

ICB Primary Care Commissioning Committee

Date of meeting	01 May 2024
Title of paper	Grasmere Local Pharmaceutical Services contract uplift
Presented by	Peter Tinson, Director of Primary Care and Community Commissioning
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Agenda item	8
Confidential	Yes

Executive summary

The paper provides the background to the Local Pharmaceutical Services (LPS) contract which is currently operating in Grasmere. The existing contract was signed and agreed in 2020 with NHS England for an initial term of 5 years with the option to extend for 2 years. The current provider has recently approached the ICB and indicated that the contract is no longer financially viable within the current funding structure.

The baseline funding for the Grasmere contract had been set at £86,140. This compares to an LPS dispensing a comparable number of items based in a similarly rural location with baseline funding of £135,000 per annum.

The purpose of this paper is to seek approval from the Primary Care Commissioning Committee to award of an uplift to ensure financial stability and continued service provision for the Grasmere LPS contract.

Advise, Assure or Alert

Alert the committee:

- An LPS contractor has approached the ICB in relation to the financial viability of their contract.
- An initial non-recurring uplift of £15,000 until March 2024 was agreed at the Pharmaceutical Services Group in October 2023 in accordance with its terms of reference.

Recommendations

The Primary Care Commissioning Committee is asked to:

- Approve an uplift of £15,000 per annum to support the continuation of the LPS contract in Grasmere for remainder of the contract, (one year plus any approved extension).

Which Strategic Objective/s does the report contribute to		Tick
1	Improve quality, including safety, clinical outcomes, and patient experience	X
2	To equalise opportunities and clinical outcomes across the area	X
3	Make working in Lancashire and South Cumbria an attractive and desirable option for existing and potential employees	
4	Meet financial targets and deliver improved productivity	X
5	Meet national and locally determined performance standards and targets	X
6	To develop and implement ambitious, deliverable strategies	

Implications				
	Yes	No	N/A	Comments
Associated risks	X			Failure to approve the uplift is likely to result in the contract being returned, resulting in a gap of service provision.
Are associated risks detailed on the ICB Risk Register?			N/A	
Financial Implications	X			Uplift to be funded from recurrent budget

Where paper has been discussed (list other committees/forums that have discussed this paper)		
Meeting	Date	Outcomes
Pharmaceutical Services Group	26 October 2023.	Agreed uplift of £15,000 until March 2024.
Pharmaceutical Services Group	20 March 2024	Agreed to recommend recurrent uplift.

Conflicts of interest associated with this report
Not applicable

Impact assessments				
	Yes	No	N/A	Comments
Quality impact assessment completed			X	
Equality impact assessment completed			X	
Data privacy impact assessment completed			X	

Report authorised by:	Craig Harris, Chief Operating Officer
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ICB Primary Care Commissioning Committee

01 May 2024

Local Pharmaceutical Service Contract (LPS) – Grasmere

1. Introduction

- 1.1 The paper provides the background to the LPS contract which operates in Grasmere. The existing contract was signed and agreed by NHS England in 2020 following a procurement process. However, the current providers have approached the ICB to indicate that the contract is no longer financially viable within the current funding structure.
- 1.2 A review has been undertaken with the provider and Lancashire and South Cumbria Integrated Care Board (ICB) finance colleagues in the form of an open book exercise from a finance perspective to understand the level of expenditure which the contractor is incurring and how this compares to the original costs which formed the basis of the agreed contract value.
- 1.3 The NHS England personnel who were involved in the original procurement of services are no longer employed within the NHS so some of the supporting rationale in relation to how costs have been arrived at is no longer available. This is particularly pertinent to elements which have been included for over-the-counter sales.

2. Background

- 2.1 Lancashire and South Cumbria ICB commissions four legacy LPS pharmacy contracts. These LPS contracts were originally commissioned under the Essential Small Pharmacy contract which was disestablished by NHS England in 2006, with many contracts converted to an LPS contract where appropriate. The aim of the Essential Small Pharmacy scheme was to provide additional funding to pharmacies that were deemed essential to the local community but whose activity levels were too low to be financially stable.
- 2.2 LPS contracts are locally negotiated and outside of the nationally negotiated funding model.
- 2.3 Grasmere Pharmacy holds an LPS contract. This was awarded in 2020 and was for an initial term of 5 years with the option to extend for 2 years.
- 2.4 A map showing the pharmacy and travel times to pharmacies in the nearest town of Ambleside attached as (Appendix A). The nearest GP practice in LSC ICB is Central Lakes Medical Practice (A82005) located in Ambleside.

- 2.5 Grasmere pharmacy is located in the village of Grasmere. Grasmere is in the Westmorland and Furness district of Cumbria and situated in the centre of the Lake District. The population for Grasmere (Lower layer Super Output Areas (LSOA) Grasmere 2021 census) was 1292. The village is a popular tourist location and has a number of hotels and bed and breakfast establishments which boost the local population particularly in the summer months.
- 2.6 Assessment of pharmaceutical provision needs is the responsibility of the Local Authorities Health and Wellbeing Board. Using different tools, including drive time between pharmacies they identify any gaps in pharmacy provision, this enables them to produce the Pharmaceutical Needs Assessment (PNA) document. Discussions with the Health and Wellbeing Board have identified that if Grasmere were to close this would create a gap in pharmaceutical provision for the patients within the geographical area. The ICB would then be responsible for securing provision.
- 2.7 Due to the rurality of the pharmacy, if the recurrent uplift to the Grasmere contract is not supported and the current contractor opts to hand back the contract it is unlikely that standard- non-LPS contract- would be attractive to the market/financially viable. This would leave a gap in pharmaceutical provision.

3. Current funding

- 3.1 The original contract value for the service is £86,140 per annum. The contractors who run the LPS contract at Grasmere approached Lancashire and South Cumbria ICB to request additional funding of £15,000 per annum to maintain the current level of service provision.
- 3.2 A similarly located rural LPS contract, Hawkshead pharmacy within 10 miles of this location, dispensing more prescription items has a current remuneration of £135,000 per annum- approximately 16,000 items per annum compared to 12,000 at Grasmere.
- 3.3 A review of the current service, conducted by the ICB's primary care team, finance colleagues and the current contractor, included looking at dispensing fees being paid to the contractor and their current outgoing costs including staff wages.
- 3.4 The current monthly payment to the pharmacy is £7,178. which is creating a monthly deficit of £5,085 when all costs have been taken into account.
- 3.5 A review of staffing figures presented by the pharmacy has been undertaken by the pharmacy adviser who has indicated that are in line with current pay rates and the pharmacy is staffed at an appropriate level.
- 3.6 A review of the supporting information for the current contract has indicated that there was an element built into the costing models relating to over-the-counter sales. There was an annual value of £96k income for over-the-counter sales

and £20k cost of sales which have been factored into the costings. There is therefore an assumption that there is a £76k profit for over-the-counter sales in the course of a year. This equates to approximately £6k per month.

- 3.7 The contractor has indicated that their current over the counter sales are £12,000 per annum which is significantly less than the figure included in the original over the counter sales figures.
- 3.8 It has not been possible to establish how the figures for the over-the-counter sales have been arrived at in the costing model for the contract. Using the Hawkshead LPS costing model in comparison, the over-the-counter sales figures have been based on 5% of the NHS contract, £1,906 per annum. The same methodology does not appear to have been applied to Grasmere.
- 3.9 On reviewing the LPS budget with finance colleagues the uplift of £15,000 is affordable. This was calculated using the average price paid per item dispensed at the Hawkshead location and is detailed in the table below.

Pharmacy	Amount p/annum £	No. of items dispensed	Rate per item
Hawkshead LPS	135,000	16,000	£8.4375
Grasmere	86,140	12,000	£7.1783

If the average rate of £8.4375 was applied to the number of items dispensed at Grasmere this would result in an annual payment of £101,250. The uplift of £15k per annum would be in line with payments to other LPS contractors in the South Cumbria area.

Giving an uplift to the contract will not set a precedence. If future requests are made by existing LPS contractors, they will be reviewed on their individual merit.

4. Options

Option	Consideration	Risk
Award uplift to contractor in line with other similar providers	Extra cost to ICB	Risk in relation to procurement and rules governing uplifting the contract within specified financial limits. The risk of challenge would be minimal given that there was limited interest for the contract when this originally went

		<p>out to procurement. In addition, there is a limited contract term remaining which caps the time period for increased payments. The proposed uplift to the contract only allows the pharmacy to operate at a breakeven position which may not be financially attractive to other pharmacy contractors.</p>
<p>Keep remuneration at its current rate</p>	<p>Contractor has stated that it is becoming financially unviable.</p>	<p>Contractor hands back contract and pharmacy provision would cease. ICB would need to go out to procurement. Reputational risk to the ICB in relation to the closure of the pharmacy whilst the service is reprocured.</p> <p>Risk to patients within the specified location being able to access pharmaceutical services.</p> <p>Unlikely that another contractor would bid for the contract due to increased pressure with current funding and workforce.</p>

5. Recommendations

5.1 The committee is requested to:

1. Note the contents of the report.
2. Based on the options appraisal and to ensure continuity in pharmaceutical provision for patients, approve an uplift of £15,000 to Grasmere LPS for the remainder of the contract term.

Nicola Feeney

6th March 2024