

# Publication Report



## Prescribing & Medicines: Reimbursement and remuneration paid to dispensing contractors

Calendar and financial years 2007-2013

Publication date – 25 June 2013



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### Introduction

Dispensing contractors, i.e. community pharmacists, dispensing doctors and appliance suppliers, are contracted by NHS Scotland to provide a service to the populace of Scotland. To ensure drugs are available for dispensing when a patient arrives with a prescription, dispensing contractors purchase drugs in advance.

Therefore, dispensing contractors receive two distinct types of payment:

- remuneration for the service they provide
- reimbursement for the drugs they dispense

They are derived from information gathered by [Practitioner Services Division](#) (PSD), after the pricing of prescriptions has taken place. Payments to dispensing contractors are made by PSD on behalf of the NHS Boards. Monthly schedules are made available on a quarterly basis and a year-end summary is provided.

The vast majority of payments are made to community pharmacies, and are classified further to distinguish stock order payments and oxygen payments. An example of a stock order item is influenza vaccinations.

Appliance suppliers provide larger items such as bandages and, more commonly, stoma appliances.

Dispensing doctors, as the name suggests, are general practitioners (GPs) who are also contracted to dispense medicines. This generally occurs in more remote areas with a smaller population, where a separate doctor's surgery and pharmacy dispensary may not be practical or financially viable.

## Key points

- The gross total payments to Scottish dispensing contractors decreased from £1,177 million in 2011/12 to £1,118 million in 2012/13.
- The net ingredient cost (NIC) paid to dispensing contractors for drug reimbursement has decreased, from £974 million in 2011/12 to £910 million in 2012/13. However, the cost for remuneration of services shows an increase of £5.0 million (2.5%) from £202.9 million in 2011/12 to £207.9 million in 2012/13.
- The gross ingredient cost (GIC) paid to dispensing contractors in 2012/13 in respect of dispensing was £956.1 million. This is a decrease of £58.7 million (5.8%) when compared to 2011/12.
- The number of prescription items for 2012/13 was 97.0 million. This is an increase of 2.2 million (2.3%) compared to 2011/12. The number of prescription items for 2011/12 was 94.9 million. This was an increase of 3.5 million (3.8%) compared to 2010/11.

## Results and Commentary

The tables are intended to be used primarily as reference tables but may also be used to compare trends of payments from month to month. Information displayed is for the Scotland total payments and the main contents of the table are:

- number of prescription items (including stock orders)
- total gross ingredient cost (GIC) (the total cost of drugs and appliances before discount)
- net ingredient cost (NIC) (the cost of drugs and appliances after deduction of any discount, plus special payments made to dispensing doctors)
- the 'gross total' is arrived at by taking the net ingredient cost, and then adding all fees, expenses, adjustments, oxygen and VAT
- 'net total' is the gross total with patient charges deducted. Patient charges are the monies collected from prescription charges. Note, however that income from pre-payment certificates is not reported
- 'community migration payments' replaces 'transitional payments' from June 2013, which in turn replaced dispensing fees for most contractors from December 2004. Also split out for the first time as at June 2013 are: 'Community Migration Payment', 'CMS Capitation Payment', 'Quality & Efficiency Payment', 'Payment supplement' and 'MCC Adjustment', which were all previously included under the 'Adjustments and other fees' row.

The gross total payments to Scottish dispensing contractors decreased from £1,177 million in 2011/12 to £1,118 million in 2012/13<sup>1</sup>. Of the gross total 18.6% (£207.9 million) is attributed to the remuneration of service, which increased by £5.0 million. The fees and allowances have been revised from July 2012 as explained in the Scottish Government circular [PCA2012\(P\)14](#). The remaining 81.4% (£910 million) is attributed to the net ingredient cost (NIC) of drugs, showing a decrease of £63.5 million on the previous year.

The gross ingredient cost (GIC) amount of payments to dispensing contractors in 2012/13, in respect of dispensing was £956.1 million. This is a decrease of £58.7 million (5.8%) compared to 2011/12.

The main factor for the decrease in the NIC is a net drop in non-part 7 costs, which is due to transfer of major lines into generic products listed in Part 7 of the Scottish Drug Tariff. Recent additions have been noted for reference. The major lines can be found in table 1 below:

<sup>1</sup> Data for 2011/12 was taken from the 26<sup>th</sup> June 2012 financial year remuneration release on the ISD website. Data for 2010/11 was taken from the 28<sup>th</sup> June 2011 financial year remuneration release.

**Table 1 – Recent additions to Part 7 of the Scottish Drug Tariff**

Drug Name	Form	Date Transferred to Part 7
Anastrozole	Tab	Jul-11
Risedronate	Tab	Jul-11
Leflunomide	Tab	Oct-11
Dorzolamide	Eye	Oct-11
Nicorandil	Tab	Oct-11
Exemestane	Tab	Jan-12
Letrozole	Tab	Jan-12
Levetiracetam	Tab	Jan-12
Olanzapine	Tab	Jan-12
Esomeprazole	Tab	Apr-12
Pioglitazone	Tab	Apr-12
Valsartan	Cap	Apr-12
Atorvastatin	Tab	Jun-12
Donepezil	Tab	Jul-12
Latanoprost	Eye	Jul-12
Quetiapine	Tab	Jul-12
Zolmetriptan	Tab	Jul-12
Candesartan	Tab	Oct-12
Desloratidine	Tab	Oct-12
Naratriptan	Tab	Oct-12

Source: Prescribing Information System, ISD Scotland

The full effects of these transfers have not been evaluated, but the drugs included in Table 2 will be major contributors:

**Table 2 – Estimated savings from additions to Part 7**

Drug Name	Approximate annual GIC	Expected price reduction (%)	Expected annual saving	Expected quarterly saving
Letrozole	£10M	90%	£9m/yr	£2.2M/qtr
Olanzapine	£10M	90%	£9m/yr	£2.2M/qtr
Atorvastatin	£44M	75%	£33m/yr	£8.2M/qtr
Quetiapine	£10M	90%	£9m/yr	£2.2M/qtr
Donepezil	£8M	90%	£7.2m/yr	£1.8M/qtr

Source: Prescribing Information System, ISD Scotland

For Atorvastatin the reductions have been phased, and the net costs are now about 10% of the branded version, which amounts to about £10M/qtr.

## Glossary

Gross Ingredient Cost (GIC)	Cost of drugs and appliances reimbursed before deduction of any dispenser discount (note this definition differs from other parts of the UK)
Net Ingredient Cost (NIC)	Cost of drugs and appliances reimbursed after deduction of any dispenser discount (note this definition differs from other parts of the UK)
Community Pharmacy	A retail pharmacy outlet holding a contract with a Health Board to provide NHS pharmaceutical services
Dispensing Doctor (practice)	Dispensing practices exist in those areas of Scotland where the population density is considered too low to support a pharmacy and where the NHS Board has determined that a dispensing service should be supplied.
Appliance Supplier	Appliance suppliers are a specific sub-set of NHS dispensing contractors who are contracted to supply approved medical devices on prescriptions (e.g. stoma).
Essential Small Pharmacy	Not all areas of Scotland that have a need for a pharmacy can support one due to the surrounding population density. The population may be such that insufficient business would be generated to make the business economically viable. The Essential Small Pharmacy Scheme (ESP) was introduced to help maintain a pharmacy service in such localities.
Number of Stock Order Forms	Number of stock orders placed directly by a prescriber e.g. influenza vaccinations. Stock Order Form GP10A is issued by a GP practice to top up items used by the practice for the immediate treatment of patients.
Patient Charges	Income generated from paid prescriptions (£0.00 per item as at 1 April 2011) - excludes prepayment certificates.
Gross cost	Net Ingredient Cost plus dispensing fees plus other fees and allowances centrally paid.
Part 7 items	Generic drug items included in part 7 of the Scottish drug tariff.

## List of Tables

Table No.	Name	Time period	File & size
1	<a href="#">Financial year 2012-13 schedules</a>	Financial year 2012/13	Excel [89kb]
2	<a href="#">Calendar year 2013 schedules</a>	Calendar Year 2013	Excel [128kb]

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## Further Information

Further information can be found on the [Prescribing and Medicines](#) area of the ISD website.

Further information on other ISD publications and datasets can be found the on the [ISD website](#).

## Rate this publication

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## Appendix

### A1 – Background Information

#### How the data is obtained

[Practitioner Services](#), a division of NHS National Services Scotland, processes all NHS prescriptions for payment of pharmacists, dispensing doctors and appliance suppliers. Hospital dispensed prescriptions are NOT included in the figures. The Information Services Division (ISD) cannot say what proportion of the drug dispensed is actually consumed. These data do NOT include products purchased "over the counter". Prescriptions processed internally by Boards for payment purposes are NOT included in these data.

#### Items

An item relates to the number of ingredients dispensed, not an individual product written on a prescription i.e. if one product is an amalgamation of two ingredients this is counted as two items, not one.

#### Changes to the data

Following discussions between ISD and the Scottish Government changes have been made to the publication. Community Migration Payment, CMS Capitation Payment, Quality & Efficiency Payment, Payment supplement and MCC Adjustment have all been added. Transitional Payment has now been dropped as this is included in the new additions. This is to reflect the new payment structure for contractors moving forward from fees and allowances.

## A2 – Publication Metadata (including revisions details)

Metadata Indicator	Description
Publication title	NHS Scotland Prescribing - Dispensing Remuneration
Description	Prescription Charges looks at the volume and gross ingredient cost of prescription items. Dispenser remuneration looks at reimbursement and remuneration of payments made to Scottish dispensers of pharmaceuticals in the community.
Theme	Health and Social Care
Topic	Health Care Personnel, Finance and Performance
Format	Excel workbooks
Data source(s)	Prescribing Information System (PIS). All data held in PIS is sourced from Practitioner Services Division (PSD) within NHS National Services Scotland who are responsible for the remuneration and reimbursement of dispensing contractors within Scotland.
Date that data are acquired	Data is acquired on a monthly basis from PSD following payment approximately 2 calendar months after the end of the month being claimed for payment by contractors
Release date	25 June 2013
Frequency	Quarterly
Timeframe of data and timeliness	Data covering financial and calendar year to 31 March 2013.
Continuity of data	Data is held in PIS for the most recent 10 years and is stored in archive files back to 1993/94. The definition of the main measures such as gross ingredient cost and number of items are unchanged over this period. Types and value of dispensing fees are agreed with the Scottish Government and set annually. Details can be found in the Scottish Drug Tariff and in <a href="#">Primary Care circulars</a> issued by the Government. Drug products are first licensed as proprietary medicines but generic versions often appear once the original patent expires. This can affect the price and uptake of these drugs. The Scottish Government sets the reimbursement price of generic drug products via the <a href="#">Scottish Drug Tariff</a> which is updated and issued quarterly.
Revisions statement	Data are sourced from monthly pharmacy payments data on an ongoing basis therefore once published there is no routine requirement to revise historical data. However occasionally adjustments are made to pharmacy payments retrospectively by PSD for example due to an administrative error. Retrospective revisions can also occur in the classification of drugs in the <a href="#">British National Formulary</a> (BNF). Where either of these occur and are deemed to be significant in line with ISD's Revisions policy, a revision will be made to published data. This will be notified on the website.
Revisions relevant to this publication	Community Migration Payment, CMS Capitation Payment, Quality & Efficiency Payment, Payment supplement and MCC Adjustment have all been added for this June 2013

	<p>publication. These were all previously included under 'other adjustments' and will not affect the overall totals.</p> <p>Transitional Payment has now been dropped as this is included in the new additions.</p>
Concepts and definitions	<p>The data published in all these releases correspond to prescriptions that have been dispensed in the community in Scotland, i.e. dispensed by a pharmacy, dispensing doctor or appliance supplier. This includes prescriptions which were issued in another UK country but dispensed in Scotland. These data do not include prescription drugs that were supplied and administered to patients in a hospital setting. Prescriptions issued in hospital to patients on discharge and dispensed in the community are included. Each excel workbook contains further detailed definitions of the main measures and links to a glossary.</p>
Relevance and key uses of the statistics	<p>These statistics are the primary source of data used to monitor the national community drugs bill within Scotland and the pharmacy contract agreed with dispensing contractors. They are also used to monitor national and local prescribing indicators covering both the quality and efficiency of prescribing in general practice.</p>
Accuracy	<p>The data is sourced from a payment system and routine monthly checks are carried out by PSD on a random sample of approximately 5% of prescription payments. These check all data captured for payment and the accuracy of the payment calculation and have a target accuracy of 98% which is routinely met. Data that is captured but is not mandatory for payment purposes can be of lower quality; principally this includes the prescriber code which links a prescription back to the individual prescriber e.g. GP and their organisation including NHS Board. Routine monitoring of unallocated prescriptions is carried out and correct codes are applied before publication. This ensures that unallocated prescriptions account for under 2% of all prescriptions. For remaining unallocated prescriptions, the prescribing NHS Board is assumed to be the same as the dispensing NHS Board.</p>
Completeness	<p>The Prescribing Information System holds information on 100% of NHS Scotland prescriptions dispensed within the community and claimed for payment by a pharmacy contractor (i.e. pharmacy, dispensing doctor or appliance supplier). It does not include data on prescriptions dispensed but not claimed (likely to be very small) or prescriptions prescribed but not submitted for dispensing by a patient. Some research has estimated these latter prescriptions to account for around 6% of all prescriptions issued to patients. Of course it is not possible to determine from payment data how much of the medicine dispensed to patients is actually taken in accordance with dosage instructions.</p>
Comparability	<p>The main measures of drug ingredient cost and volumes of items dispensed in the community are comparable across</p>

	<p>the UK countries. However it should be noted that the Gross Ingredient Cost (GIC) within Scotland is equivalent to the Net Ingredient Cost (NIC) in England, i.e. the reimbursement cost of drugs before any pharmacy discounts are applied. Also each country determines its own dispensing fees based on separate contractual arrangements with dispensing contractors in each country. A common formulary called the <a href="#">British National Formulary (BNF)</a> is used to classify drugs based on therapeutic use.</p>
Accessibility	<p>It is the policy of ISD Scotland to make its web sites and products accessible according to <a href="#">published guidelines</a>.</p>
Coherence and clarity	<p>All prescribing tables are accessible via the <a href="#">ISD website</a>. Prescribing statistics are presented within excel spreadsheets for NHS Scotland and where appropriate broken down by NHS Board.</p>
Value type and unit of measurement	<p>The main units of measure of drug reimbursement costs are Gross Ingredient Cost (GIC) and Net ingredient cost (NIC) quantity. The latter takes account of pharmacy discounts, the rates for which are set by the Scottish Government in the Scottish Drug Tariff. There are a large number of individual dispensing remuneration fees paid to dispensing contractors details of which can be found in the Scottish Drug Tariff. The main measure of drug volume in this publication is items (the number of individual drug items on a prescription form). Further details and definitions can be found in the glossary.</p>
Disclosure	<p>The <a href="#">ISD protocol on Statistical Disclosure Protocol</a> is followed.</p>
Official Statistics designation	National Statistics.
UK Statistics Authority Assessment	Completed assessment by UK Statistics Authority. Report published October 2010.
Last published	26 March 2013
Next published	24 September 2013
Date of first publication	January 2002
Help email	<a href="mailto:NSS.isdprescribing@nhs.net">NSS.isdprescribing@nhs.net</a>
Date form completed	05 June 2013

## **A3 – Early Access details (including Pre-Release Access)**

### **Pre-Release Access**

Under terms of the "Pre-Release Access to Official Statistics (Scotland) Order 2008", ISD are obliged to publish information on those receiving Pre-Release Access ("Pre-Release Access" refers to statistics in their final form prior to publication). The standard maximum Pre-Release Access is five working days. Shown below are details of those receiving standard Pre-Release Access and, separately, those receiving extended Pre-Release Access.

#### **Standard Pre-Release Access:**

Scottish Government Health Department  
NHS Board Chief Executives  
NHS Board Communication leads

#### **Extended Pre-Release Access**

Extended Pre-Release Access of 8 working days is given to a small number of named individuals in the Scottish Government Health Department (Analytical Services Division). This Pre-Release Access is for the sole purpose of enabling that department to gain an understanding of the statistics prior to briefing others in Scottish Government (during the period of standard Pre-Release Access).

Scottish Government Health Department (Analytical Services Division)

## A4 – ISD and Official Statistics

### About ISD

Scotland has some of the best health service data in the world combining high quality, consistency, national coverage and the ability to link data to allow patient based analysis and follow up.

Information Services Division (ISD) is a business operating unit of NHS National Services Scotland and has been in existence for over 40 years. We are an essential support service to NHSScotland and the Scottish Government and others, responsive to the needs of NHSScotland as the delivery of health and social care evolves.

**Purpose:** To deliver effective national and specialist intelligence services to improve the health and wellbeing of people in Scotland.

**Mission:** Better Information, Better Decisions, Better Health

**Vision:** To be a valued partner in improving health and wellbeing in Scotland by providing a world class intelligence service.

### Official Statistics

Information Services Division (ISD) is the principal and authoritative source of statistics on health and care services in Scotland. ISD is designated by legislation as a producer of 'Official Statistics'. Our official statistics publications are produced to a high professional standard and comply with the Code of Practice for Official Statistics. The Code of Practice is produced and monitored by the UK Statistics Authority which is independent of Government. Under the Code of Practice, the format, content and timing of statistics publications are the responsibility of professional staff working within ISD.

ISD's statistical publications are currently classified as one of the following:

- National Statistics (ie assessed by the UK Statistics Authority as complying with the Code of Practice)
- National Statistics (ie legacy, still to be assessed by the UK Statistics Authority)
- Official Statistics (ie still to be assessed by the UK Statistics Authority)
- other (not Official Statistics)

Further information on ISD's statistics, including compliance with the Code of Practice for Official Statistics, and on the UK Statistics Authority, is available on the [ISD website](#).

The United Kingdom Statistics Authority has designated these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics. Designation can be broadly interpreted to mean that the statistics:

- meet identified user needs;
- are well explained and readily accessible;
- are produced according to sound methods, and
- are managed impartially and objectively in the public interest.

Once statistics have been designated as National Statistics it is a statutory requirement that the Code of Practice shall continue to be observed.