

**From Joe Brogan, Assistant Director of Primary Care, Head of Pharmacy and Medicines Management**



**By email**

To All Community Pharmacies

**Strategic Planning and Performance Group**

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Dear Contractor

## **PHASED INTRODUCTION OF REVISED DISCOUNTING ARRANGEMENTS**

In the letter issued on 15<sup>th</sup> January, [Phased Introduction of Revised Discount Arrangements](#) it was noted that “ a simple modelling tool will be made available to contractors such that they can track how the transitional changes to the new discount may impact their pharmacy. This will be available via the BSO website once the first payment has been made under the transitional arrangements (at the end February 2024) when contractors will have information on the gross cost for the 3 fixed discount bands (generics, appliances and brands). Modelling at a contractor level will not be available until then”.

SPPG is aware of correspondence from CPNI (15th January) which “recommends that you contact either SPPG or BSO and ask that they retrospectively model the discount that was deducted for the pharmacy(ies) that you operated in the 18-month period from June 2022-November 2023 according to the new discount clawback rates and the phased approach above”.

This has led to numerous requests for retrospective modelling to be submitted to BSO and the purpose of this letter is to advise there is no facility to provide retrospective

modelling for individual contractors. As detailed in the correspondence of 15<sup>th</sup> January, the new discount arrangements are wholly different to the old arrangements. The current sliding deduction scale does not consider the proportion of branded medicines vs generic medicines being dispensed by a pharmacy. As a consequence, community pharmacies that dispense more branded medicines than average may not have equitable access to the medicine margin. On the other hand, community pharmacies that dispense a disproportionately larger share of generic medicines, may have more than their equitable share of margin. The purpose of the revised discounting arrangements is to ensure that **all contractors have equitable access to the medicines margin**; the changes are not about generating efficiencies for the HSC.

Any retrospective modelling would not provide an accurate insight at an individual contract level given there are 3 new fixed rates versus the current sliding scale. For example, apixaban, the biggest value medicine in NI in 2022/23 came off patent in 2023/24 and therefore is moved from brand to generic for the purposes of the new discount arrangements. Retrospective modelling would place apixaban in the branded group until June 2023, but now it is in the generic group. There are other examples of changes in mix which will have an impact. This is further compounded in that the volume of medicines that have been awarded price concessions, and hence are discounted at the lower branded rate during the concessionary period, varies month by month. For example, in 2022/23 there was a high degree of volatility in the supply chain with larger volume of lines granted concessions, with an associated high value, which varied substantially month by month compared to current value of drugs on concession.

However, if it is assumed that there is an identical volume/profile of dispensing activity (generic, appliance, branded, drugs on concession) during January -March 2024 as compared to the equivalent time period last year for each individual contractor, during the first 3 months of implementation of the new rates (applied at 15% new rates; 85% existing scale):

- 90% of contractors will experience a **reduction in their discount clawback** compared to a no change scenario (continuing with the sliding scale) which equates to an average monthly gain of approx. £100
- 10% of contractors will experience an increase in their discount clawback which equates to an average monthly loss of £20 and a maximum monthly loss of £50

Please note that the figures provided above are **estimates** based on historical patterns of activity and that the impact will vary dependent on future dispensing profiles, and in particular, the level of drugs on concession each month.

The priority for BSO in the coming weeks is to ensure the BSO payment system has been robustly tested and will be operational for the February'24 payment changes (January 2024 prescriptions) to ensure that an accurate payment is made in line with the 30-day payment cycle.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Joe Brogan', written in a cursive style.

**Joe Brogan**  
**Assistant Director of Primary Care**  
**Head of Pharmacy and Medicines Management**