

# Northern Ireland Margin Survey

The Margin Survey is carried out to develop information about purchase prices and margins on pharmaceutical products. This information can then be used to ensure that the Northern Ireland Drug Tariff gives fair and reasonable payment to contractors on an on-going basis.

## **Approach**

The margin survey is managed by a multidisciplinary group which has representations from Community Pharmacy NI (CPNI), the Department of Health (DoH) and both the operational and analytical teams from the Business Services Organisation (BSO).

Methodology was developed by the multidisciplinary team and verified by an Independent Assessor; the key steps in the Margin Survey Process are detailed below.

## **Sampling**

The current methodology examines the margins attained on selected branded and generic drugs from a sample of independent businesses with 5 premises or less across Northern Ireland. “Multiples” are not currently included in the margin survey process.

The first stage in carrying out the margin survey for a given financial year is to produce the pharmacy and drug samples to be surveyed and included in the resulting calculation. Both samples are generated by BSO and then verified by a statistical expert in CPNI.

## **Pharmacy Sample**

- Pharmacies having dispensed less than 20,000 items in the previous financial year are excluded.
- The remaining pharmacies, known as the pharmacy sample frame, are ranked by lowest to highest dispensing volume using the previous financial years dispensing data and split into three equally sized strata.
- 24 pharmacies are randomly selected from each stratum with two being sampled for each month. 72 pharmacies are therefore selected in total (six for each month).

- In recognition of participation in the survey, each pharmacy that submits invoices included in the final database will receive a payment of £200.

### **Drug Sample**

- The drug sample is split over four three-month periods. The sample for each period is drawn based on dispensing information from the corresponding three months of that time period.
- The survey excludes dressings, appliances and specials.
- Approximately 150 branded and 150 generic products are sampled in each three-month period.
- Additional measures ensure that products awarded a concessionary price during the sampled period are proportionally represented within the sample.

### **Invoice Collection**

- BSO sends a letter to each contractor notifying them of selection
- A private Document Security company (Morgan's) make follow-up calls and arrange invoice collection
- The company copies and returns original invoices and statements. One copy is each sent to BSO and CPNI.

### **Data Entry & Validation**

- CPNI and BSO independently:
  - o Review and highlight each purchase of the sample drugs and check for accuracy; and
  - o A database is populated with all transactions of drugs in the sample.
- Data cleansing and checking are carried out jointly by BSO and CPNI

### **Calculation**

Following the completion of data entry and along with other information (Drug Tariff prices, Strata Weights, Wholesaler Discounts, Reimbursement prices,

Clawback, Net Ingredient Cost), a final Margin Survey dataset is produced. The BSO Margin Survey team, CPNI and an Independent Assessor independently carry out the retained margin calculation using the following formula:

Weighted margin after clawback for each drug category

x

Net Ingredient Cost (NIC) for each drug category

On completion of the calculation by all parties, which includes the removal of any atypical purchases using an agreed methodology, the multidisciplinary margin survey team meet to discuss and agree the results.

#### **Appendix 1: Margin Survey Process Flowchart**

