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# Proposed Dispensing Feescales for GMS Contractors in England & Wales from 1<sup>st</sup> October 2010

Produced by the  
Technical Steering Committee

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## Summary

In order to introduce a new dispensing feescale from 1<sup>st</sup> October 2010 on the existing doctor-based banding basis, the following have been calculated, based on formulae determined by negotiating parties.

The figures are calculated using data for England and it is anticipated that they would also be accepted for use in Wales.

- The average volume increase of fees is **2.975%**. This is the average annual percentage increase in volume of fees over the last 5 years. This is used in uplifting the cost portion of the envelope.
- The envelope for 2010/11 is **£168.7 million**. This is calculated using the average volume increase of fees to uplift the cost portion of the envelope, and net DDRB award (0.0% for 2010/11) to uplift the profit part of the envelope.
- The proposed feescale to be implemented from 1st October 2010 that delivers the envelope for 2010/11 is detailed in the 'Proposed New Feescale' section of the paper. The average volume increase of **2.975%** is applied to each existing banding to calculate new bandings in the proposed feescale.
- An adjustment factor of **0.995** is applied to each pence value at each banding to get a new value in the proposed feescale. This adjustment factor is applied so that the new fee will deliver the remaining envelope for 2010/11.

The methodology used in calculating the feescales follows that agreed between the BMA General Practitioners' Committee, NHS Employers, the Department of Health in England and the Welsh Assembly Government and which was sent to the Chair of the Technical Steering Committee on 4 August 2009. The methodology was used to calculate a new dispensing feescale for 1<sup>st</sup> October 2009, and the same methodology has been used to calculate a new feescale for 1<sup>st</sup> October 2010. The Technical Steering Committee has agreed the calculated figures.

## Background

1. This report is intended to inform the negotiations on implementing new dispensing feescales for General Medical Service (GMS) contractors in England and Wales from 1<sup>st</sup> October 2010.
2. The methodology used in calculating the feescales follows that agreed between the BMA General Practitioners' Committee, NHS Employers, the Department of Health in England and the Welsh Assembly Government and which was sent to the Chair of the Technical Steering Committee on 4 August 2009. This letter is shown at Annex E. The methodology detailed in the letter was followed to calculate a new dispensing feescale for 1<sup>st</sup> October 2009, and the same methodology has been used to calculate a new feescale for 1<sup>st</sup> October 2010.
3. The Technical Steering Committee has agreed the calculated figures. The Technical Steering Committee (TSC) is chaired by the NHS Information Centre (NHS IC) and has representation from the four UK health departments, NHS Employers and the British Medical Association.
4. The current feescales are contained in Annex G of the Statement of Financial Entitlement (SFE). Part 2 is the dispensing feescale for contractors that are authorised or required to provide dispensing services, and Part 3 is the dispensing feescale for contractors that are not authorised or required to provide dispensing services. The SFE is available on the Department of Health website at the following address:

[www.dh.gov.uk/en/Healthcare/Primarycare/Primarycarecontracting/GMS/DH\\_4133079](http://www.dh.gov.uk/en/Healthcare/Primarycare/Primarycarecontracting/GMS/DH_4133079)

5. This paper shows how the agreed methodology is applied to the feescales currently in the SFE to arrive at the proposed new feescales. The feescales are calculated using data for England and it is anticipated that they would also be accepted for use in Wales.
6. This paper draws on information from the NHS Prescription Service in their "Dispensing Doctors Report" and "Personal Administration Report". Both of these are published on the NHS Prescription Service website at the following address:

[www.nhsbsa.nhs.uk/PrescriptionServices/947.aspx](http://www.nhsbsa.nhs.uk/PrescriptionServices/947.aspx)

7. NHS Prescription Services can implement the changes to the fee per item in each band and the breakpoints for each band for prescriptions dispensed from 1<sup>st</sup> October 2010. NHS Prescription Services need the information about the new values by 17<sup>th</sup> September 2010.

## Calculation of new feescales

8. The calculation follows the five step approach set out in the methodology agreed by the negotiating parties. All data used is for England, but it is anticipated that the new feescales would also be accepted for use in Wales. The letter requesting these calculations is in Annex E of this report. Annex B of that letter outlines the steps to use for the calculation, and this has been supplemented with further information from the letter which informs the way in which the calculations will be made.

9. The formula used to calculate the new feescale for the second half of 2010/11 is:

$$\text{new fee} = \text{current fee} \times (E-Y)/(X-Y)$$

where E = envelope for 2010/11

Y = anticipated spend for first six months of 2010/11

X = anticipated full year spend for 2010/11 based on current feescale

10. The calculation was also repeated to establish what the feescales would have been if implemented from 1<sup>st</sup> April 2010 for the whole of the financial year. In these calculations it was not necessary to adjust for spend in the first half of the year, and the formula used was:

$$\text{new fee} = \text{current fee} \times (E/X)$$

where E = envelope for 2010/11

X = anticipated full year spend for 2010/11 based on current feescale

This calculation and associated feescales can be found in Annex D, Tables 8b & 9b.

## Step 1

**Calculate the envelope (E) for 10/11 in line with negotiated agreement  
e.g. insert historic (5 years) volume change and net DDRB uplift (0.0%)**

Average annual increase in volume (over 5 years) = 2.975% (see Annex B for detail)

Net DDRB uplift = 0.0%

Therefore

Cost for 2010/11

= Cost for 2009/10 x average annual increase in volume

= £97.284m x 1.02975

= £100.178m

Profit for 2010/11

= Profit for 2009/10 x DDRB uplift

= £68.5m x 1.000

= £68.5m

Envelope for 2010/11

= Cost for 2010/11 + Profit for 2010/11

= £100.178m + £68.5m

= £168.691

E = £168.7 million (see Annex A for detail)

## Step 2

**Calculate anticipated full year spend for 10/11 (X) based on current feescale e.g. uplift 09/10 spend by historic volume increase calculated in step 1.**

2009/10 spend = £164.310 million

(Figure is sourced from NHS Prescription Services – taken from Annex A)

Average annual increase in volume = 2.975% (see Annex B for detail)

Therefore

Anticipated full year spend for 2010/11

= 2009/10 spend x average annual increase in volume

= £164.310m x 1.02975

= £169.198m

X = £169.2 million

### Step 3

**Calculate anticipated spend for first six months of 10/11 (Y) based on current feescale  
e.g. calculate first six months proportion of yearly spend using historic (3 years) average**

Anticipated spend for 2010/11 = £169.198m

Average % spend at mid year over 3 years = 44.612% (see Annex C)

Therefore

Anticipated spend for first six months of 2010/11

= Anticipated spend for 2010/11 x average % spend at mid year

= £169.198 x 0.44612

= £75.483m

Y = £75.5 million

#### Step 4

**Calculate new feescala by adjusting the fee in each banding such that the new fee will deliver the remaining envelope for 10/11**

**e.g. calculate change using anticipated cash available in envelope divided by anticipated spend using current feescala [new fee = current fee x (E-Y)/(X-Y) ]**

The formula used to calculate the new feescala for the second half of 2010/11 is:

$$\text{new fee} = \text{current fee} \times (E-Y)/(X-Y)$$

where E = envelope for 2010/11

Y = anticipated spend for first six months of 2010/11

X = anticipated full year spend for 2010/11 based on current feescala

Given that:

	<u>£millions</u>
E =	168.7
X =	169.2
Y =	75.5

Then  $(E - Y) / (X - Y) = 0.995$  which is known as the 'adjustment factor'

The "prices per prescription in pence" for each feescala, set out in Annex G of the SFE, are then multiplied by the 'adjustment factor'.

The resulting figures are shown in the "Proposed New Feescales" section of this paper, in the right-hand column of the tables entitled "Prices per prescription in pence".

## Step 5

**Increased volumes may mean practitioners move banding so adjust feescale to take account of volume changes.**

**e.g. increase each bandwidth by historic volume increase calculated in Step 1**

The average annual increase in volume = 2.975%

The top and the bottom of each of the bandings in both of the feescales were increased by this average annual increase in volume

The resulting figures are shown in Tables 1 and 2 in the “Proposed New Feescales” section of this paper in the left-hand columns of the tables entitled “Total prescriptions calculated separately for each individual dispensing practitioner, in bands”.

## Proposed New Feescales

11. After the calculation has been completed the output is two new feescales which, it is proposed, are implemented from 1<sup>st</sup> October 2010. These are presented below:

**Table 1: Proposed feescale: Dispensing Feescale for Contractors that are authorised or required to provide dispensing services**

Total prescriptions calculated separately for each individual dispensing practitioner, in bands	Prices per prescription in pence
Up to 430	209.7
431 - 538	206.7
539 - 646	204.0
647 -753	201.4
754 - 861	199.0
862 - 968	196.9
969 - 1344	194.8
1345 - 1882	193.0
1883 - 2151	191.3
2152 - 2689	189.8
2690 - 3226	188.5
3227 - 3764	187.4
3765 - 4302	186.4
4303 and over	185.7

**Table 2: Proposed feescale: Dispensing Feescale for Contractors that are not authorised or required to provide dispensing services<sup>1</sup>**

Total prescriptions calculated separately for each individual dispensing practitioner, in bands	Prices per prescription in pence
Up to 430	218.5
431 - 538	215.5
539 - 646	212.8
647 -753	210.2
754 - 861	207.9
862 - 968	205.7
969 - 1344	203.6
1345 - 1882	201.8
1883 - 2151	200.1
2152 - 2689	198.6
2690 - 3226	197.3
3227 - 3764	196.2
3765 - 4302	195.2
4303 and over	194.5

1. This includes prescribing doctors or non-dispensing doctors personal administration drugs.

12. A comparison of the feescales currently in the SFE and the new feescales proposed above, can be found in Annex D, Tables 6 & 7.

## Annex A – Breakdown of costs

Table 3a shows the breakdown of costs using raw figures for 2006/07.

**Table 3a: Breakdown of costs using raw figures for 2006/07**

Year	Previously agreed envelope (£m)	Actual (£m)	55% of Actual	45% of Actual	Difference (£m)	55% of difference	45% of difference	Uplift		Cost (£m)	Profit (£m)	Proposed Envelope (£m)
								Volume (cost)	Profit			
2006/07	149.900	155.264	85.395	69.869	-5.364	-2.950	-2.414	N/A	N/A	85.395	67.455	152.850
2007/08	N/A	161.106	N/A	N/A	N/A	N/A	N/A	1.04439	1.00000	89.186	67.455	156.641
2008/09	N/A	166.988	N/A	N/A	N/A	N/A	N/A	1.04439	1.02200	93.145	68.939	162.084
2009/10	N/A	164.310	N/A	N/A	N/A	N/A	N/A	1.04439	1.01500	97.279	68.467	165.746
2010/11	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.02975	1.00000	100.173	68.467	168.640

Notes:

- 1) The actual column details the total cost of fees, as reported on the NHS Prescription Service website.
- 2) The cost and profit split on fees for 2006/07 is 55%:45% respectively, as per the letter at Annex E.
- 3) The difference column shows the difference between the previously agreed envelope and the actual cost of fees.
- 4) The detailed calculation for the figures in the volume uplift column can be found at Annex B.
- 5) The figures in the profit uplift column are detailed in the letter at Annex E.
- 6) The cost element for 2006/07 is 55% of the actual cost, as per the letter at Annex E.
- 7) The figure in the cost column for 2010/11 has been calculated by applying the average annual increase in volume (i.e 2.975%). Note that in table 1 in Annex E, a volume uplift of 5% is shown for illustrative purposes therefore the figures are different.
- 8) NHS Employers accept to fund the cost element of the difference in 2006/07, but not the profit element. Therefore the profit for 2006/07 is calculated to be £69.869m - £2.414m.
- 9) The figures in the profit column for 2007/08 to 2010/11 have been calculated by applying the profit uplift to each year (as detailed in Annex E).
- 10) The proposed envelope figures are the sum of cost and profit.

Table 3b shows the breakdown of costs using rounded figures for 2006/07. **Note that all figures for 2006/07 have been rounded to match the figures quoted at the letter at Annex E. These figures have been used in all calculations in this report.**

**Table 3b: Breakdown of costs using rounded figures for 2006/07**

Year	Previously agreed envelope (£m)	Actual (£m)	55% of Actual	45% of Actual	Difference (£m)	55% of difference	45% of difference	Uplift		Cost (£m)	Profit (£m)	Proposed Envelope (£m)
								Volume (cost)	Profit			
2006/07	149.900	155.200	85.400	69.800	-5.300	-2.900	-2.400	N/A	N/A	85.400	67.500	152.800
2007/08	N/A	161.100	N/A	N/A	N/A	N/A	N/A	1.04439	1.00000	89.191	67.500	156.691
2008/09	N/A	166.988	N/A	N/A	N/A	N/A	N/A	1.04439	1.02200	93.150	68.985	162.135
2009/10	N/A	164.310	N/A	N/A	N/A	N/A	N/A	1.04439	1.01500	97.284	68.513	165.797
2010/11	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.02975	1.00000	100.178	68.513	168.691

Notes:

- 1) The actual column details the total cost of fees, as reported on the NHS Prescription Service website.
- 2) The cost and profit split on fees for 2006/07 is 55%:45% respectively, as per the letter at Annex E.
- 3) The difference column shows the difference between the previously agreed envelope and the actual cost of fees.
- 4) The detailed calculation for the figures in the volume uplift column can be found at Annex B.
- 5) The figures in the profit uplift column are detailed in the letter at Annex E.
- 6) The cost element for 2006/07 is 55% of the actual cost, as per the letter at Annex E.
- 7) The figure in the cost column for 2010/11 has been calculated by applying the average annual increase in volume (i.e 2.975%). Note that in table 1 in Annex E, a volume uplift of 5% is shown for illustrative purposes therefore the figures are different.
- 8) NHS Employers accept to fund the cost element of the difference in 2006/07, but not the profit element. Therefore the profit for 2006/07 is calculated to be £69.8m - £2.4m.
- 9) The figures in the profit column for 2007/08 to 2010/11 have been calculated by applying the profit uplift to each year (as detailed in Annex E).
- 10) The proposed envelope figures are the sum of cost and profit.

## Annex B – Average annual volume increase

**Table 4: Volume increases from 2005/06 to 2009/10**

Year	Total number of fees	Increase on previous year (number)	Increase on previous year (%)	Historical Average Increase (%) <sup>1</sup>
2005-06	70,663,104	N/A	N/A	4.439%
2006-07	71,100,315	437,211	0.62%	4.439%
2007-08	73,988,498	2,888,183	4.06%	4.439%
2008-09	76,846,930	2,858,432	3.86%	4.439%
2009-10	79,454,262	2,607,332	3.39%	

1. Average increase shown is that calculated between 2004/05 to 2008/09, as shown in the previous publication 'Proposed Dispensing Feescales for GMS Contractors in England and Wales from 1<sup>st</sup> October 2009'.

Source: NHS Prescription Service "Dispensing Doctors Report" and "Personal Administration Report" at

<http://www.nhsbsa.nhs.uk/PrescriptionServices/947.aspx>

Total number of prescriptions is the total in column D of each year from the Statistical Data Relating to Personal Administration Claims by Prescribing Doctors added to the totals A & B & C in column E for the Statistical Data Relating to Prescriptions Dispensed by Dispensing Doctors

### Average annual volume increase over last five years

Formula to calculate average % increase over last five years is:

$$\text{Total fees for year 1} \times (1 + x)^4 = \text{Total fees for year 5}$$

Where x = annual percentage increase

$$(1 + x)^4 = 79,454,262 / 70,663,104$$

$$= 1.1244$$

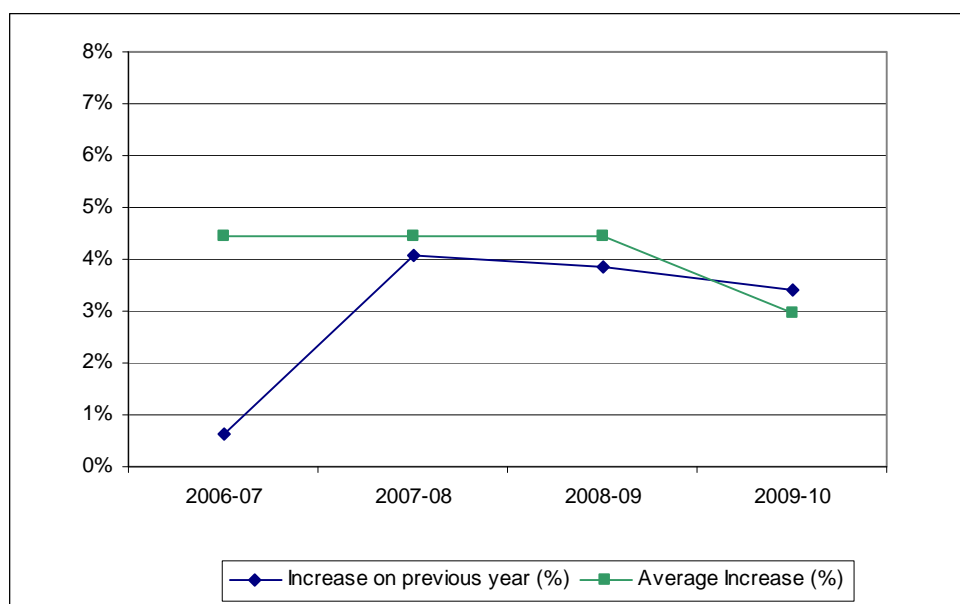
$$(1 + x) = 1.1244^{1/4}$$

$$= 1.02975$$

Therefore x = 0.02975.

Average volume increase (%) over 5 years = **2.975%**

**Chart 1: Percentage volume increases on previous year, 2006/07 to 2009/10**



Note: The average for 2006/07 – 2008/09 includes the increase for 2005/06 as shown in Table 4.

**Table 5: Mid year and End year spend 2007/08 to 2009/10**

Year	Spend (£) at		% of spend at mid year
	Mid year (Q2)	End year	
2007-08	70,132,554.88	161,105,580.64	43.532%
2008-09	73,292,605.76	166,987,595.98	43.891%
2009-10	76,261,901.42	164,309,895.89	46.413%

Source: NHS Prescriptions Service

### Historical Average over last three years

Formula to calculate average % is:

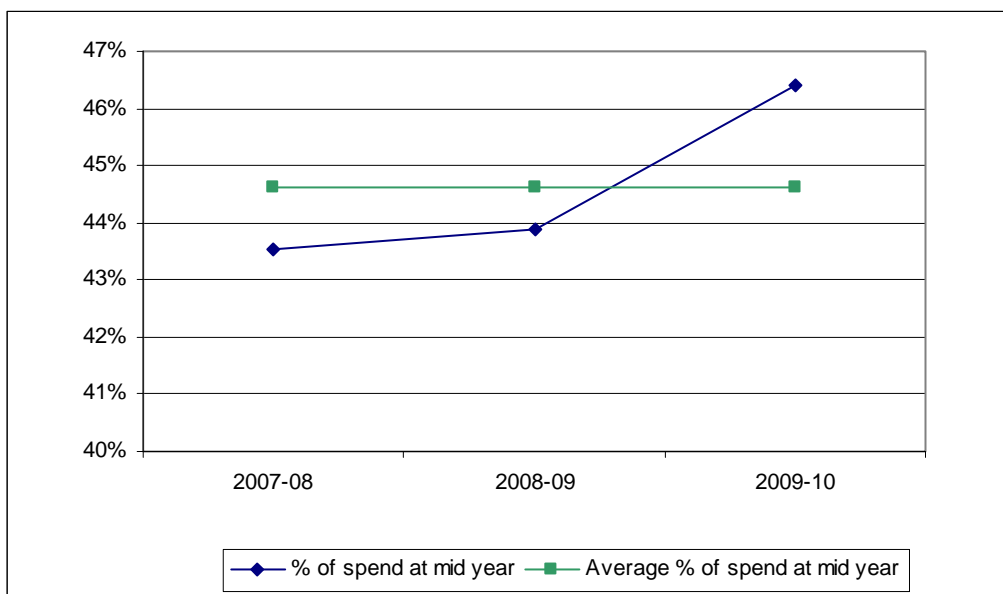
Add up the “% of spend at mid year” for each year and divide by the number of years

Total of “% of spend at mid year” = 133.837%

Divided by 3 = 44.612%

Average % spend at mid year over 3 years = **44.612%**

**Chart 2: Percentage of spend at mid year, 2007/08 to 2009/10**



## Annex D – Calculation of Feescales

### Details of the existing feescales from Parts 2 and 3 of SFE Annex G and the proposed feescale from 1st October 2010

**Average annual volume increase = 2.975%** which is applied to each existing banding to calculate new bandings in proposed feescale.

**Adjustment factor = 0.995** which is applied to each pence value at each banding to get new value in proposed feescale.

**Table 6a and b: From part 2 of SFE Annex G: Dispensing Feescale for contractors that are authorised or required to provide dispensing services**

#### 6a. EXISTING FEESCALE FROM 01/10/2009

#### 6b. PROPOSED FEESCALE FROM 01/10/2010

Total prescriptions calculated separately for each individual dispensing practitioner, in bands	Prices per prescription in pence	Total prescriptions calculated separately for each individual dispensing practitioner, in bands	Prices per prescription in pence
Up to 418	210.8	Up to 430	209.7
419 - 522	207.8	431 - 538	206.7
523 - 627	205.1	539 - 646	204.0
628 - 731	202.5	647 - 753	201.4
732 - 836	200.1	754 - 861	199.0
837 - 940	197.9	862 - 968	196.9
941 - 1305	195.8	969 - 1344	194.8
1306 - 1828	194.0	1345 - 1882	193.0
1829 - 2089	192.4	1883 - 2151	191.3
2090 - 2611	190.8	2152 - 2689	189.8
2612 - 3133	189.5	2690 - 3226	188.5
3134 - 3655	188.4	3227 - 3764	187.4
3656 - 4178	187.4	3765 - 4302	186.4
4179 and over	186.7	4303 and over	185.7

**Table 7a and b: From part 3 of SFE Annex G: Dispensing Feescale for contractors that are not authorised or required to provide dispensing services**

**7a. EXISTING FEESCALE FROM 01/10/2009**

Total prescriptions calculated separately for each individual dispensing practitioner, in bands	Prices per prescription in pence
Up to 418	219.7
419 - 522	216.7
523 - 627	213.9
628 - 731	211.4
732 - 836	209.0
837 - 940	206.8
941 - 1305	204.7
1306 - 1828	202.9
1829 - 2089	201.2
2090 - 2611	199.7
2612 - 3133	198.4
3134 - 3655	197.3
3656 - 4178	196.3
4179 and over	195.6

**7b. PROPOSED FEESCALE FROM 01/10/2010**

Total prescriptions calculated separately for each individual dispensing practitioner, in bands	Prices per prescription in pence
Up to 430	218.5
431 - 538	215.5
539 - 646	212.8
647 - 753	210.2
754 - 861	207.9
862 - 968	205.7
969 - 1344	203.6
1345 - 1882	201.8
1883 - 2151	200.1
2152 - 2689	198.6
2690 - 3226	197.3
3227 - 3764	196.2
3765 - 4302	195.2
4303 and over	194.5

The following tables show what the feescales would have been if implemented from April 2010 for the whole financial year.

**Adjustment factor = 0.966** which is applied to each pence value at each banding to get new value in proposed feescale.

This is calculated by using the formula  $E / X$  as in paragraph 10, page 4.

E = £163.5m

X = £169.2m

Then  $E / X = 0.997$

**Table 8a and b: From part 2 of SFE Annex G: Dispensing Feescale for contractors that are authorised or required to provide dispensing services**

**8a. EXISTING FEESCALE FROM 01/10/2009**

**8b. THEORETICAL FEESCALE FROM 01/04/2010**

Total prescriptions calculated separately for each individual dispensing practitioner, in bands	Prices per prescription in pence	Total prescriptions calculated separately for each individual dispensing practitioner, in bands	Prices per prescription in pence
Up to 418	210.8	Up to 430	210.2
419 - 522	207.8	431 - 538	207.2
523 - 627	205.1	539 - 646	204.4
628 - 731	202.5	647 - 753	201.9
732 - 836	200.1	754 - 861	199.5
837 - 940	197.9	862 - 968	197.3
941 - 1305	195.8	969 - 1344	195.3
1306 - 1828	194.0	1345 - 1882	193.4
1829 - 2089	192.4	1883 - 2151	191.8
2090 - 2611	190.8	2152 - 2689	190.2
2612 - 3133	189.5	2690 - 3226	189.0
3134 - 3655	188.4	3227 - 3764	187.9
3656 - 4178	187.4	3765 - 4302	186.9
4179 and over	186.7	4303 and over	186.2

**Table 9a and b: From part 3 of SFE Annex G: Dispensing Feescale for contractors that are not authorised or required to provide dispensing services<sup>1</sup>**

**9a. EXISTING FEESCALE FROM 01/10/2009**

**9b. THEORETICAL FEESCALE FROM 01/04/2010**

Total prescriptions calculated separately for each individual dispensing practitioner, in bands	Prices per prescription in pence	Total prescriptions calculated separately for each individual dispensing practitioner, in bands	Prices per prescription in pence
Up to 418	219.7	Up to 430	219.0
419 - 522	216.7	431 - 538	216.0
523 - 627	213.9	539 - 646	213.3
628 - 731	211.4	647 - 753	210.7
732 - 836	209.0	754 - 861	208.4
837 - 940	206.8	862 - 968	206.2
941 - 1305	204.7	969 - 1344	204.1
1306 - 1828	202.9	1345 - 1882	202.3
1829 - 2089	201.2	1883 - 2151	200.6
2090 - 2611	199.7	2152 - 2689	199.1
2612 - 3133	198.4	2690 - 3226	197.8
3134 - 3655	197.3	3227 - 3764	196.7
3656 - 4178	196.3	3765 - 4302	195.7
4179 and over	195.6	4303 and over	195.0

1. This includes prescribing doctors or non-dispensing doctors personal administration drugs.

## Annex E - Letter regarding Dispensing Doctors' Feescales

Ms Julie Stroud  
Chair of the Technical Steering Committee  
The Information Centre for Health and Social Care  
2nd Floor North  
1 Trevelyan Square  
Boar Lane  
Leeds  
LS1 6AE

4<sup>th</sup> August 2009

Dear Julie,

### **Re: Dispensing Doctors' Feescale**

Following on from the TSC Negotiators meeting on 14<sup>th</sup> July, and further to our letter of 19<sup>th</sup> June, we are writing with an update on this issue.

In our earlier letter we set out that we had agreed a new mechanism for the uplift of the Dispensing Doctors' feescale, and asked if TSC could determine (a) the envelope for 2009-10 and a feescale to deliver this from 1<sup>st</sup> October 2009, and (b) also take account of the impact of mid-year implementation of the move from doctor-based banding to contractor-based banding.

Since then, we have been advised by the NHS Prescriptions Service (previously known as the Prescriptions Pricing Division) that they need to address a number of systems issues prior to implementing a contractor based feescale. In view of this, it will not be possible to implement the move from doctor-based banding to contractor-based banding from 1<sup>st</sup> October 2009. The Department of Health will hold further discussions with the NHS Prescriptions Service on when such a change might be feasible – possible April 2010 or October 2010.

In the meantime, we would still like to introduce a new feescale from 1<sup>st</sup> October 2009 on the existing doctor-based banding basis. We would like TSC to now:

- determine a figure for the average volume increase (to reflect the average increase in volume over the last 5 years) to be used in uplifting the cost portion of the envelope.
- calculate the envelope for 2009/10 using the % volume increase and net DDRB award (1.5% for 2009/10)
- propose a feescale to be implemented from 1<sup>st</sup> October 2009 that delivers the envelope for 2009/10.

The feescale should be calculated using England data and it is anticipated, in line with current practice, that it would also be accepted for use in Wales. For this reason

the Head of GMS for the Welsh Assembly Government is also a signatory of this letter.

As we plan to implement the new feescal from 1 October, it must take into account, using the best available information, the spend that will take place in the first half of 2009/10 as determined by the existing feescal.

It would be very useful if a paper setting out the calculation of the 2009/10 envelope and a proposed new feescal for 2009/10 could be circulated to TSC members by correspondence as soon as practicable and by 14<sup>th</sup> August at the latest please.

This is because we need to get agreement in August in order to allow a reasonable amount of time to draft the necessary Directions for the Statement of Financial Entitlement, agree these and allow for them to be published ahead of 1<sup>st</sup> October 2009.

Annex A from our 19<sup>th</sup> June letter is again attached, for ease of reference, along with a new annex B which summarises the more detailed methodology for calculating the new feescal.

Best wishes



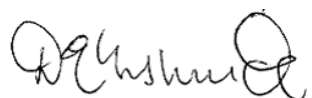
Dr Laurence Buckman  
Chair  
General Practitioners Committee



Andrew Clapperton  
Head of Primary Care Workforce  
and Contracting  
NHS Employers



Richard Armstrong  
Deputy Director, Primary Medical Care  
Commissioning and System  
Management  
Department of Health



Derek Fishwick  
Head of General Medical Services  
Welsh Assembly Government

## **Annex A - Dispensing Doctors**

NHS Employers and GPC Negotiators met in October 2008 to agree the principles to set the envelope for dispensing doctors for 2009/10 and to address any discrepancy in spend from April 2006. This paper sets out the principles that were agreed and the suggested way forward.

### **1. 2006/07**

The 2006/07 dispensing fees envelope was set at £149.9m but the actual spend was £155.2m. This is due to an increase in the volume of dispensing fees which was higher than predicted by the TSC.

NHSE recognise the cost the volume increase in 2006/07 and accept to fund the cost element of the increase, £2.9m (55% of £5.3m) but not the profit element, 2.4m, making the envelope for 2006/07 £152.8m.

## **2. Principles**

### **2.1. Cost/Profit Split**

As per the TSC report, the cost: profit split on fees is 55%:45% respectively.

Any uplift will be applied separately to each element. A breakdown of cost and profit for each year is shown in Table 1.

### **2.2. Profit Uplift**

It is agreed that the uplift to the profit element of the envelope should follow the DDRB recommendations. Therefore the uplift will be:

2007/08: 0%

2008/09: 2.2%

2009/10: As per the DDRB award

### **2.3. Cost Uplift**

The cost uplift will recompense any increase in volume. For 2007/08, 2008/09 and 2009/10 it is suggested that this should be in the region of 5%. It was agreed that a long term trend in dispensing rates is required to estimate the increase in volume. NHSE would propose that TSC is approached to carry out more detailed work to agree rate.

## Comparison between the Envelope and Actual Spend

It can be seen in Table 1 that there has been significant overspend in 2006/07 and 2007/08. It is predicted that this overspend will be even larger in 2008/09 (estimated to be £8m). This would make an estimated claw back of £14.4m.

### 3. Suggested Way Forward

NHSE propose to write-off the claw back for 2006/07, 2007/08 and 2008/09 on the agreement that:

- The Profit element for 2009/10 be an uplift to the 2007/08 value  
i.e. an x% uplift on £67.5m where x is set by the DDRB.
- The fee scale is revisited to fit the new envelope for 2008-09. Once set the fee scale would be uplifted by an annually agreed figure which would be the overall percentage uplift calculated from the DDRB uplift on the cost proportion and the volume increase.
- A level of tolerance be agreed on the envelope. There would be no changes to tariff or claw back if the overall envelope was within the tolerance levels. Tolerance levels would be set at 1 %. Should the tolerance be exceeded, claw back of any additional money would be considered. The actual volumes and casemix would need annual review to understand the causes of deviation from the long term trend so that we test the validity of the assumption of the volume uplift percentage. This would ensure that the envelope value remains appropriate and we do not create an increasing gap between resource envelope and actual fee-scale.
- TSC develop a rate of volume increase to be used to uplift the cost element of the envelope. This would need to be agreed in a timescale to allow recalculation of the tariff structure to be implemented from 2009-10.
- The GPC and DDA to explicitly support and be involved in a full cost enquiry (i.e. covering dispensing fees, discount enquiry and overall income to and investment by Dispensing Practices). The approach of such enquiry would mirror that of the agreed Pharmacy cost enquiry.

**Table 1 – Breakdown of cost**

	Volume Uplift (Cost)	Profit Uplift	Previously agreed Envelope (m)	Difference (m)	Cost (m)	Profit (m)	Actual (m)	Proposed Envelope (m)	Claw back (m)	Comments
<b>2006/07</b>	N/A	N/A	£149.9	-£5.3	£85.4	£67.5	£155.2	£152.8	£2.4	Assumed a claw back of profit element (45% of difference between actual and envelope)
<b>2007/08</b>	1.050 <sup>1</sup>	1.000	N/A	N/A	£89.6	£67.5	£161.1	£157.1	£4.0	Assumed a growth of 5.0% on 2006/07 figures for cost element. No increase to profit
<b>2008/09</b>	1.050	1.022	N/A	N/A	£94.1	£68.9	N/A	£163.0	Not yet known	Assumed a growth of 5.0% on 2007/08 figures for cost element. Profit uplift to be 2.2%
<b>2009/10</b>	1.050	1.0x <sup>2</sup>	N/A	N/A	£98.8	£67.5m x 1.0x	N/A		N/A	Assumed a growth of 5.0% on 2008/09 figures for cost element. Profit to be increased (from 2007/08 figure) as per the DDRB recommendation.

1. A volume uplift of 5% is shown for illustrative purposes. Actual figure to be agreed.

2. Where x is the uplift awarded by DDRB

## **Annex B - Calculation of dispensing feescales from October 2009: Maintaining the existing doctor-based feescales**

### **Step 1**

Calculate the envelope (E) for 09/10 in line with negotiated agreement  
e.g. insert historic (5 years) volume change and net DDRB uplift (1.5%)

### **Step 2**

Calculate anticipated full year spend for 09/10 (X) based on current feescale  
e.g. uplift 08/09 spend by historic volume increase calculated in step 1.

### **Step 3**

Calculate anticipated spend for first six months of 09/10 (Y) based on current feescale  
e.g. calculate first six months proportion of yearly spend using historic (3 years) average

### **Step 4**

Calculate new feescale by adjusting the fee in each banding such that the new fee will deliver the remaining envelope for 09/10  
e.g. calculate change using anticipated cash available in envelope divided by anticipated spend using current feescale [new fee = current fee x (E-Y)/(X-Y) ]

### **Step 5**

Increased volumes may mean practitioners move banding so adjust feescale to take account of volume changes.  
e.g. increase each bandwidth by historic volume increase calculated in Step 1

**N.B.** As the envelope covers both dispensing and non-dispensing doctors, steps 4 and 5 should be applied to both feescales (SFE Annex G parts 2 & 3).

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