

Concessions grow with no end in sight

With every month that passes, the list of products granted monthly price concessions by the UK Department of Health seems to grow longer. These price concessions, valid for only the month in which they are granted, are intended to prevent community pharmacists from dispensing products at a considerable loss. They are an immediate response by the Department to rapidly rising prices that have already far surpassed those contained in the quarterly Drug Tariff. This would normally determine the reimbursement price of products and hence the pharmacy dispensing margin.

Quite why the list should be growing longer is difficult to say. There are thousands of products in the Drug Tariff and their prices go up and down on a regular basis. This may be partly explained by manufacturing and supply issues. However, the numerous players in the marketplace, whether pharmacists, manufacturers or suppliers, are also looking to get the best price that they can. Meanwhile, the Pharmaceutical Services Negotiating Committee (PSNC) is lobbying the Department, on behalf of community pharmacists, to grant more monthly price concessions.

Such lobbying activity is rather frowned upon by the purists who believe that the market should be allowed to dictate pharmacy dispensing margins for worse or for better as prices rise and fall. But while Drug Tariff prices are based on sales data submitted by suppliers – at least for the vast majority of products that are in category M – they are only adjusted every three months.

This deficiency was addressed six months ago when it was announced that there would be changes to pharmacy funding as a result of an agreement struck between the English National Health Service (NHS) and the PSNC (*Generics bulletin*, 3 October 2014, page 9). “We expect to see more regular adjustments being made to category M prices as this new system is introduced,” the PSNC said at the time.

However, the PSNC added that any changes were unlikely to come into effect before April 2015. As that deadline rapidly approaches, there has been no sign of any new system.

Indeed, the monthly list of price concessions continues to grow apace, with 17 products already announced by 17 March. What has also been noticeable is that the Department’s ability to judge what prices to concede has become more accurate. Looking at four products that have been granted price concessions for three consecutive months over the past two years, the Department underestimated the rate of price rise for sertraline 100mg initially, although it managed to match the price decay more closely. Pharmacists would only have been out-of-pocket on average in April 2013 (see Figure 1).

More recently, it overestimated the price rise of prednisolone 5mg for two months, before getting it right in February 2014. The overpayments made to pharmacists, however, were only a matter of pence (see Figure 2). The Department was right on the money with hydrocortisone 10mg later in 2014, although pharmacists were still making more than £1.00 (US\$1.48) per transaction on average over the three months (see Figure 3). This year it overpaid for clonidine 25µg in January, but was only a penny over in February. The same payment of £6.99 in March yielded a £0.43 average margin (see Figure 4).

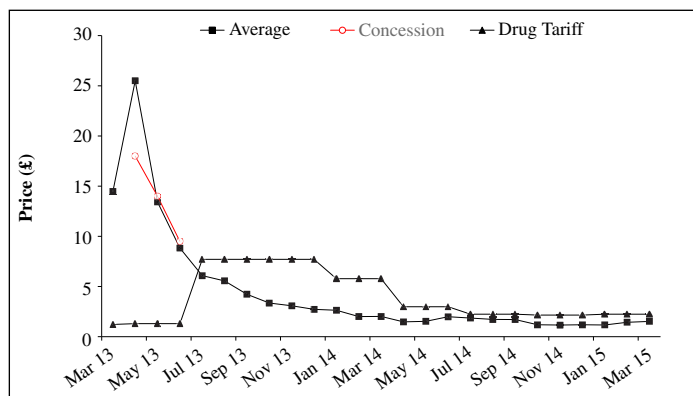


Figure 1: Recent average monthly trade, Drug Tariff reimbursement and concessionary prices for 28-tablet packs of sertraline 100mg (Source – WaveData)

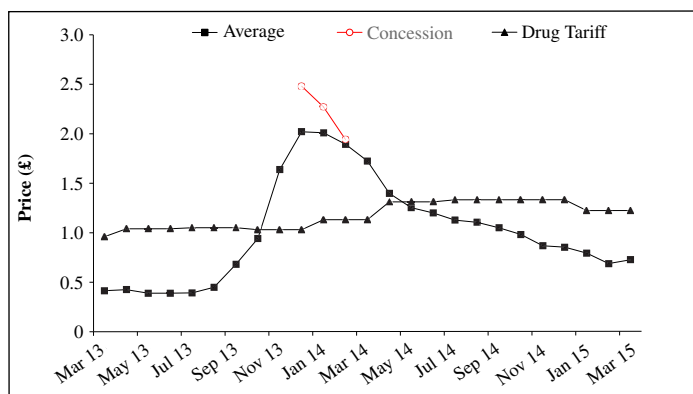


Figure 2: Recent average monthly trade and Drug Tariff reimbursement prices for 28-tablet packs of prednisolone 10mg, with concessionary prices granted Dec

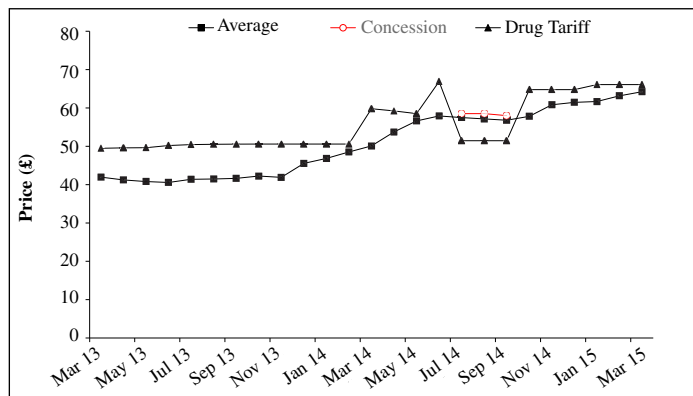


Figure 3: Recent average monthly trade and Drug Tariff reimbursement prices for 30-tablet packs of hydrocortisone 10mg, showing concessionary prices granted

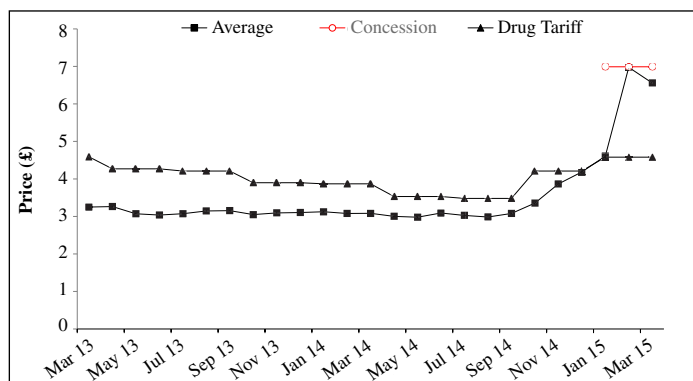


Figure 4: Recent average monthly trade and Drug Tariff reimbursement prices for 112-tablet packs of clonidine 25µg, showing concessionary prices granted Jan-

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