

Dear Colleague

**PHARMACEUTICAL SERVICES
AMENDMENTS TO DRUG TARIFF IN RESPECT OF
ADVANCE PAYMENT ARRANGEMENTS FROM 1
DECEMBER 2014**

Summary

1. This Circular advises of changes in the Drug Tariff to advance payment arrangements with effect from advance payments for December 2014 dispensings paid January 2015 with final November 2014 payments.

Background

2. NHS Circulars [PCA \(P\) \(2014\) 7](#), [13,14](#) & [19](#) advised of details of the community pharmacy funding envelope for 2014-15 and consequential amendments to the Drug Tariff in respect of changes to remuneration arrangements effective from April, July and October 2014 dispensings respectively .

3. This Circular advises of a further change to the Drug Tariff effective from December 2014 dispensings paid January 2015 with final November 2014 payments to provide relief for contractors in respect of the two months when community pharmacy contractors experience the most cash flow pressure. The detail of the changes made effective from dispensings 1 December 2014 are as follows:

7 November 2014

Addresses

For action

Chief Executives, NHS Boards

For information

Chief Executive, NHS NSS

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- the rate of advance payment in respect of December (paid January) dispensing months is raised from **90** to **100**%.
 - the rate of advance payment in respect of January (paid February) dispensing months is raised from **90** to **95**%.
 - the rate of advance payment in respect of all other dispensing months February-November inclusive remains unchanged at **90**%.
- separately the scope of the measured and fitted fee in respect of hosiery and trusses introduced with effect from October 2014 dispensings is also extended to include all lymphoedema garments.

4. These changes included in the new composite arrangements detailed in the Annexes supercede all previous entries in the Drug Tariff with respect to centrally set remuneration.

Consultation

5. Community Pharmacy Scotland has been consulted on the Drug Tariff amendments and the contents of this Circular.

Action

6. Health Boards are advised to send a copy of this Circular to all community pharmacy contractors and Community Health Partnerships in their areas.

Yours sincerely



Bill Scott
Chief Pharmaceutical Officer and
Deputy Director, Pharmacy & Medicines Division

DRUG TARIFF PROVISIONS WITH RESPECT TO COMMUNITY PHARMACY REMUNERATION WITH EFFECT FOR THE DISPENSING PERIOD STARTING FROM 1 NOVEMBER 2014

Establishment Payment

All 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, but will be subject to the ***post transition stabilisation arrangements*** detailed in this Annex.

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 above single flat rate payment
>5 </=10	60
>10 </=15	75
>15 </=20	85
>20 </=25	90
>25 </=30	95
>30	100

Dispensing Pool payment –standard arrangements for contractors with established dispensing histories

With effect for dispensing months from October 2014 all contractors on the list on the 1st 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 and subject jointly with the ***Establishment Payment*** and the ***Pharmaceutical Needs Weighting Payment*** to the ***post transition stabilisation arrangements*** detailed below.

For dispensing months October-December 2014 it will be calculated subject to the stabilisation arrangements detailed below as a share of an enhanced aggregate monthly dispensing pool of **£5.72m (i.e. an annualised pool of £68.6m)**. The share of each eligible contractor is to be calculated as that contractor's share of aggregate dispensings made by all eligible contractors over the dispensing months March to May 2014 inclusive.

For dispensing months January-March 2015 it will be calculated subject to the stabilisation arrangements detailed below as a share of this new aggregate monthly dispensing pool of **£5.72m**. The share of each eligible contractor is to be calculated as that contractor's share of aggregate dispensings made by all eligible contractors over the dispensing months June to August 2014 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 dispensings plus instalments, with each instalment 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 October-December 2014 and January to March 2015 in respect of eligible contractors who were not on the list, or who did not have a predecessor contractor on the list for the periods March to May 2014, or June to August 2014 respectively, or whose calculated payment would otherwise be less than this amount. That minimum payment would then remain in place until the contractor has 3 consecutive months dispensing activity to be used for the determination of his/her dispensing pool payment.

However where a contractor recently added to the list considers that the **£750** payment does not fairly reflect his/her share of overall dispensing activity in the first 3 months of operation he/she 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 –if necessary as a retrospective payment. This provision is back dated to apply for payments related to dispensing month April 2014 onwards.

Example

Date of opening: 1 March 2014
Dispensing Pool Allocation
March to May 2014 **£750 pm**
June to September 2014 **£750 pm** plus the difference between £750pm and the monthly allocation calculated as due using March – May figures to be paid retrospectively
October to December 2014 Calculated amount based on prescriptions dispensed between March to May

Pharmaceutical Needs weighting payment

With effect from October 2014 dispensings 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 October 2014-March 2015 for a Pharmaceutical Needs weighting payment. This is intended to acknowledge additional pharmaceutical needs arising from age or deprivation characteristics of the post code of presenting patients. From October 2014 dispensings an enhanced monthly pool of **£0.3m (i.e.**

an annualised pool of £3.6m) is being deployed from within the Global Sum for this purpose.

This pool is distributed between eligible contractors in accordance with the procedure laid down in Annex B.

As a consequence contractors whose cohort of presenting patients is biased in aggregate towards patients from postcodes with SIMD categories indicating higher than average levels of deprivation and/or patients aged 60 and above, will receive a Pharmaceutical Needs weighting payment which would be higher than their historic share of the predecessor payments (community migration plus shadow fees and allowances) used to form the revised annualised **£3.6m** pool.

Those contractors whose cohort of presenting patients on the other hand is skewed towards those with lower than average levels of deprivation and/or aged below 60 will receive **a minimum Pharmaceutical Needs weighting payment** at the same level as their historic share of predecessor payments used to form the annualised **£3.5m** pool which was in place at 30 September 2013.

Post transition stabilisation arrangements

The dispensing pool payment for each contractor will for the period of dispensing months October 2014 – December 2014 only continue to be subject to short term ***post transition stabilisation arrangements*** such that whilst all contractors who gain under the new arrangements for calculation of the sum of ***Establishment Payment*** plus ***Dispensing Pool payment*** plus ***Pharmaceutical Needs weighting payment***, by comparison with the distribution of the ***cumulative notional predecessor payments*** under the transitional arrangements in place at April 2013 i.e. community migration payments or fees and allowances for contractors who were then in payment category IV e., will receive the full benefit of the new method of calculation, no contractor who by comparison with the same ***cumulative notional predecessor payments*** would lose, will lose more than **10%** of those ***cumulative notional predecessor payments***.

The stabilisation thus calculated will be effected by an adjustment upwards in the calculated dispensing pool payment for the dispensing month concerned, and will be recalculated quarterly .

Payments in respect of dispensing months January 2015 onwards will no longer be subject to stabilisation.

Guaranteed minimum target income for ESPs

The aggregate of ***Establishment Payment plus Dispensing Pool plus Pharmaceutical Needs Weighting Payment*** made to an ESP each month will also be subject after any stabilisation to a guarantee of a minimum target income of:

£3,700 for full time contractors

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

Hours contractor is open	% of above 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 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.

Care Home Dispensing Payment

Arrangements for Care Home Dispensing Payments to all contractors introduced at April 2014 continue unchanged. At that time they were rebased with effect for the 3 dispensing months commencing with April 2014 dispensing payments paid June. An annual quantum of **£3.819m** applies distributed between all contractors on the list at 1 April 2014 and on the list for the full period (1 December 2012-30 November 2013) on the basis of an analysis by ISD of the identifiable CHI numbers on prescription items processed by each contractor in the period (1 December 2012-30 November 2013) 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.

Thereafter these payments will continue to be updated quarterly on the basis of the same annual quantum of **£3.819m** (quarterly equivalent **£0.955m**). For example for the 3 dispensing months of the quarter concerned (i.e. commencing July 2014/October 2014/January 2015/ April 2015 etc.) commencing with July 2014 dispensing payments paid 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 2013-28 February 2014/1 March 2014-31 May 2014/1 June 2014- 31 August 2014/1 September-30 November 2014 etc. respectively) on the basis of an analysis by ISD of the 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.

This regular rebasing is to ensure that payments reflect recent care home dispensing activity and are as fair as possible. It may mean that a contractor previously not receiving a payment will in future receive a payment, or that a contractor may no

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longer receive a payment or that a contractor will receive a different level of payment.

Operations and Development Payment (O&D payment)

With effect from October 2014 dispensings arrangements in respect of the O&D payment are updated as follows:

Eligibility criterion

Eligibility to receive both the fixed and variable element of this payment in respect of October 2014- December 2014 dispensings is that a contractor has to have been on the Pharmaceutical List on 1 April 2014 and to continue to be so at the 1st day of the dispensing month concerned.

Contractors who join the Pharmaceutical List on a date after 1 April 2014 will be eligible for the fixed element of the payment only.

Pool available for payments

For the dispensing months October- December 2014, the aggregate monthly amount available for the calculation of target O&D payments to contractors is **£0.536m**.

Determination of aggregate target payments for contractors

The 'aggregate target monthly O&D payment' for each eligible contractor for dispensing months October 2014-December 2014 will be that in force for the contractor concerned at 30 September 2014.

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 the recalculated 'aggregate target monthly O&D payment' for that contractor less £125.

For example;

An aggregate target monthly O&D phasing payment of **£500** for dispensing month April 2014 would be divided as,

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

Where a contractor acquires an established pharmacy after 1 April 2014 the new contractor will inherit the target O&D payments of the original contractor.

For the dispensing months October-December 2014,

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the variable element of the payment will be targeted to:

- Continue encouraging new medicines and high risk medicines interventions and prompt assessments following CMS registration with the target rate of intervention raised as detailed below
- implementation of Standard Operating Procedures (SOPs) for serial dispensing

and the fixed element towards support for contractors who have agreed to offer the

- Gluten Free Foods Additional Pharmaceutical Service on a 12 month trial basis, and,

The criteria, checks and calculations which will determine payments in respect of the dispensing months of October-December 2014 paid respectively December 2014-February 2015 will be as follows

Criterion for payment of the fixed element

All contractors, who are on the list on the 1st day of the dispensing month concerned October to December 2014 and who have accepted their Health Board's invitation to offer the Gluten Free Foods Additional Pharmaceutical Service, will automatically receive the fixed element of the payment.

Criteria for payment of the variable element

Checks B13-B15 – In respect of dispensing months October- December 2014 respectively Boards will check contractors' performance with respect to a target for all patients registered at end July-September 2014 respectively, having been assessed.

Checks E13-E15 - Boards will check that the total of high risk or new medicine interventions carried out by 31 October/30 November/31 December 2014 respectively is at least **5%** of patients registered for CMS at 31 July/31 August/30 September 2014 respectively.(i.e. .the target rate of **5%** replaces the level of **4%** used in prior months)

Checks F13-F15 - Boards will check if the contractor has completed implementation of Standard Operating Procedures (SOPs) for serial dispensing by 31 October/30 November/31 December 2014 respectively.

Each check will be carried out once only and the level of the variable payment for each dispensing month will be made in accordance with the following Table and conditions.

Dispensing Month	Report issued by PSD to Board	Notification by Board to PSD	Payment Due	Check applied	Criterion scrutinised by NHS Board	Criterion Met?
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						Yes	No
Quarter October- December 2014							
October 2014	16 th November 2014	30 th November 2014	End of December 2014	Check B13	95% of patients registered up to 31 July 2014 have been assessed	Variable element of target O&D payment made	Reduction of 25% applied to variable element of target O&D payment for October 2014
				Check E13	Total of new medicine plus high risk medicine interventions carried out and completed by 31 October 2014 is at least 5% of patients registered for CMS at 31 July 2014 *	Variable element of target O&D payment made	Reduction of 25% applied to variable element of target O&D payment for October 2014
				Check F13	The contractor has completed implementation of Standard Operating Procedures (SOPs) for serial dispensing by 31 October 2014*	Variable element of target O&D payment made	Reduction of 25% applied to variable element of target O&D payment for October 2014
November 2014	16 th December 2014	30 th December 2014	End of January 2015	Check B14	95% of patients registered up to 31 August 2014 have been assessed	Variable element of target O&D payment made	Reduction of 25% applied to variable element of target O&D payment for November 2014
				Check E14	Total of new medicine plus high risk medicine interventions	Variable element of target O&D payment made	Reduction of 25% applied to variable element of target O&D

					carried out and completed by 30 November 2014 is at least 5% of patients registered for CMS at 31 August 2014 *		payment for November 2014
				Check F14	The contractor has completed implementation of Standard Operating Procedures (SOPs) for serial dispensing by 30 November 2014*	Variable element of target O&D payment made	Reduction of 25% applied to variable element of target O&D payment for November 2014
December 2014	16 th January 2015	31 st January 2015	End of February 2014	Check B15	95% of patients registered up to 30 September 2014 have been assessed	Variable element of target O&D payment made	Reduction of 25% applied to variable element of target O&D payment for December 2014
				Check E15	Total of new medicine plus high risk medicine interventions carried out and completed by 30 December 2014 is at least 5% of patients registered for CMS at 30 September 2014 *	Variable element of target O&D payment made	Reduction of 25% applied to variable element of target O&D payment- for December 2014
				Check F15	The contractor has completed implementation of Standard Operating Procedures (SOPs) for serial dispensing by	Variable element of target O&D payment made	Reduction of 25% applied to variable element of target O&D payment for December 2014

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					31 December 2014*		
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* unless extenuating circumstances are agreed by Health Board

The individual capitation targets for each contractor in respect of checks B and E, calculated as above will be rounded down to the nearest whole number.

The effect of the reductions following application of Checks B, E & F is individual but potentially cumulative. Contractors who fail to meet all 3 checks in a particular month will therefore see the variable element of their target payment reduced by **75%** for that particular month. Contractors who fail to meet 2 out of 3 checks in a particular month will see the variable element of their target payment reduced by **50%** for that particular month and contractors failing one check will lose **25%**.

Patient Services elements of Public Health Service (PHS)(Smoking Cessation)

All contractors with whom the NHS Board has made an arrangement for the provision of the Public Health Service (PHS) will receive payments in respect of dispensing months October 2014 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 detailed. 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
Event A Submission of the MDS 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 post-quit date follow-ups.	A count will be made on the central smoking cessation database of patients for MDS submissions for new quit attempts that meet the validation requirements that have not been remunerated
Event B 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 submissions for the four-week stage that meet the validation requirements that have not been remunerated
Event C 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 submissions 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 a calendar month.

The supplementary advice at paragraph 5 of NHS Circular PCA (P)(2014) 13 regarding electronic MDS completion remains in place.

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 **£20**

In addition along with the payments for the dispensing month of March 2015 **an additional year end payment** will be made to contractors who have been on the list and providing the PHS Smoking Cessation service continuously between 1 July

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2014 and 31 March 2015 in accordance with the requirements of the Service Specification and associated Directions. The method for the calculation of the payment for each eligible contractor will be added to the Drug Tariff and advised by Circular in due course.

Quality and Efficiency Payment

The arrangements in place at 30 September 2014 (i.e. payments made subject to electronic claims rates of **80%** or above) will roll forward for the dispensing months **October 2014-January 2015** but updated conditionality will come into force in respect of payments for dispensings **February 2015 onwards** as detailed below.

All contractors on the Pharmaceutical List for the dispensing months **October 2014-January 2015** onwards will continue to be eligible to receive a contractor specific Quality and Efficiency Payment proportional to their achievement of the target of making **90%** of all claims electronically with a maximum payment for making **90%** or more claims electronically, provided a minimum electronic claim rate of **80%** has been achieved.

The monthly target Quality and Efficiency Payment for each individual contractor will remain at the level in force for March 2014 dispensings for those on the Pharmaceutical List at 31 March 2014 and will be **£150** for all contractors added to the list 1 April 2014 onwards.

The conditionality with effect from **February 2015** dispensings paid **April 2015**, (for which the electronic claims rate achieved in **January 2015** will be the metric used), will then be change, although each contractor's monthly target Quality and Efficiency Payment will continue to be as stated in the previous paragraph. .

Thus from that point to receive any payment for a particular month a contractor will have to achieve a rate of claims of at least **85%**. At or above this claims threshold the contractor will continue to receive a payment pro rata to achievement against the **90%** claims rate target, with the payment capped at the contractor's own target Q& E payment. Below this threshold the contractor will not be eligible for any payment.

Electronic Claim Rate Used for calculation	Prescriptions Dispensed	Paid For Activity	Target rate for electronic claims	Achieved rate of electronic claims in that month	Payment due

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July 2014 and subsequent months up to and including December 2014	August 2014 and subsequent months up to and including January 2015	October 2014 and subsequent months up to and including February 2015	90%	<80%	NIL
Ditto	Ditto	Ditto	90%	>/=80% & <90%	Pro rata contractor's target Q&E payment which applies at 90% achievement
Ditto	Ditto	Ditto	90%	>90%	Capped at contractor's target Q&E payment
January 2015 and subsequent months	February 2015 and subsequent months	March 2015 and subsequent months	90%	<85%	NIL
Ditto	Ditto	Ditto	90%	>/=85% & <90%	Pro rata contractor's target Q&E payment which applies at 90% achievement
Ditto	Ditto	Ditto	90%	>90%	Capped at contractor's target Q&E payment

Performance of all contractors against the target electronic claims rate of 90% will continue to be monitored. It is planned that the new **85%** electronic claims threshold will be reviewed after 6 months in force.

Stock order on cost

The on cost allowance for items (except for flu and pneumococcal vaccines) ordered by General Medical Practitioners on Form GP10A is 17.5% of the net ingredient cost of the items concerned, calculated in accordance with paragraph 16 of Pt 1 of the Drug Tariff.

Flu vaccine dispensing fees

Flu vaccine dispensing fees for the 2014-15 flu season are detailed in NHS Circular PCA(P)(2014)1.

Minor Ailment Service (MAS) - Availability for service payment

Contractors with whom the NHS Board has made an arrangement for the provision of MAS for the dispensing month concerned will receive the following tiered payments related to the number of registered patients for the dispensing 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	£934.00
4	751-1000	£13,218	£1,101.50
5	1001-1250	£15,228	£1,269.00
6	>1250	£15,228 +£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 detailed above:

Hours contractor is open	% of above payment scale rate 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

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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 take over takes place.

Patient Service element of Public Health Service (PHS)(Sexual Health)

All contractors with whom their NHS Board has 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.

CMS Capitation Payment

The base pool from which CMS capitation payments will be calculated for dispensing months **October 2014-March 2015** will continue at the same level in force for the March 2014 dispensing month i.e. **£3m**.

Eligible contractors, being those 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 concerned 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 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 augmented each month by any amount not distributed from within the prior month's monthly base pool plus augmentation.

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 will be the maximum and minimum monthly payments which were already in place at 31 March 2014. Contractors who first joined the list 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**.

Hosiery and trusses measured and fitted fee

With effect from October 2014 dispensings 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 duly endorsed 'measured and fitted'.

Other payments

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All other payments to community pharmacy contractors which are not set centrally under Pharmaceutical Services arrangements, eg. locally set fees for methadone dispensing etc. and centrally set fees for the non Pharmaceutical Services stoma appliance dispensing service will continue unchanged and/or changes will be notified separately.

Arrangements for contractors added to the list 1 April 2014 onwards

Where a contractor is added to the list 1 April 2014 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 Annexes A and B to this Circular, but will not be subject to any stabilisation arrangements.

Those new contractors who are taking over an existing contractor will for the purpose of calculating payments to be made, be assumed to inherit the characteristics, dispensing history, and stabilisation arrangements etc. of the predecessor contractor.

Calculation of advance payments

With effect from December 2014 dispensings paid January 2015 with November 2014 final payment, the method of calculation of advance payments to community pharmacy contractors in respect of centrally set remuneration and reimbursement are 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 predecessor 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 of 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 payment is calculated, it will be calculated as **90%** (or **100%** for dispensing month of 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 1st of a 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 for which data is available

- For contractors who opened after the 1st of a month, their Month 2 Advance will equal: (no. of days open/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 outwith the contractor's control and as a result of which the premises are rendered unfit for trade, the Board may at its discretion 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.

CALCULATION OF PHARMACEUTICAL NEEDS WEIGHTING PAYMENT

Objective

The objective in calculation of the Pharmaceutical Needs Weighting Payment for the dispensing period April 2014-March 2015 is to derive from existing transitional payments a payment to support those contractors whose cohort of dispensing patients are skewed towards those patients with greatest potential pharmaceutical need; which is measured in terms of those whose post codes are linked with higher levels of deprivation and/or patients who are aged 60 years and over.

This payment is calculated in such a way as to support such contractors whilst not penalising other contractors by reference to their historic payments.

Method

For the dispensing period 1 December 2012 to 30 November 2013 ISD have analysed available patient level data of all prescriptions dispensed, to identify post code and age of each patient for whom prescriptions were dispensed by each contractor.

For each contractor the following has been identified:

- the 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 then 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% and 75% of patients under 60 years	1.2	Between 40 and 60% of patients with postcode in the most deprived quintiles	1.2
Between 65% and 75% of patients under 60 years, with more 75+ than 60-74	1.3	Between 40 and 60% of patients with postcode in the most deprived quintiles, and more in the most deprived quintile	1.3
Between 55 and 65% of patients under 60 years	1.4	Between 60 and 80% of patients with postcode in the most deprived quintiles	1.4
Between 55 and 65% of patients under 60 years, with more 75+ than 60-74	1.5	Between 60 and 80% of patients with postcode in the most deprived quintiles and more in the most deprived quintile	1.5
Between 45 and 55% of patients under 60 years	1.6	Between 80 and 90% of patients with postcode in the most deprived quintiles	1.6
Between 45 and 55% of patients under 60 years, with more 75+ than 60-74	1.7	Between 80 and 90% of patients with postcode in the most deprived quintiles and more in the most deprived quintile	1.7
Between 35 and 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 most deprived quintile	2.0

This resulting **combined index** is then applied to a **£3.6m** pool, derived from the total transitional payments available for redistribution to determine the Pharmaceutical Needs Weighting Payment for each contractor.

The Pharmaceutical Needs Weighting Payment thus calculated for each contractor is then compared with the historic share of each contractor's predecessor payments (community migration plus shadow fees and allowances) used to form the **£3.6m** pool.

Where that historic share is higher than the calculated **Pharmaceutical Needs Weighting Payment** (PNWP) the contractor will receive **a minimum Pharmaceutical Needs weighting payment** equal to that historic share.

That payment (either the actual or minimum PNWP) is then subject to the short term **post transition stabilisation arrangements** as detailed in Annex A to this Circular.

Any contractor added to the list between 1 April 2014 and 1 March 2015 inclusive will receive a **proxy monthly pharmaceutical needs weighting payment** calculated as above but using a combined index of 1.0.