



Why am I not making Enough Margin? Understanding Margin Delivery

Garry Myers

Pharmacy contractor and PSNC Committee member

Harpreet Chana

Programme Director, NPA (former Head of Pricing/Funding Strategy at PSNC)

Introduced by *Jay Badenhorst*

NPA Chair of Membership Committee



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What is the impact of the price change mechanism?



Can work for or against you

e.g. if the price of a drug decreases before the tariff catches up you may be reimbursed at a higher price but equally if the price increases you may be reimbursed at a lower price

Drug Tariff listed prices are only ever **indicative**

DM+D is a better resource

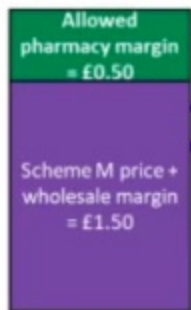
Invest in effective procurement and monitor what you are actually paid

Why are Branded Generics NOT cheaper for the NHS?



Branded generic = Drugs that are off-patent but that are marketed as a brand (and not the brand originator)

Drug Tariff Generic = £2.00



£0.50 to pharmacy to reduce overall drug costs to NHS

£0.20 to wholesaler

£1.30 to manufacturer

Branded Generic = £1.75 ('saving' of £0.25)



Whole £1.75 goes straight to the manufacturer

= margin not earned and ALL Cat M prices increased as a result

Prescribing Changes



Certain practices undertaken locally to ↓ time/budgetary pressures:

- 📺 Increasing use of branded generics
- 📺 Increasing period of treatment ▶▶ no financial incentive due to global sum. Doesn't save money overall – simply penalises pharmacies locally
- 📺 CCG Teams trying to beat Cat C reference product price by prescribing a cheaper (and usually difficult to source) brand

Lack of understanding of community pharmacy funding

Branded Generics Example



Undermines community pharmacy funding
 E.g. Salbutamol vs Ventolin Inhalers

Actual loss of £0.30
 = The difference
 between price paid
 by pharmacy for
 the generic vs the
 brand
 (excluding margin)

Net DH Loss = £0.30

Perceived CCG 'Saving' of £0.36

Ventolin Net Reimbursement = £1.35

M+W Price for Salbutamol = £1.05

Margin Loss = £0.66

Salbutamol Reimbursement Price (DT) = £1.71

Margin loss of £0.66 which
 has to be redistributed in
 margin



Brand/Generic Mix



Brands and generics are reimbursed differently:

Factor	Brand	Generic
Price Controls	Subject to PPRS	None
Reimbursement Price	List price	Tariff price
Discount	Little to none	Average ~8%
Margin	Usually negative	Dependant on price YOU can negotiate
OOPE	Yes	Not if Category A or M
Broken Bulk	Yes	Cat A/M - only if smallest pack size >£50

Amount of brand dispensing affects total margin earned – do you know your brand/generic mix??



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