

Response to request for further level of detail in relation to the Prescribing data (overspend) from the Q3 Finance Report Oct-Dec 2019 presented to committee in Feb 2020.

“The predicted overspend is on the backdrop of two cost pressures which the CCG has no control over. This is namely the unexpected increase in Category M medicines mid-year and the continued cost pressure associated with no cheaper stocks obtainable (NCSO).

Cat M cost pressure (See notes below regarding the history of Cat M)

Category M reimbursement prices increased by £15 million a month in England from August 2019. This is to correct a predicted shortfall in the margin delivery rate for community pharmacies in the current financial year and it will be reviewed in the autumn.

For Wolverhampton that's likely to result in a **600K cost-pressure this year**.

NCSO – An NSCO status was used where products listed in Part VIIIA & Part VIIIB of the Drug Tariff were not available at the set Drug Tariff reimbursement price, without which pharmacies would be dispensing at a loss.

The Department of Health therefore adjusts the price of these medicines to better reflect the cost pharmacies are able to purchase medicines from manufacturers. This leads to a cost pressure to CCGs prescribing budget. Quite often, this is as a result of stock shortages of medicines (but not always). Another issue is the price of these medicines can be often inflated when it returns to the Drug Tariff. For example the cost of a basic medicine for treatment of blood pressure, which may have been £5 per month, suddenly becomes £30 and enters the NCSO list at this price, however when stocks are more readily available it returns to drug tariff at £10 per month.

Current NCSO in Wolverhampton

Total pressure of all concessions & NCSO on total act cost of all prescribing and on products off concession & NCSO but back into d/t at increased prices on total act cost of all prescribing

YTD	Apr 19	May 19	Jun 19	Jul 19	Aug 19	Sep 19	Oct 19	Nov 19
£819,617	£65,686	£92,122	£93,529	£100,951	£135,076	£120,049	£100,515	£111,689

NCSO continues to be a cost pressure for CCGs. For Wolverhampton, this has resulted in a 820K cost pressure for first 8 months. Projections suggest this will result in an annual cost pressure of 1.2M

Hence the total combined cost pressure from NCSO + Cat M = 1.8M

The work carried out by all prescribers across the city in conjunction with the Prescribing Support Team, utilisation of Optimise Rx and strategic direction from CCG Medicines Optimisation team, has managed to offset this pressure by maximising efficiencies in other areas.

History of Category M

Category M was introduced into the Drug Tariff in April 2005 when the new community pharmacy contractual framework was launched. Key points about the system:

- *Category M is used to set the reimbursement prices of over 500 medicines.*
- *It is the principal price adjustment mechanism to ensure delivery of the retained margin guaranteed as part of the contractual framework.*
- *It uses information gathered from manufacturers on volumes and prices of products sold plus information from the Pricing Authority on dispensing volumes to set prices each quarter.*

- *As prices have to be set in advance, estimated volumes are used which may differ from actual volumes. However, the built in correction mechanism ensures that the quarterly adjustments account for any over or under recovery in practice.*

One problem that can arise is products not being available to purchase at the Category M reimbursement price, these can then go into Cat C, substantially elevating the price of the medicine.

The DH sets Category M prices at levels substantially above the prices notified by manufacturers. But when the Category M reimbursement price for a particular product falls, it may take time, and sustained pressure from pharmacies, for wholesale prices to respond. During this period, it is essential that contractors exert maximum pressure on wholesalers. There have been a number of examples where manufacturers prices were below the Drug Tariff price but a product could not be obtained at the Drug Tariff price from a number of wholesalers."