

Control of Entry System for NHS Pharmaceutical Services in England 2006 – a briefing

The findings of a review on the effect of the relaxation of entry controls on the provision of pharmacy services in England have been published¹. The reforms were introduced by the Government in response to an Office of Fair Trading (OFT) report in 2003².

Background

In 2003 the OFT proposed regulatory reform in retail pharmacy to introduce competition:

- to promote consumer choice and improve access for patients;
- to make the regulatory system more business-friendly;
- to remove uncertainty and simplify the process for Primary Care Trusts (PCTs) delivering pharmaceutical services.

The OFT recognised the potential side effects of removing entry restrictions but, despite the lack of research, considered that control allowed firms to charge higher prices and reduced the incentive to improve quality of service.

Following the recommendation of the Advisory Group on the Reform of the NHS (Pharmaceutical Services) Regulations 1992 (chaired by Anne Galbraith at that time chair of the Prescription Pricing Authority)³ the implementation of the reforms including four exemptions under control of entry were agreed.

The revised NHS regulations were introduced in April 2005. A review of the effect on pharmacy services in England was announced to Parliament by Patricia Hewitt, the Secretary of State for Health, on 13 June 2006. The Department of Health undertook a review of the first year of implementation which is now complete. A written ministerial statement on 11 January 2007 announced the publication of the report and the key findings are considered below.

The Department of Health is also initiating discussions with stakeholders to review contractual arrangements to be led again by Anne Galbraith. This will report by March 2007 and a formal consultation will be considered to follow in the spring.

Health Minister Andy Burnham said

'Concerns about securing adequate access to services including in more deprived and rural areas remain and Primary Care Trusts have insufficient influence to exercise adequate control over where services are provided to meet greatest needs.

Such shortcomings are not consistent with the principles for reform of the public sector and our White Paper ambitions for creating a patient-led NHS.

¹ <http://www.dh.gov.uk/assetRoot/04/14/21/67/04142167.pdf>

² <http://www.offt.gov.uk/NR/rdonlyres/BABF839A-3088-4EBB-B3A9-00D955719EE0/0/oft609.pdf>

³ <http://www.dh.gov.uk/assetRoot/04/10/62/91/04106291.pdf>

Whilst I do not propose any major changes to the current reformed regime, I have concluded the time is right to consider how we can best shift the focus away from a system that is largely a legacy of the last century, to more modern and reformed contractual arrangements that can better meet the health needs and challenges of this century.

I am therefore pleased to announce that we are inviting representatives from patient and consumer groups, the NHS, professional, representative and trade associations to put forward their opinions to a review of these contractual arrangements.'

The Society anticipates being invited to participate in the review, the remit for which goes beyond entry restrictions, to include issues around local contracting arrangements for extended services.

Society's position on control of entry

The Society's position on control of entry was discussed in its consultation response to the Department of Health⁴. Ensuring that patients, particularly those with high levels of need, have access to community pharmacies was its key message. The response also raised workforce issues. For example pharmacies which are not based around primary care centres may lose prescription business and become unviable. This was highlighted in a report from the New Economics Foundation *A lethal prescription – Ghost Town Britain*⁵. The Society also expressed concern that the effect of entry controls was contrary to the ambitions of the White Paper *Choosing Health*⁶, *Choosing health through pharmacy*⁷ and the new contractual framework for community pharmacy⁸.

Since the introduction of the new contractual framework from October 2005 all pharmacies have been required to deliver essential services and 40% now provide advanced services. PCTs work to commission local enhanced services. The Society's consultation submission pointed to evidence that suggested that PCTs may be conducting pharmaceutical needs assessment but not directly applying them in commissioning⁹ and argued for a collaborative approach across a PCT in networks.

Control of Entry System for NHS Pharmaceutical Services in England 2006 - report findings

The report includes an economic commentary, a summary of the consultation responses, feedback from listening events and an analysis of:

- NHS dispensing statistics, distances between pharmacies, opening hours and opening and closures of pharmacies;
- NHS contract applications by pharmacies;
- PCT decisions, appeals and comment.

Figures suggest that the number of prescriptions dispensed in the last 10 years has increased by approximately 50% whilst community pharmacies have only increased by 1%. The OFT forecast increased numbers of pharmacies entering the market and the report found that the relaxation of entry controls had opened up the market with a

⁴ <http://www.rpsgb.org/pdfs/consdoc1184.pdf>

⁵ <http://www.neweconomics.org/gen/uploads/pills.pdf>

⁶ <http://www.dh.gov.uk/assetRoot/04/12/07/92/04120792.pdf>

⁷ <http://www.dh.gov.uk/assetRoot/04/10/74/96/04107496.pdf>

⁸ <http://www.dh.gov.uk/assetRoot/04/10/74/34/04107434.pdf>

⁹ <http://www.pjonline.com/editorial/20060805/papers/p161commissioning.html>

net increase of 120 pharmacies opening in 2005/2006 however it had had an uneven impact on promoting choice and competition.

Little evidence was found in the report of innovation in service delivery as a result of reforms and the findings suggest that the new contractual framework has been a greater driver for change.

On the cost benefit to the consumer, supermarkets are cheaper for general sales list medicines and pharmacy only medicines compared to independent and multiple pharmacies but there were no significant changes from when they were previously studied in 2003.

New applications to provide NHS pharmaceutical services have to take a 'control of entry' test except where they apply under exemptions (listed below):

- a) in large shopping developments over 15,000 square metres;
- b) to pharmacies that intend to open for more than 100 hours a week;
- c) to those that are part of a consortium to establish one of the new one-stop primary care centres;
- d) wholly internet or mail-order based pharmacy services.

The most common exemption route identified was applications to open a 100 hours a week pharmacy. Exempt pharmacies were proportionally found to provide more local enhanced services. The OFT report suggested that safeguards should be put in place to ensure access in deprived and rural areas. The review established that closures in deprived areas were proportionally greater and although they did receive more applications under exemptions there was inconclusive evidence that this would improve access.

In feedback patients also expressed concern in the report that 100 hour pharmacies represent a move towards focusing healthcare services on larger sites and could jeopardise choice longer term. In addition 100 hour pharmacies pose workforce issues with high levels of staffing required.

The changes to the reform were anticipated to increase the numbers of pharmacies locating near GPs. The report found some evidence that as a result of the reforms GP surgeries were better served by pharmacies.

Measures for access by transport planning consultants also demonstrated improvements for people with 99% being within 20 minutes (by car, on foot or public transport) of a pharmacy, including in deprived areas.

There were differing reports of the extra work incurred by PCTs however the complexity to administer was noted. When surveyed the NHS and businesses considered it was too early to judge the full impact of reforms however exempt pharmacies impede service planning and this is not in the best interests of patients or pharmacists trying to plan businesses to provide NHS pharmaceutical services, particularly in deprived areas.

Conclusions

Broadly it has been concluded that the direction of travel is right but the matter is still open for discussion as to whether partial deregulation is the way to enable PCTs to meet their new roles and responsibilities for commissioning a patient-led NHS. There is a recognised need to eliminate uncertainty over control of entry from a business perspective and the Department of Health are now taking steps to examine this and wider contractual issues in delivering NHS pharmaceutical services in England.

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