NHS Digital

Proposed Dispensing Feescales for GMS Contractors, England and Wales - 2020, October release

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Geographic Coverage: England, Wales

Summary

This report details the new dispensing feescales for General Medical Service (GMS) contractors in England and Wales from 1 October 2020.

Key Facts

In order to introduce new dispensing feescales from 1 October 2020 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 will also be accepted for use in Wales:

- The dispensing envelope for 2020/21 is **184.85 million.** This is calculated by taking the 2019/20 envelope (180.96 million) and adjusting this figure for any over/underspend in 2019/20 and uplifting the cost element and profit element.

- The average volume change of fees is **1.160 per cent**. This is the average annual percentage change in the volume of fees over the last two years. This is used to adjust for the forecast volume in dispensing fees.

- The proposed feescales to be implemented from 1 October 2020 which will deliver the envelope for 2020/21, are detailed in the Proposed New Feescales section.

- The average volume change of **1.160 per cent** is applied to each existing banding to calculate new bandings in the proposed feescale.

- An adjustment factor of **1.290** 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 fees will deliver the remaining envelope for 2020/21.

The methodology used in calculating the feescales follows that agreed in March 2012 by the BMA General Practitioners Committee, NHS Employers, the Department of Health and Social Care in England and the Welsh Government.

The agreed methodology includes a trigger for a review in the event of an over or underspend exceeding 3% for two consecutive years. This review would require the methodology to be suspended and submitted for renegotiation.

An underspend in 2017/18 of -3.03% was followed by an overspend in 2018/19 of 4.23%. However, it was felt by the Technical Steering Committee not to meet the criteria required for a review of the methodology as the committee felt that the criteria should be interpreted as relating to an overspend for two consecutive years or an underspend for two consecutive years rather than a combination of over and underspend.

As a result of this decision, the Technical Steering Committee determined that the existing methodology would continue to be implemented.

Background

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 October 2020.

The methodology used in calculating the feescales follows that agreed between the British Medical Association (BMA), General Practitioners Committee, NHS Employers, the Department of Health and Social Care in England and the Welsh Government. A letter from NHS Employers outlining the agreed methodology is shown at Annex A. The methodology detailed in the letter was followed to calculate the new dispensing feescales for 1 October 2012 and replaced the previous methodology. This is the eighth year this methodology has been used to calculate the feescales.

The Technical Steering Committee (TSC) has agreed the calculated figures. The TSC is chaired by NHS Digital and has representation from the Department of Health and Social Care, UK Health Departments, NHS England and NHS Improvement, NHS Employers and the British Medical Association (BMA), which represents the interests of GPs.

The October 2020 feescales are set out in the General Medical Services Statement of Financial Entitlements (SFE) and its amendments. The primary purpose is to introduce new dispensing feescales at Parts 2 and 3 of Annex G to the 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.

This report shows how the agreed methodology is applied to the feescales in the current SFE to arrive at the proposed new feescales. The feescales are calculated using data for England and it is anticipated that they will also be accepted for use in Wales.

This report draws on information from the NHS Prescription Services in their "Dispensing Doctors Report" and "Personal Administration Report". Both of these are published on the NHS Prescription Service website at the following address:

https://www.nhsbsa.nhs.uk/prescription-data/dispensing-data/pd1-reports <https://www.nhsbsa.nhs.uk/prescription-data/dispensing-data/pd1-reports>

All spend and numbers of fees are taken from this NHS Prescription Services data.

Calculation of New Feescales

The calculation follows the six-step approach set out in the methodology agreed by the negotiating parties (see Annexes A and B). All data used are for England, but it is anticipated that the new feescales will also be accepted for use in Wales.

The formula used to calculate the new feescales for the second half of 2020/21 is:

new fee = current fee x (E-Y) / Z

where

E = envelope for 2020/21

Y = anticipated spend for first six months of 2020/21

Z = anticipated spend for second six months of 2020/21 based on current feescales

This calculation and associated feescales can be found in the Calculation of October Feescales section.

A similar calculation is carried out to establish what the feescales would have been if implemented from 1 April 2020 for the whole of the financial year.

The formula used was:

new fee = current fee x (E / X)

where

E = envelope for 2020/21

X = anticipated full year spend for 2020/21 based on current feescales.

This calculation and associated feescales can be found in the Calculation of April Feescales section.

Please note calculations are performed on unrounded data but figures are rounded for presentational purposes.

Step 1

Calculate the envelope [E] for 2020/21 in line with negotiated agreement

For 2012/13 it was agreed that the envelope should be re-based to a starting figure of £170.00m.

Since 2012/13 this new methodology has been used to calculate the envelope. Future envelopes will be split (60:40) into two elements, cost and profit, and each element will be separately uplifted:

- The cost element (60%) will be uplifted each year using a two-year average of the volume increase/decrease of fees

    (for 2020/21 = 1.160%)

- The profit element (40%) will continue to be uplifted by the agreed net pay uplift [1]

    (for 2020/21 = 1.8%)

Calculating the envelope:

Variance between 2019/20 Envelope and 2019/20 Outturn

= 2019/20 Envelope - 2019/20 Actual Outturn

= £180.96m - £174.13m

= £6.83m (underspend)

Adjustment (increase of Envelope) to be made in 2020/21 for 2019/20 underspend

= Variance x 60%

= £6.83m x 0.60

= £4.10m

Adjusted 2019/20 Outturn

= 2019/20 Outturn + Adjustment for 2019/20 underspend

= £174.13m + (£4.10m)

= £178.23m

Cost Element of 2020/21 Envelope

= (Adjusted 2019/20 Outturn x Cost Element Percentage) x Average annual change in

volume of fees 2019/20 (see Average Annual Volume Change)

= (£178.23 x 0.60) x 1.0116

= £108.18m

Profit Element of 2020/21 Envelope

= (Adjusted 2019/20 Outturn x Profit Element Percentage) x Agreed Uplift

= (£178.23 x 0.40) x (1.018)[1]

= £72.57m

Envelope for Year 2020/21

= Cost Element for 2020/21 + Profit Element for 2020/21 + Adjustment for 2019/20 underspend

= £108.18m + £72.57 + (£4.10m)

= £184.85m

E = £184.85 million

[1]Until 2019, this was either the figure recommended by the Review Body on Doctors' and Dentists' Remuneration (DDRB), or the figure implemented in England if the recommended figures was not used.
In 2019, a five-year GP contract was agreed in England with fixed practice contract funding and the GPC England and NHS England and NHS Improvement agreed that DDRB will not make recommendations on the uplift figure for GP partner net income for the duration of the deal but that the agreed uplift figure of 2.0% would be used in 2019's calculation of the dispensing envelope.
In 2020, GPC in England and NHS England and NHS Improvement have agreed that an uplift figure of 1.8% should be used.

Step 2
Calculate anticipated spend for the first six months (April - September) of 2020/21 [Y] based on current feescale

Actual spend for the first six months 2019/20 = £86.41 million

Adjustment for price change in October 2019 = 0.805 (i.e. the adjustment factor for 2019/20)[2]

Adjust for forecast volume change for 2020/21 = 1.160 per cent (i.e. average annual change in volume of fees, see Average Annual Volume Change for details)

Therefore

Anticipated spend for the first six months of 2020/21

= Actual spend for first six months of 2019/20 x Adjustment factor for 2019/20

= £86.41m x 0.805

= £69.55m

= Adjusted actual spend for first six months of 2019/20 x Average annual change in volume of fees

= £69.55m x 1.0116

= £70.35m

Y = £70.35 million

[2] For more information, see *"Proposed Dispensing Feescales for GMS Contractors in England & Wales from 1 October 2019"*

Step 3
Calculate anticipated spend for the second six months (October - March) of 2019/20 [Z] based on current feescale

Actual spend for the second six months 2019/20 = £87.71 million

Adjust for forecast volume decrease for 2020/21 = **1.160** per cent (i.e. Average annual change in volume of fees, see Average Annual Volume Change for details)

Therefore

Anticipated spend for the second six months of 2020/21

= Actual spend for second six months of 2019/20 x Average annual change in volume of fees

= £87.71m x 1.0116

= £88.73m

Z = £88.73 million

Step 4

Calculate remaining envelope available for the second six months of 2020/21 [E-Y]

Proposed 2020/21 dispensing envelope (E) = £184.85m

Anticipated spend for the first six months of 2020/21 (Y) = £70.35

Therefore

Remaining envelope available for the second six months of 2020/21

= Proposed 2020/21 dispensing envelope - Anticipated spend for first six months of 2020/21

= £184.85m - £70.35m

= £114.50m

E-Y = £114.50 million

Step 5

Calculate the "adjustment factor"

Given that:

E = £184.85 million

Y = £70.35 million

Z = £88.73 million

Then $(E - Y) / Z$ =

(184.85 - 70.35) / 88.73 = 1.290 i.e. the 'adjustment factor'

The "prices per prescription in pence" for each feescale, taken from the most recent proposed feescales, are then multiplied by the 'adjustment factor' [new fee = current fee x (E-Y)/Z]. The resulting figures are shown in the Proposed New Feescales section, in the right-hand column of the Table 1 and 2 entitled "Prices per prescription in pence".

Step 6

Fees are paid on a sliding scale according to the numbers of items dispensed which are placed into bands each year. Changes in the numbers of items dispensed may cause practitioners to move bands which are therefore adjusted to take account of volume changes, i.e. each band's width is increased/decreased by the two-year average volume change.

The average annual change in volume of fees = 1.160 per cent

The top and the bottom of each of the bands in both of the feescales were changed by this average annual change in volume.

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

Proposed New Feescales

After the calculation has been completed the output is two new feescales which, it is proposed, are implemented from 1 October 2020. These are presented in tables 1 and 2.

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 461	256.2
462 - 577	252.5
578 - 694	249.2
695 - 808	246.0
809 - 925	243.1
926 - 1039	240.5
1040 - 1444	238.0
1445 - 2022	235.8
2023 - 2310	233.7
2311 - 2888	231.9
2889 - 3465	230.3
3466 - 4043	228.9
4044 - 4618	227.7
4619 and over	226.9

Table 2: Proposed Feescale: Dispensing Feescale for contractors that are not authorised or required to provide dispensing services[1]

Total prescriptions calculated separately for each individual dispensing practitioner, in bands	Prices per prescription in pence
Up to 461	266.9
462 - 577	263.3
578 - 694	260.0
695 - 808	256.8
809 - 925	254.0
926 - 1039	251.3
1040 - 1444	248.7
1445 - 2022	246.5
2023 - 2310	244.4
2311 - 2888	242.6
2889 - 3465	241.0
3466 - 4043	239.7
4044 - 4618	238.5
4619 and over	237.6

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

Average Annual Volume Change

Table 3: Volume changes from 2017/18 to 2019/20

Year	Total number of fees	Increase on previous year (number)	Increase on previous year (%)	Avera
2017-18	84,862,375	n/a	n/a	
2018-19	85,325,559	463,184	0.546%	
2019-20	86,841,867	1,516,308	1.777%	

Source: NHS Prescription Services "Dispensing Doctors Report" and "Personal Administration Report" at https://www.nhsbsa.nhs.uk/prescription-data/dispensing-data/pd1-reports <https://www.nhsbsa.nhs.uk/prescription-data/dispensing-data/pd1-reports> . 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

Historical average annual volume change over last two years

Formula to calculate average percentage change over last two years is:

Total fees for 1st year x $(1 + A)^2$ = Total fees for the third year

Where A = annual percentage increase/decrease

$84{,}862{,}375 \times (1 + A)^2 = 86{,}841{,}867$

$(1 + A)^2 = 86{,}841{,}867 / 84{,}862{,}375$

$(1 + A)^2 = 1.0233$

$(1 + A) = \sqrt{1.0233}$

$(1 + A) = 1.0116$

$A = 1.0116 - 1$

Therefore A = 0.0116

Average volume change over 2 years = 1.160 per cent

Note: The Geometric Mean has been used to calculate the average percentage change in fees. The Geometric Mean is a measure of the average value of a set of numbers by using the product of their values (as opposed to the arithmetic mean which uses their sum), and is calculated by multiplying all values together where n is the count of the number of values and then calculating the nth root.

Calculation of October Feescales

Details of the existing feescales from the SFE and the proposed feescales from October 2020

Average annual volume change = 1.160 per cent

which is applied to each existing banding to calculate new bandings in proposed feescale.

Adjustment factor = 1.290

which is applied to each pence value at each banding to get new value in proposed feescale.

Table 4a and b: Dispensing Feescale for contractors that are authorised or required to provide dispensing services

4a. EXISTING FEESCALE FROM 01/10/2019		4b. PROPOSED FEESCALE FROM 01/10/2020	
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 456	198.5	Up to 461	256.2
457 - 570	195.7	462 - 577	252.5
571 - 686	193.1	578 - 694	249.2
687 - 799	190.7	695 - 809	246.0
800 - 914	188.4	810 - 925	243.1
915 - 1027	186.4	926 - 1039	240.5
1028 - 1427	184.4	1040 - 1444	238.0
1428 - 1998	182.7	1445 - 2022	235.8
1999 - 2283	181.1	2023 - 2310	233.7
2284 - 2854	179.7	2311 - 2888	231.9
2855 - 3424	178.5	2889 - 3465	230.3
3425 - 3996	177.4	3466 - 4044	228.9
3997 - 4564	176.5	4045 - 4618	227.7
4565 and over	175.8	4619 and over	226.9

Note: Calculations are performed on unrounded data

Table 5a and b: Dispensing Feescale for contractors that are not authorised or required to provide dispensing services[1]

5a. EXISTING FEESCALE FROM 01/10/2019		5b. PROPOSED FEESCALE FROM 01/10/2020	
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 456	206.9	Up to 461	266.9
457 - 570	204.0	462 - 577	263.3
571 - 686	201.5	578 - 694	260.0
687 - 799	199.0	695 - 809	256.8
800 - 914	196.8	810 - 925	254.0
915 - 1027	194.7	926 - 1039	251.3
1028 - 1427	192.7	1040 - 1444	248.7
1428 - 1998	191.0	1445 - 2022	246.5
1999 - 2283	189.4	2023 - 2310	244.4
2284 - 2854	188.0	2311 - 2888	242.6
2855 - 3424	186.8	2889 - 3465	241.0
3425 - 3996	185.7	3466 - 4044	239.7
3997 - 4564	184.8	4045 - 4618	238.5
4565 and over	184.1	4619 and over	237.6

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

Note: Calculations are performed on unrounded data.

Calculation of April Feescales

Details of the existing feescales from the SFE and theoretical feescale if implemented from 1 April 2020.

Step 1

Calculate anticipated full year spend for 2020/21 (X) based on current feescale

e.g. uplift the 2019/20 spend by the historic volume change.

X is calculated as Y+Z

   = £70.35m + £88.73m

   = £159.08m

  X = £159.08 million

Adjustment factor = **1.162** 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 (E and X shown in Calculation of New Feescales)

   E = £184.85m

   X = £159.08m

Then E / X = 1.162

The following tables show what the feescales would have been if implemented from April 2020 for the whole financial year.

The theoretical April (2020) feescale will be implemented from 1 April 2021. The decision to implement feescales in April - part way through the period covered by this report - was taken in the hopes of reducing the likelihood of dramatic variations year on year, which would otherwise be reflected in the following October's feescale but given the variance levels, does not appear to have achieved this objective.

Table 6a and b: Dispensing Feescale for contractors that are authorised or required to provide dispensing services

6a. EXISTING FEESCALE FROM 01/10/2019		6b. THEORETICAL FEESCALE FROM 01/10/2020	
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 456	198.5	Up to 461	230.7
457 - 570	195.7	462 - 577	227.4
571 - 686	193.1	578 - 694	224.4
687 - 799	190.7	695 - 809	221.5
800 - 914	188.4	810 - 925	218.9
915 - 1027	186.4	926 - 1039	216.6
1028 - 1427	184.4	1040 - 1444	214.3
1428 - 1998	182.7	1445 - 2022	212.3
1999 - 2283	181.1	2023 - 2310	210.4
2284 - 2854	179.7	2311 - 2888	208.8
2855 - 3424	178.5	2889 - 3465	207.4
3425 - 3996	177.4	3466 - 4044	206.1
3997 - 4564	176.5	4045 - 4618	205.0
4565 and over	175.8	4619 and over	204.3

Note: Calculations are performed on unrounded data.

Table 7a and b: Dispensing Feescale for contractors that are not authorised or required to provide dispensing services[1]

7a. EXISTING FEESCALE FROM 01/10/2019		7b. THEORETICAL FEESCALE FROM 01/10/2020	
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 456	206.9	Up to 461	240.4
457 - 570	204.0	462 - 577	237.1
571 - 686	201.5	578 - 694	234.1
687 - 799	199.0	695 - 809	231.2
800 - 914	196.8	810 - 925	228.7
915 - 1027	194.7	926 - 1039	226.3
1028 - 1427	192.7	1040 - 1444	224.0
1428 - 1998	191.0	1445 - 2022	222.0
1999 - 2283	189.4	2023 - 2310	220.1
2284 - 2854	188.0	2311 - 2888	218.5
2855 - 3424	186.8	2889 - 3465	217.0
3425 - 3996	185.7	3466 - 4044	215.8
3997 - 4564	184.8	4045 - 4618	214.7
4565 and over	184.1	4619 and over	214.0

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

Note: Calculations are performed on unrounded data.

Annex A - Letter Regarding Dispensing Doctors Feescale

Dr. David Bailey

General Practitioners Committee

BMA House

Tavistock Square

London

WC1H 9JP

19 March 2012

Dear David,

Dispensing feescale 2012/13

Further to the letter from Lisa Dunsford on 7 March and Andrew Laycock's email of 12 March, I would like to confirm that Ministers in England and Wales have now agreed to our proposals regarding the dispensing feescale from 2012/13 onwards. I thought it would be helpful to clarify these changes in writing.

Methodology

The methodology set out in DD037_07, see the appendix, has now been accepted and will be used to calculate future dispensing envelopes and feescales. The envelope for 2012/13 will be £170m for England and the corresponding feescale will also apply in Wales. The new methodology will be used to calculate the envelope for 2013/14 and future years.

Feescale change

Due to the timing of the agreement, it will not be possible to make the changes to the feescale until October 2012. The feescale calculation will use the methodology agreed with Jon Ford, and set out in 12-13 DD037_07, to ensure that the mid-year change will deliver the full dispensing envelope for 2012-13. TSC will be asked to begin work on the calculation once the end of year dispensing data are ready (expected around June).

Underpayments

Ministers have agreed that £10m in England and £700k in Wales will be paid to practices in lieu of any underpayments in 2010/11 and 2011/12. These payments will be calculated for all GP practices pro-rata on fees based on the 2010/11 outturn. PCTs and Health Boards will be notified shortly of the details and directed to make the payments to practices. We have agreed with you that practices owed £2.50 or less will write off these payments. No de-minimus payments will apply for Wales.

Specials

The Health Departments have agreed to introduce a £20 fee for Specials as soon as possible but they have not agreed to back date payments to November 2011. It is hoped that this change will be introduced in April 2012 but this is subject to the changes to the Statement of Financial Entitlements being agreed and signed off. Practices will be sent information on how to claim this fee. Advice on how to claim the fee for specials will be sent to Welsh practices by the Shared Services Partnership - Contractor Services.

We are pleased to have reached agreement on this matter and are jointly working towards an announcement date of 20 March 2012.

Best wishes

Stephen Golledge

NHS Employers

cc.   Dr. David Baker, Chief Executive, Dispensing Doctors Association

Dr. Richard West, Chairman, Dispensing Doctors Association

Annex B - 2012 Proposal: 12-13 DD037_07

Dispensing Doctors Feescale Proposal

Introduction

NHS Employers, the GPC and the DDA met to discuss a revised methodology for calculating the dispensing feescale for 2012/13 and future years. They also discussed how the underspend of £8.5m in 2010/11 and the anticipated underspend in 2011/12 (estimated to be c. £7m) might be treated. This paper sets out the proposed way forward for England and Wales.

Revised Methodology

The dispensing doctors "envelope" will in future be uplifted each year by reference to:

- **Cost and Profit Elements**

    The envelope will be split (60:40) into two elements, cost and profit, and each element will be separately uplifted.

- **Profit Element**

    The profit element (40%) will continue to be uplifted by the net pay uplift (either the figure agreed in the GMS contract negotiations or the figure that flows from DDRB recommendations).

- **Cost Element**

    The cost element (60%) will be uplifted each year using a 2 year average volume. This will be the average volume increase of dispensed items.

- **Under/Over-Spends**

    After the end of each financial year the actual spend data (available approx June), will be compared to the envelope.

    If there has been an underspend for that year then the cost element (60% of the underspend) will be owed to the dispensing doctors. In calculating the feescale this money will be added non-recurrently to the envelope. Such an approach assumes that dispensing doctor costs are all fixed and require funding.

    The corollary to the above is that where there is an overspend then the cost element (60% of the overspend) will be deducted non-recurrently from the envelope.

    In either circumstance, there will be no adjustment for that part of the under or overspend that relates to profit (40%). The profit figure will not be made good if there is an underspend. Dispensing doctors will retain the profit element if there is an overspend.

Calculation of Envelope

In summary the elements involved in calculating the dispensing envelope are:

- Adjusted outturn brought forward from previous (or baseline) year (split 60:40 between cost and profit elements) – this is the outturn +/- any adjustment made in the previous year for over/underspends
- Plus (exceptionally minus) Volume and Net Pay Uplifts to component parts
- Plus/Minus the cost element of any under or over-spend
- Equals Total Envelope

Mid-Year Calculation

To allow the envelope to be calculated using the actual outturn spend data of the previous year (normally available in June), changes to the feescale will continue to be made in the October of each year in order to deliver the calculated envelope. A new methodology will be introduced to ensure that the monies spent in the first half of each year are correctly taken into account on calculation of the 1 October feescale. This methodology is set out in Section 1.

If possible, GPC would like there to be a feescale change in April 2012 (with a change in October 2012 too if required). After this, feescale changes will take place in October of each year.

Trigger for review

Should there be an annual over or underspend of 3% on the envelope for two concurrent years, then the methodology is suspended and referred back to negotiators for renegotiation.

Examples

A number of examples are set out in Section 2.

Efficiency

NHS Employers and GPC negotiators explored a number of approaches whereby efficiency could be formally recognised in the methodology including the current methodology used for the GMS contract and the DDRB formula.

As no agreement could be reached, no explicit efficiency savings are included in the new methodology. However, GPC believe that this methodology already delivers efficiency savings akin to those negotiated on the wider GMS contract as no increase is made to the envelope to take into account inflationary increases (see Section 3).

2012/13 Envelope

NHS Employers and GPC propose that the envelope for 2012/13 should be rebased to a starting figure of £170m. The new methodology would then be used to calculate the envelope for 2013/14 and future years.

2010/11 and 2011/12

As part of this agreement, £10m would be paid to GP Practices in England as a one off payment. This should be paid to all GP practices pro-rata on fees based on the 2010/11 outturn. A proportionate amount of funding would be repaid in Wales in the same manner.

Specials

There has been a change to the drugs tariff which means that dispensing GPs no longer receive additional payments for dispensing specials. NHS Employers and the GPC have agreed that Dispensing Doctors will receive £20 for each special they dispense. GPC have requested that this payment be back dated to the date of the drugs tariff change (1 November 2011).

Section 1 - Mid-Year Implementation

The methodology below uses 2012/13 as an example year:

1. Calculate envelope for year using new methodology (although this will be an agreed figure for 2012/13)

2. Calculate feescale change to be applied in October 2012

    Estimate spend Apr-Oct 2012 [Y]

- Actual spend 1st 6m of 11/12
- Adjust for price change in Oct 11
- Adjust for forecast volume increase for 12/13

    Estimate spend Oct-Mar 2013 if no price change [Z]

- Actual spend 2nd 6m of 11/12
- Adjust for forecast volume increase for 12/13

    Calculate remaining envelope available for 2nd 6 months of 12/13 [= E-Y]

- Proposed 12/13 envelope less Apr-Oct 2012 estimated spend

    Calculate 'adjustment factor' [= (E-Y)/Z]

- Adjustment factor equals remaining envelope for 12/13 divided by estimated spend for 2nd 6 months of 12/13

3. Adjust bandwidths to reflect forecast volume increases and apply adjustment factor to calculate new feescales and apply from October 2012.

Calculation of dispensing feescales from October

Maintaining existing doctor-based feescales

Step 1

Calculate the envelope (E) for 201B/1C in line with negotiated agreement, e.g. insert agreed

volume change and DDRB net uplift

$E = £XXX$ in £ millions

Agreed volume uplift = XX%

Step 2

Calculate anticipated spend for first six months of 201B/1C (Y) based on current feescale.

1st 6 months actual spend 1A/1B	XX
Known change in feescale (prior year adjustment factor)	1.0XX
Agreed volume uplift	1.0XX
Estimated 1st 6 months spend in 1B/1C	Y=XX

Step 3

Calculate new feescale by adjusting the fee in each banding such that the new fee will deliver the remaining envelope for 201B/1C

Remaining envelope	(E-Y) =	XX
2nd 6months spend 1A/1B		XX
Agreed volume uplift		1.0XX
Estimated 2nd 6 months spend in 1B/1C	Z=XX	

Then $(E - Y) / Z = xxx$ known as the "adjustment factor".

This adjustment factor is then multiplied by the existing figures in Part 2 and Part 3 of annex G

of the Statement of Financial Entitlement.

Step 4

Increased volumes may mean practitioners move bandings so adjust feescale to take account of volume changes. E.g. increase each bandwidth by agreed volume increase in step 1.

Bandwidth changes by XX%

Section 2 – Examples

Example 1 - Spend is equal to the envelope in Year 1

Year 1

Year 1 envelope (m) =	£165	Year 1 outturn (m) =	£165
Year 1 Variance (m) =	0		
Adjustment to be made in Yr 2 (m) =	0	(60% of variance)	

Year 2 - Information

Av. 2 yr volume increase =	2%

Calculation of Year 2 Envelope

Adjusted Yr 1 outturn b/f (m) =	£165	(Year 1 outturn +/- any adjustment for Yr 1 over/underspend)
Cost element (m) =	£99	Profit element (m) = £66

Cost Uplift (m) =	(1.02 x (0.6 x £165))
Profit Uplift (m) =	(1.01 x (0.4 x £165))
Aggregate Figure (m) =	[£100.98 + £66.66]
=	£167.64
Adjustment for previous year (m) =	0
Envelope for Year 2 (m) =	£167.64

Year 3

Year 2 envelope (m) =	£167.42	Year 2 outturn (m) =	£164
Year 2 Variance =	-£3.42		
Adjustment to be made in Yr 3 =	+£2.05	(60% of variance)	

Calculation of Year 3 Envelope All other information the same as year 2

Adjusted Yr 2 outturn b/f (m) =	£164.00	(Year 2 outturn +/- any adjustment for Yr 1 over/underspend)
Cost element (m) =	£98.40	Profit element (m) = £65.60

Cost Uplift (m) =	(1.02 x (0.6 x £164))
Profit Uplift (m) =	(1.01 x (0.4 x £164))
Aggregate Figure (m) =	[£100.37 + £66.27]
=	£166.62
Adjustment for previous year (m) =	£2.05
Envelope for Year 3 (m) =	£168.67

Example 2 - Overspend in Year 1

Year 1

Year 1 envelope (m) =	£165.00	Year 1 outturn (m) =	£170.00
Year 1 Variance =	£5.00		
Adjustment to be made in Yr 2 =	-£3.00	(60% of variance)	

Year 2 - Information

Av. 2 yr volume increase =	2%

Calculation of Year 2 Envelope

		(Year 1 outturn +/- any adjustment for Yr 1 over/underspend)	
Adjusted Yr 1 outturn b/f (m) =	£167		
Cost element (m) =	£100	Profit element (m) =	£67

Cost Uplift (m) =	(1.02 x (0.6 x £167))
Profit Uplift (m) =	(1.01 x (0.4 x 167))
Aggregate Figure (m) =	[£102.20 + £67.47]
=	£169.67
Adjustment for previous year (m) =	-£3.00
Envelope for Year 2 (m) =	£166.67

Year 3

Year 2 envelope (m) =	£166.67	Year 2 outturn (m) =	£160
Year 2 Variance =	-£6.67		
Adjustment to be made in Yr 3 =	+£4.00	(60% of variance)	
Calculation of Year 3 Envelope	All other information the same as year 2		
		(Year 2 outturn +/- any adjustment for Yr 1 over/underspend)	
Adjusted Yr 2 outturn b/f (m) =	£163.00		
Cost element =	£97.80	Profit element =	£65.20

Cost Uplift (m) =	(1.02 x (0.6 x £163))
Profit Uplift (m) =	(1.01 x (0.4 x 163))
Aggregate Figure (m) =	[£99.76 + £65.85]
=	£165.61
Adjustment for previous year (m) =	£4.00
Envelope for Year 3 (m) =	£169.61

Example 3 - Underspend in Year 1

Year 1

Year 1 envelope (m) =	£165.00	Year 1 outturn (m) =	£160.00
Year 1 Variance (m) =	-£5.00		
Adjustment to be made in Yr 2 (m) =	+£3.00	(60% of variance)	

Year 2 - Information

Av. 2 yr volume increase =	2%

Calculation of Year 2 Envelope

Adjusted Yr 1 outturn b/f (m) =	£163	(Year 1 outturn +/- any adjustment for Yr 1 over/underspend)	
Cost element (m) =	£98	Profit element (m) =	£65

Cost Uplift (m) =	(1.02 x (0.6 x £163))
Profit Uplift (m) =	(1.01 x (0.4 x 163))
Aggregate Figure (m) =	[£99.76 + £65.85]
=	£165.61
Adjustment for previous year (m) =	+£3.00
Envelope for Year 2 (m) =	£168.61

Year 3

Year 2 envelope (m) =	£168.61	Year 2 outturn (m) =	£165
Year 2 Variance =	-£3.61		
Adjustment to be made in Yr 3 =	+£2.17	(60% of variance)	

Calculation of Year 3 Envelope   All other information the same as year 2

Adjusted Yr 2 outturn b/f (m) =	£162.00	(Year 2 outturn +/- any adjustment for Yr 1 over/underspend)	
Cost element =	£97.20	Profit element =	£64.80

Cost Uplift (m) =	(1.02 x (0.6 x £162))	
Profit Uplift (m) =	(1.01 x (0.4 x £162))	
Aggregate Figure (m) =	[£99.14 + £65.45]	
=	£164.59	
Adjustment for previous year (m) =	+£2.17	
Envelope for Year 3 (m) =	£166.76	

Section 3 - Efficiency and Inflation
Profit Element

The net income uplift (if any) should take account of efficiency through the negotiated settlement or DDRB recommendation.

Cost Element

Long term increases in average pay are conventionally calculated as 1.5% above the established measure of price inflation (currently CPI) being used in this role for example as the revaluation measure for public sector CARE pension arrangements. Historically (1988 to 2011) CPI inflation has run at an average of 2.8% per year. Dispensing costs net of drugs are split roughly 70:30 staff costs to other costs (according to the Dispensing Doctors COSI) so we can assume that in the absence of efficiency savings staff costs would inflate at 1.5% above CPI and other costs at CPI alone. On the basis of the long term trend pay and price inflation on costs would thus run at around 3.9% per year. If we used the medium term inflation forecast from the Treasury (2.6 % falling to 2.2%), it would be nearer 3.5%.

Any difference between the efficiency negotiated on the wider GMS contract and inflationary increases could be deemed to be met by the savings made through the reimbursement of drugs. GPC recognise that should there be a change to reimbursement arrangements in the future, that this might lead to a requirement to deliver further efficiencies through the feescale.

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