REPORT TO: **MORAY INTEGRATION JOINT BOARD ON 28 MARCH 2019**

SUBJECT: **PRESCRIBING BUDGET REQUIREMENTS FOR 2019/20**

BY: **SANDY THOMSON, LEAD PHARMACIST**

1. REASON FOR REPORT

1.1. To inform the Board of the predicted budget resource requirements for 2019/20.

2. RECOMMENDATION

2.1. It is recommended that the Moray Integration Joint Board:

i) consider the recommendations made in this report with regard to volume, costs, risks and the net predicted need for budget resource of £17.315m as part of the overall Health and Social Care Moray (HSCM) budget setting process for 2019/20;

ii) note the estimated budget requirements linkage to the Locally Enhanced Services / Service Level Agreements (SLAs) with general practice level allocations and financial monitoring to be facilitated in a timely manner; and

iii) tasks the Chief Financial Officer and Lead Pharmacist to ensure that final prescribing budget allocations are notified to corporate finance and pharmacy teams to enable practice level allocations and financial monitoring to be facilitated in a timely manner.

3. BACKGROUND

3.1. Current forecasting indicates Moray will end the 2018/19 year with a deficit of £992K in the prescribing budget largely due to the absence of any uplift provision for 2018/19 and the application of an additional efficiency target.

3.2. Resource assessment for prescribing has been undertaken for 2019/20 using the approach adopted in previous years which estimates growth in volume and spend in the coming year and offsets these with generic savings and approved efficiency plans. The key themes and data presented here are taken from the more comprehensive ‘Health and Social Care Prescribing Budget Supporting Information and Data for 2019/20’ which has been scrutinised and approved by the multidisciplinary / cross sector Grampian Medicines Management Group. A breakdown of the components of the requested budget for 2019/20 is provided in **Appendix 1**.

3.3. During 2018/19 there has been no real growth in the volume of prescriptions being dispensed in Grampian. Volume growth for 2019/20 has been based on anticipated impacts of demographic changes in Moray on medicines use.

3.4. Previous years have seen a reduction in cost per item as a number of significant medicines lost patent protection and generic equivalents became available. Competition in the generic market also helped to drive costs down. Latterly generic prices have risen again, frequently as a function of supply shortages. Use of new branded medicines has also started to drive up the cost per item. Cost per item peaked in Q3 2017 but have been dropping since then and throughout 2018/19. At the start of the 2018 financial year the average cost per item for NHS Grampian was £11.16 falling to a low of £10.89 in September and an in year average estimated to be £11.05.

3.5. New drugs moving into primary care are predicted to have minimal impacts in 2019/20 with Erenumab for migraine the only significant new product identified from national horizon scanning documents with a budget impact of around £40K in 2019/20.

3.6. Drugs coming off patent in 2019/20 are likely to contribute around £35K of savings during the financial year.

3.7. During 2018/19 FreeStyle Libre® (used for blood glucose monitoring) was introduced. It is important to note that the full year impact of this introduction is yet to be realised but will be in 2019/20 with the year 2018/19 starters having additional net costs of £16K and the 2019/20 starters having in year net costs of £36K.

3.8. The various medicines efficiencies undertaken in 2018/19 to reduce the use of drugs with low therapeutic value has delivered a minimum saving of £729K in year across Grampian, around £146K for Moray. Plans for a new efficiency programme in 2019/20 already approved by the IJBs of Grampian are in place to deliver a further net £172K in 2019/20 across Moray.

3.9. The community hospital budgets in Moray will require additional funding in 2019/20 with a 0.1% uplift on out-turn requested.

4. <u>KEY MATTERS RELEVANT TO RECOMMENDATION</u>

The following are the main financial risks which are not included in the recommended uplifts summary:

4.1. The risk that the future prices for generic medicines, and associated reimbursement levels set within the Scottish Drug tariff, remain difficult to predict. Scottish Government has committed to rebalancing community pharmacy contractor payments by reducing the emphasis on margin share and moving these payments to within the guaranteed global sum. This was exemplified in the approach to pregabalin pricing whereby £20M across Scotland was removed from the drug tariff with the benefit being used by Scottish Government to pay contractors rather than accruing to local prescribing budgets.

4.2. The global supply chain remains fragile. Shortages in supply continue to be a significant problem for community pharmacy and dispensing doctor practices with the most recent example being the high volume, low cost non-steroidal inflammatory naproxen. Such shortages can lead to unpredictability in the cost per item during the year. Brexit has the potential to significantly worsen shortages in the coming year both directly through border disruption causing delays to delivery and indirectly through potential delivery disruption within the UK.

4.3. The growth in consumption of medicines has been stabilising. Anecdotally this has been linked to the end of Quality Outcomes Framework (QOF), strengthened approaches to medication review and associated reductions in polypharmacy. There remains a risk that item volume rises greater than currently predicted.

4.4. Primary care rebates, the system that provides the NHS in Scotland with post use discounts on spend for specific medicines, has remained generally stable but there remains a risk that these rebates change or are removed. N.B. These discounts accrue to the individual Health and Social Care Partnerships (HSCPs) based on spend.

4.5. The introduction of new medicines/new treatment modalities has resource implications above and beyond the costs of just the medicine. While some medicines may replace existing treatments and be easier to manage, the overall effect of new medicines introduction may increase health service resource requirements in order to treat patients safely and effectively e.g. through additional impacts on phlebotomy and laboratory services.

4.6. Unmanaged movement of prescribing from secondary care to primary care without appropriate financial resources moving to support such change.

4.7. A diminution in the new General Medical Services (GMS) contract support for medicines management activities focussed on the cost effective use of medicines and the transition to pharmacotherapy services between now and 2021.

4.8. Macroeconomic effects related to currency fluctuation and broader impacts of Brexit.

5. SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP)) and Moray Integration Joint Board Strategic Commissioning Plan 2016 – 2019

As set out within Moray's Integration Scheme.

(b) Policy and Legal

The MIJB will issue new Directions, identifying resources for service delivery from 1 April 2019 (para 12.4.4 of the 2015 Integration Scheme refers). It will be the responsibility of the organisation receiving the Direction to work with the Chief Officer and Chief Financial Officer to deliver services within the resources identified.

(c) Financial implications

The financial implications are that as at 30 November 2018 there was an anticipated forecast overspend on primary care prescribing at the end of the financial year of £992K.

(d) Risk Implications and Mitigation

There is a risk of financial failure, that demand for medicines outstrips budget and the MIJB cannot deliver priorities, statutory work, and project an overspend. Risk will be mitigated by actions set out in this report to manage the budget, but the key financial risks are highlighted above.
At the time of writing, there is still uncertainty as to whether there will be a 'no deal' Brexit, which could have a negative impact upon medicine supply and costs.

(e) Staffing Implications

There are no workforce implications arising from this report.

(f) Property

There are no property implications arising from this report.

(g) Equalities/Socio Economic Impact

There are no equalities/socio economic implications arising from this report as there has been no resulting change in policy.

(h) Consultations

Consultations have been undertaken with the following partnership members who are in agreement with the content of this report where it relates to their area of responsibility:

- Lead Pharmacist, Health and Social Care Moray
- Chief Financial Officer, MIJB

6. CONCLUSION

6.1. This report recommends the MIJB

- **consider the recommendations made in this paper with regard to volume, costs, risks and the net predicted need for budget resource**

of £17.315m as part of the overall HSCP budget setting process for 2019/20;

- **note the estimated budget requirements linkage to the locally enhanced services / SLAs with general practice level allocations and financial monitoring to be facilitated in a timely manner; and**

- **tasks the Chief Financial Officer and Lead Pharmacist that final prescribing budget allocations are notified to corporate finance and pharmacy teams to enable practice level allocations and financial monitoring to be facilitated in a timely manner.**

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Background Papers: with author
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