Department of Health

# Community Pharmacy in 2016/17 and Beyond

## The Pharmacy Access Scheme (PhAS)

October 2016

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# Executive summary

This document sets out the rules and eligibility criteria for the Pharmacy Access Scheme (PhAS). The PhAS is one of the elements of the Community Pharmacy reform package to be implemented from December 2016, following the Government's consultation on Community Pharmacy in 2016/17 and beyond. For information on the full package of changes please refer to "The Final Package", which is available here https://www.gov.uk/government/publications/community-pharmacy-reforms.

# 1. Aim

1.1. The aim of the Pharmacy Access Scheme (PhAS) is to ensure that a baseline level of patient access to NHS community pharmaceutical services in England is protected. The PhAS will protect access in areas where there are fewer pharmacies with higher health needs, so that no area need be left without access to NHS community pharmaceutical services. Qualifying pharmacies will receive an additional payment, meaning those pharmacies will be protected from the full effect of the reduction in funding from December 2016.

1.2. The scheme will be paid for from the funding for the community pharmacy contractual framework (CPCF). The PhAS will be an additional monthly payment made to all small and medium sized pharmacies that are a mile or more from another pharmacy. These payments will mean that those pharmacies make a smaller efficiency saving than other pharmacies, 1% in 2016/17 and 3% in 2017/18. Pharmacies dispensing the largest prescription volumes (the top 25%) will not qualify for the scheme – these pharmacies are large businesses who we expect to continue to be viable in any case.

1.3. The PhAS has been designed to capture the pharmacies that are most important for patient access, specifically those pharmacies where patient and public access would be materially affected should they close. The PhAS takes isolation and need levels into account.

1.4. Pharmacies in areas with dense provision of pharmacies are excluded from the scheme. The PhAS is designed to safeguard a baseline level of access to NHS community pharmaceutical services. In areas with high numbers of pharmacies, public access to pharmacies is not at risk. To best protect access, the scheme is focussed on areas that may be at risk of reduced access; for example where a local population relies on a single pharmacy.

1.5. The scheme will include a review process to deal with any inaccuracies in our calculations, or any unforeseen circumstances affecting access; like a road closure. We will also review cases where there may be a high level of deprivation, and pharmacies are slightly less than a mile from another pharmacy, but critical to access.

# 2. Eligibility

2.1. Pharmacies do not need to apply to the scheme to be eligible; eligibility has been calculated nationally, based on data relating to how many prescription items a pharmacy dispensed in 2015/16, to assess their size (small, medium or large), and data relating to the distances between pharmacies.

2.2. If a pharmacy is eligible for the PhAS, their first PhAS payment will be included in their reconciliation payment that relates to prescriptions dispensed in December 2016. These payments will continue monthly until the payment for March 2018.

2.3. A pharmacy is eligible for the PhAS if it meets all of the following criteria:

- The pharmacy is more than a mile away from its nearest pharmacy (measured by road distance); and,
- The pharmacy is on the pharmaceutical list as at 1 September 2016; and,
- The pharmacy is not in the top 25% largest pharmacies by dispensing volume.

2.4. Distances between pharmacies are measured by road distance rather than as the crow flies, and are therefore more representative of patient journeys. The data used for this is the Department for Transport's road network data. This includes taking account of footpaths. For these calculations, public transport travel distances have not been taken into account because of the regional variability of provision of public transport, and because public transport timetables are subject to change and so would not be a robust basis for distance calculations.

2.5. Applying these criteria means that 1,356 pharmacies qualify for the PhAS. A list of these pharmacies has been published alongside this document. In addition to this, the list of all pharmacies in England, with the address data used to calculate distances between pharmacies has also been published, and can be found at the following address http://www.nhsbsa.nhs.uk/PrescriptionServices/5827.aspx.

2.6. Pharmacies that dispense the largest prescription volumes will not qualify for the scheme – these pharmacies are large businesses which we expect to continue to be viable anyway. These are pharmacies that are dispensing 109,012 prescription items per year or more. However, if a qualifying PhAS pharmacy subsequently increases the volume of prescription items it dispenses, that pharmacy will not lose entitlement to the PhAS. This is to ensure that pharmacies are not penalised for becoming more efficient, and seeking to grow their business.

2.7. Appliance contractors and dispensing doctors are not included in the scheme. This is because the scheme is a key part of funding changes made to community pharmacy funding. Although similar arrangements are in place for dispensing doctors and appliance contractors, the funding reductions do not apply to these groups. Distance-selling pharmacies (e.g. internet pharmacies) are not included in the scheme. This is because the scheme protects physical access to bricks and mortar pharmacies. Pharmacies that hold local pharmaceutical services contracts with NHS England have not been included in the scheme, because their contracts are funded outside of the CPCF, although they may receive similar payments depending on the terms of their contracts.

2.8. The scheme will run from 1 December 2016 to 31 March 2018. During this time, eligibility will be fixed to the pharmacies that are deemed eligible in the list published on

20 October 2016. This is in keeping with the two year settlement, which will provide greater certainty to NHS community pharmaceutical services than the usual one year deal. Fixing eligibility in this way means that if a new pharmacy opens very close to a pharmacy receiving the PhAS, the PhAS pharmacy will not lose entitlement, nor will the new pharmacy be eligible for the PhAS.

2.9. NHS Community pharmaceutical services funding levels and the PhAS beyond March 2018 will be subject to further consultation, which will include reviewing the PhAS and its effectiveness.

2.10. As described above, the aim of the PhAS is to capture the pharmacies that are most important for patient access, specifically those pharmacies where patient and public access would be materially affected should they close. The PhAS takes pharmacy isolation and population need levels into account; this is done by cross checking information held on needs and isolation of populations against the pharmacies included in the scheme.

# 3. Payment Calculations

3.1. We believe that all pharmacies should contribute to the efficiency savings needed, including PhAS pharmacies. Recognising that pharmacies supported under the PhAS are deemed the most important for access, we think the level of efficiencies they make should be smaller compared to others. PhAS pharmacies will be required to make a 1% efficiency saving in 2016/17 and a 3% saving in 2017/18. This efficiency saving is smaller than the saving made by pharmacies who do not qualify for the PhAS (4.6% in 2016/17 and 8.3% in 2017/18).

3.2. Pharmacies will receive fixed monthly payments, in addition to other fees and allowances. These will be roughly equivalent to the funding reduction for each pharmacy, with a small efficiency saving, as described above.

3.3. On average, this will equate to about £11,600 per annum in 2016/17 and about £17,600 per annum in 2017/18 for each eligible pharmacy. This is about £2,900 per month in 2016/17 and about £1,500 per month in 2017/18. The monthly payment is higher in 2016/17 because the payment is being made for just 4 months (payments for December 2016 – March 2017) whereas the 2017/18 payment is made over 12 months.

3.4. To calculate the payment for each pharmacy, we calculate what their remuneration would have been in 2016/17 had NHS community pharmaceutical services funding remained unchanged (whilst accounting for the small efficiency saving). We then calculate what we expect each pharmacy to earn under the new fee structure, and we then pay the difference. When we calculate this, we factor in what we expect pharmacies to earn through the new quality payment. This calculation for each pharmacy is set out below:

2016/17 PhAS payment = (2015/16 remuneration * 0.99) – (2016/17 estimated remuneration)

2017/18 PhAS payment = (2015/16 remuneration * 0.97) – (2017/18 estimated remuneration)

3.5. The actual number of items dispensed in 2015/16 is applied to the new funding structure in 2016/17 to give an estimate of 2016/17 remuneration assuming prescription volume remains constant. The PhAS pharmacy is then paid the difference between 2015/16 actual remuneration and 2016/17 estimated remuneration (less a 1% efficiency saving, which is deducted from 2015/16 remuneration in the calculation). The same approach is used for 2017/18 remuneration, using the 2017/18 funding structure and a 3% efficiency saving.

3.6. For pharmacies that opened during 2015/16, or before the 1 September 2016, an estimate of the PhAS payment will be calculated using the prescription volume data held, and will be adjusted at a later point when further data is available.

# 4. Reviews

4.1. A review process has been included in the scheme to allow for consideration of extenuating circumstances which may mean that access is not being protected in the way intended by the scheme. The cases that will qualify for a review are as follows:

a) Inaccuracies (for example if the pharmacy postcode is incorrect or the distance from the next pharmacy is calculated incorrectly)

b) Physical feature anomalies (such as a semi-permanent roadblock meaning two pharmacies are then more than 1 mile from each other)

c) "Near miss" pharmacies in areas of high deprivation

4.2. If a pharmacy falls under one of the two categories in paragraph 4.1(b) and (c) above, that pharmacy has passed the first stage of the review process, and will be entitled to PhAS payments, if that pharmacy can demonstrate that it is critical for patient access.

4.3. Pharmacies relying on a physical feature anomaly will have to provide evidence of that anomaly. That is, they will need to make an application and submit evidence. This evidence will need to demonstrate, on a balance of probabilities that the normal "1 mile rule" produces an unreasonable outcome in the particular circumstances of their case. If a semi-permanent road or bridge closure means that the nearest pharmacy is in fact more than a mile away, the first stage of the review will be passed successfully. If the problem is that the distance to the nearest pharmacy is in fact less than a mile but the journey is particularly difficult, the reviewer will need evidence of the level of difficulty and the problems surmounting that difficulty.

4.4. Reviews of eligibility will also be granted for pharmacies that may have narrowly missed out on the scheme through the distance criteria, but are in areas of high deprivation. This will cover pharmacies that are located in the top 20% most deprived areas in England, and who are located 0.8 miles from another pharmacy. For this purpose, we will look at the top 20% of Lower Layer Super Output Areas (LSOAs), when ranked by the Index of Multiple Deprivation. LSOAs are a standardised unit of geography in the UK. An LSOA varies in geographical size according to population density, but has an average population of about 1,600 in 2011.

4.5. If a pharmacy satisfies the first stage of the test, in either a "physical feature anomaly" case or a "near miss in an area of deprivation" case, to then qualify for the PhAS payment, the pharmacy would also have to demonstrate on a balance of probabilities that they were critical for access (this does not need to be demonstrated in cases of simple inaccuracy). The burden of proof on that point would fall to the pharmacy. The top 25% of pharmacies by prescription volume would still be excluded here, as for the scheme generally. Additional funding for successful reviews under this criterion will be made available as required.

4.6. A pharmacy seeking to demonstrate that it is critical for access would need to do this having regard to the aims of the scheme set out in the first section of the document. In particular, it would need to demonstrate that a local population relies on that pharmacy and would be materially affected by its closing.

4.7. In the context of relocation applications, pharmacy businesses are already used to presenting evidence of the population that is accustomed to using the services of the pharmacy, and that would clearly be relevant here. However, it is also important to

emphasise what is not relevant. Assessments of service quality, as opposed to access, will be dealt with by other payments - the quality payment itself, and payments for enhanced services, which could include for example payment for a translation service (as a language access service).

4.8. The health needs of the population may however be relevant to whether or not the local population is materially affected by the closure. The particular nature of the deprivation in "near miss" cases may therefore be relevant. They may also be particularly affected if there are strong links between that pharmacy and the local community via geography. For example, it is the sole pharmacy on a particular housing estate, even if another pharmacy is 0.9 miles away on a High Street.

4.9. Ultimately, the review will be looking at the particular local circumstances and the decision will be a matter of discretion. This is essentially a "safety valve" provision, not intended to cut across the policy and objectives of the scheme and reviewers will be looking for circumstances that are genuinely exceptional. Every pharmacy should be able to make a case that they are of value to some patients, but that does not make them critical to access.

4.10. Applications for reviews will need to be made within three months of the start of the scheme (1 December 2016). Reviews will be administered by NHS England; details of where to send requests for reviews will be released shortly Applications for review will be accepted from 1 November 2016. NHS England will aim to complete a review within six weeks of receiving a request.