional costs for IT spend, whilst changing the underlying cost of conducting business.
- As pharmacy was (and is) an essential part of the country’s response to COVID-19 many people forwent holiday during the initial lock-down. Continued absence, due in part to self-isolation, has further impacted the ability to use holiday entitlements in year. This creates a looming personnel issue that will need resolving impacting future productivity.
- The apprenticeship levy is key to ensuring businesses have the skills and workforce for the future. What is needed to fully utilise this scheme is greater flexibility in the use of the funds and without sunsetting the funding. Despite the extenuating circumstance of the pandemic there have been problems extending the sunset deadline.
- Incoming changes to immigration risk a potential future pharmacy professional workforce gap. There will be a greater need for domestic training from both the NHS and companies. Where companies are expected to deliver training, it is often unfunded and in a post-COVID-19 environment, funds for investment of any kind will be difficult to justify.
- The expected pace of digital change, following the learnings of the pandemic is likely to result in a huge future demand for digital development resource. It is currently not clear if there is sufficient skills and knowledge available to support the development from all sectors.

- Similarly, new technologies may well require physical hardware to support this. At this time, the impact of EU-exit remains unknown and how this may impact the potential to innovate.

January 2021