

APPG Pharmacy briefing: NHS pharmacy funding and capacity

Community pharmacy is uniquely placed in the English healthcare landscape. Pharmacy teams demonstrated their value, resilience, and adaptability by supporting patients during the worst of the pandemic at a time when the NHS changed beyond all recognition.

Like General Practice, pharmacies are private contractors who receive the vast majority (for most, more than 90%) of their income from the NHS. However, unlike General Practice, whose funding has been boosted significantly over a multi-year period ([IfG](#), 2021), pharmacy funding has been stringently restricted. When inflation and increases in business and staffing costs are taken into account, funding for community pharmacy is decreasing year on year.

The sector is facing growing and unsustainable financial pressures. Urgent action is needed if community pharmacies are to keep their doors open and play the expanded role the NHS needs.

Our key messages are:

1. Pharmacies are best placed to take further pressure off GPs and support the NHS pandemic recovery efforts, but they urgently need investment.
2. Increased investment in pharmacy in the short term, will ultimately save NHS money in the long term.
3. The Government must re-evaluate the current and long-term workforce needs of the entire health and social care system, including pharmacy, to ensure resources are directed where they deliver the most benefit to patients.
4. Pharmacies are facing growing financial pressures. This is unsustainable and urgent action is needed to mitigate these challenges.

Key stats:

- NHS total funding for the sector is set at **£2.592bn per year**. This total funding has remained flat since 2016/17, and has resulted in **real terms funding being reduced year on year**, as inflationary pressures are not taken into account.
- **There has been a net loss of 670 community pharmacies since 2015. 41% of permanent community pharmacy closures have taken place in the 20% most deprived parts of England** ([CCA](#), October 2022).
- **Several thousand English community pharmacies are likely to close** during the next few years (NPA, September 22).
- **72% of community pharmacies are forecasted to be loss-making by 2024** if the current contractual arrangements carry on unchanged (EY, 2020).
- Pharmacies are **undertaking some 65 million informal consultations per year**, none of which have specific funding attached to them (PSNC Audit, 2022).
- Pharmacy advice **saves roughly 32.2m GP appointments per year** (PSNC Audit, 2022).
- NHS could see a **53% cost reduction**: providing 40m minor ailments GP appointments per year costs £1.2bn, but only £560m if provided through the Community Pharmacy Consultation Service minor ailments consultations (PSNC, 2022).
- 74% of pharmacy team members surveyed said their pharmacy had seen a **significant increase in requests for healthcare advice from the public** (PSNC Audit, 2022).
- 92% of pharmacy teams and pharmacy owners reported that **patients were being negatively affected** by the pressures on their pharmacy (PSNC Audit, 2022).
- 91% of pharmacies are experiencing staff shortages (PSNC Pressures Survey, 2022)

The APPG secretariat is on hand to offer support and advice ahead of the meeting. Please email APPG Pharmacy contact@pharmacyappg.co.uk

How is Community Pharmacy funded?

Community pharmacies offer critical primary care services in accordance with a Contractual Framework that is agreed between PSNC (representing pharmacies), NHS England and NHS Improvement (NHSE&I) and the Department of Health and Social Care (DHSC).

The significant majority of income for community pharmacies in England comes from payments made in line with this Contractual Framework, with the total funding for the sector set at £2.592bn per year. This total funding has remained flat since the imposition of funding cuts in 2016/17.

Payments through the contractual framework are made up of a combination of fees (for provision of services), allowances and purchasing margin (the difference between the amount reimbursed for prescription drugs and the cost for pharmacies of purchasing these drugs from their wholesalers). All three, including a cap on purchasing margin which forms a core part of pharmacy funding, are agreed nationally and included within the £2.592bn. The amounts that will be paid to contractors, are set out in the Drug Tariff, which is updated monthly.

On top of the services contracted under the national contract, community pharmacies can also receive income from both NHS and non-NHS sources, including:

- **payment for other locally commissioned services** –these are usually paid for by the body that commissioned the service, e.g. a local authority or clinical commissioning groups.
- **retail and private services income** – many community pharmacies offer a range of non-NHS services and medicines. Examples include over-the-counter medicines, toiletries and the annual flu jab.

These additional income streams tend to be very small in comparison with the funding received through the national contractual framework, and NHS payments continue to make up the majority of income for community pharmacies (for most, more than 90%).

Unsustainable funding pressures prevent the NHS expanding the role of pharmacy

Funding Squeeze: the total available funding envelope has been fixed at £2.592 billion for a significant multi-year period. In practice this means real terms funding is being reducing year on year, as inflationary pressures are not taken into account. Pharmacy funding has also not received the NHS annual funding growth (3.4% per annum between 2019/20 and 2023/24).

A [study commissioned](#) by the National Pharmacy Association (NPA) reveals **that due to high inflation several thousand English community pharmacies are likely to close during the next few years**¹. The report warns that this would “disrupt NHS medicines supply and damage prospects for extended clinical services in the community setting.” It would also increase health inequalities and slow the provision of enhanced clinical care in community pharmacies.

If the contract sum was to be effectively increased by £250 million in 2023, this would still represent no more than 1.8% of total English health spending in 2023, the authors calculate.

Adjusting for inflation, the **value of the pharmacy contract with the NHS in England has shrunk by a quarter since 2015**. In England, community pharmacy now accounts for a lower percentage of total health spending than at any point since 1948.

A [report by EY](#) (commissioned by the NPA) reveals that pharmacies are under-funded to the tune of £497m – with 72 percent forecast to be loss-making by 2024 if the current contractual arrangements

¹ <https://www.npa.co.uk/wp-content/uploads/2022/09/Protecting-UK-Public-Interests-in-NHS-Community-Pharmacy-September-2022.pdf>

carry on unchanged. The report estimates that the average pharmacy will be making an annual loss of £43k by 2024.²

Primary care: Community pharmacies are increasingly being relied upon by local communities and NHS patients as the first port of call for healthcare advice and services. In June 2022, an audit found that pharmacies were undertaking some 65 million informal consultations per year, none of which have specific funding attached to them.

Pharmacy advice **saves roughly 32.2m GP appointments per year**, with data also showing that **pharmacists identify 2.5 million patients a year requiring urgent advice or treatment**³.

The Pharmaceutical Services Negotiating Committee (PSNC) estimate that the cost to provide 40m minor ailments GP appointments per year is £1.2bn, but the cost to transfer these to pharmacies as Community Pharmacy Consultation Service⁴ minor ailments consultations would only be £560m, resulting in a **53% cost reduction**. Pharmacies want to continue to provide new services and increase patient access to healthcare - that's their job. But they cannot do so without fair support and funding.

What needs to happen...

Urgent action is needed to urgently relieve pressures on the sector and preserve the future sustainability of pharmacies.

PSNC modelling (Figure 1) suggests that pressures on pharmacies are set to increase. They estimate that staff time demand for clinical services will have increased by over 87% by 2022/23 compared against 2018/19 levels.

The 2022 PSNC Pharmacy Pressures Survey also reported that 91% of pharmacies are experiencing staff shortages. 74% of the pharmacy team members surveyed also said their pharmacy had seen a significant increase in requests for healthcare advice from the public, with 82% reporting that their pharmacy had also seen a sizeable increase in phone calls from patients⁵.

The survey also found that: 92% of pharmacy teams and pharmacy owners reported that patients were being negatively affected by the pressures on their pharmacy⁶.

This is unsustainable and urgent action is needed to mitigate these challenges.

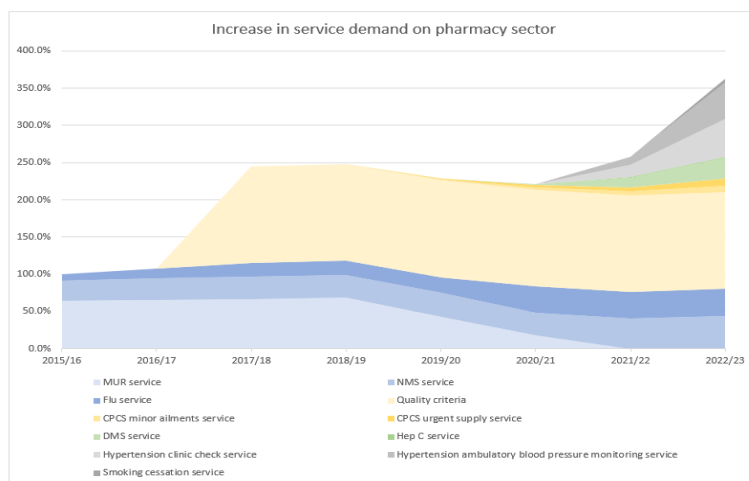


Figure 1

Pharmacies are ready to take further pressure off GPs and support the NHS pandemic recovery efforts, given the right support and investment. Increased investment in pharmacy in the short term, will save NHS money in the long term. The Government must also re-evaluate the current and long-term workforce needs of the entire health and social care system, including pharmacy, to ensure resources are directed where they deliver the most benefit to patients.

² <https://www.npa.co.uk/wp-content/uploads/2020/09/EY-NPA-Impacts-of-current-funding-policy-and-economic-environment-on-pharmacy-in-England-FINAL.pdf>

³ PSNC, 'Pharmacy Advice Audit 2022: a summary of findings', June 2022

⁴ The NHS Community Pharmacist Consultation Service (CPCS) is a national service that allows GPs and NHS 111 to refer patients requiring low acuity advice, treatment and urgent repeat prescriptions to community pharmacies. The service aims to reduce pressure on the primary and urgent care system, particularly Accident and Emergency and GP out of hours.

⁵ PSNC '2022 Pharmacy Pressures Survey', April 2022

⁶ Ibid.