

Memorandum by the Auditor General for Wales

**Progress in implementing the recommendations of the Audit
Committee on the procurement of primary care medicines**

Submitted to the Audit Committee of the National Assembly for Wales

June 2005

Progress in implementing the recommendations of the Audit Committee on the procurement of primary care medicines

Summary

1. In 2003, the Audit Committee concluded that there might be scope for significant savings for NHS Wales on the cost of primary care medicines – those prescribed by general practitioners and other primary care contractors. In order to help achieve such savings, the Committee made recommendations concerning centralising procurement and improving prescribing behaviour and medicines management. Its recommendations regarding centralising procurement centred on this being explored through pilot arrangements so as to allow the risks attached to such change to be managed. Its recommendations regarding prescribing behaviour and medicines management concerned measures such as monitoring and setting targets in order to achieve improvements.
2. Since the Audit Committee published its report, extensive progress has been made on a UK basis in controlling primary care medicine costs within the existing procurement arrangements. This has greatly reduced the scope for savings that could be obtained by introducing centralised procurement. Given this, the case for the Department pursuing the Committee's recommendations concerning centralised contracting in order to achieve savings on widely used medicines has been eroded. Also, the agreement of a new contract for community pharmacists makes the pursuit of centralised procurement less appropriate. Therefore, while the Department has undertaken some preparatory work to pilot centralising procurement, it is probably now appropriate for the Department to focus its attention more closely on the pursuit of the Committee's recommendations concerning prescribing behaviour and medicines management. The Department might, however, keep in view the option of centralised procurement for non-drug prescribed items, such as sip feeds.
3. In terms of prescribing behaviour and medicine management, good progress has been made against the Committee's recommendations. Much of this is due to the Department arranging for its professional advisory body, the All Wales Medicines Strategy Group, to pursue these issues, though local health board prescribing advisers have also played an important role. This progress, alongside the emphasis in the new

community pharmacy contract on work that would improve medicine management, should lead to the improvements that the Committee has sought.

The Audit Committee concluded that there might be scope for significant savings on the cost of medicines and made recommendations to help achieve these

4. The Audit Committee's report of 22 August 2003, *The Procurement of Primary Care Medicines*, concluded that there may have been scope for significant savings on the £410 million (2001) of expenditure on primary care medicines through moving from reimbursement of individual primary care contractors (mainly community pharmacists and dispensing GPs) to centralised contracts. The Committee's conclusions are set out in Annex 1. The Committee's report drew on evidence it had taken on the Auditor General's report of the same title of 20 March 2003. That report set out that hospitals procure most of their medicines through centralised contracts, and obtained the same items at substantially lower prices than those paid in the reimbursement system. The total difference in cost arising from these price differences was some £50 million, with ten items accounting for £22.7 million.
5. Like the Auditor General's report, the Committee recognised that, as well as potential savings, there were considerable risks and challenges attached to such changes. With these in mind, it made recommendations for exploring centralised contracts through pilots and managing the attached risks (recommendations 1, 2 3 and 4).
6. **Recommendation 1** was for the Department to monitor the differences in the prices charged to the primary and secondary care sectors. This was to ensure that the rationale for such change remained, so that the Department avoided unnecessary or counterproductive developments.
7. **Recommendation 2** was to pursue pilots of centralised procurement, drawing on the advice of the Assembly Government's professional advisory body, the All Wales Medicines Strategy Group. This was to allow the achievement of savings from centralised procurement of a small number of items to be explored, while managing the risks attached to such changes. The pilots would test whether centralising procurement would enable the buying power of NHS Wales to be unified so leading to negotiation of prices lower than those paid under the existing system of reimbursing individual contractors. Such a possibility was indicated by the comparison with the prices charged to hospitals under their centralised contracts.

8. **Recommendation 3** was for the Department to assess the adequacy of the Essential Small Pharmacy Scheme as a means of addressing the potential destabilising effect of centralisation, and to use its powers to reform the scheme if necessary. One of the risks of centralising procurement that the Committee identified was a possible reduction in the accessibility of pharmacy services caused by the closure of economically marginal pharmacies and dispensing practices.
9. **Recommendation 4** was for the Department to fully evaluate all its piloting of centralised contracting. This was to make sure that centralised contracting would only be pursued more widely if it made sense in terms of all the costs and benefits.
10. Beyond procurement practices in the narrow sense, the Committee also noted that there was further potential for savings through improving prescribing behaviour (essentially the decisions doctors make in writing prescriptions, such as the selection of products) and medicines management (helping patients to benefit as much as possible from their medicines). The Committee therefore made recommendations aimed at achieving such improvements (recommendations 5, 6, 7 and 8).
11. **Recommendation 5** called for prescribing behaviour and medicines management practices to be monitored by local health boards and the Department so as to help achieve improvements in these areas. The Committee was concerned that, as indicated in the Auditor General's report, best practice in these areas was not being followed by all GPs.
12. **Recommendation 6** was for the Department to make use of the work of the All-Wales Medicines Strategy Group to set targets for generic prescribing and develop strategies for increasing it. Increasing the level generic prescribing, as a proportion of all prescribing, would enable more of the lowest cost but chemically identical form of a medicine to be dispensed, rather than particular brands. This would not only lead to financial savings, but also have patient safety benefits.
13. **Recommendation 7** called for the Department to draw together the results of evaluations of initiatives intended to improve prescribing behaviour so that they could be readily disseminated. The Committee noted that the Department supported several initiatives intended to improve prescribing behaviour but that the approaches to evaluating these were rather variable. Thorough evaluation and dissemination of the results of the initiatives would itself help improvements in prescribing practice to be achieved.

14. **Recommendation 8** called for the Director of NHS Wales to ask the All Wales Medicines Strategy Group to review the justification for prescribing medicines of limited clinical value and to consider what cost-effective alternatives there may be beyond prescription. The Committee was concerned that GPs continued to prescribe such low cost, but low effectiveness, items. Its recommendation was intended to enable the Department to take up such debatable practice with GPs.

Price reductions in the existing system have now reduced the scope for savings from centralised procurement

15. Since the Audit Committee produced its report, reductions in the prices charged to primary care have greatly reduced the scope for savings from centralising procurement. While the cost of community dispensations reached a new high of £540 million in 2003, the prices charged for some of the most widely used primary care medicines have fallen sharply. These reductions in prices are attributable to the joint efforts of the UK health departments, particularly the negotiation efforts of the Department of Health. At the same time, the NHS Counter Fraud and Security Management Service and the Serious Fraud Office have investigated price fixing by certain manufacturers. In particular, there have been large reductions in the prices of some widely used generic medicines since late 2003. And under the new Pharmaceutical Price Regulation Scheme (PPRS) agreement between the UK health departments and the pharmaceutical industry, from January 2005, the prices of branded medicines have fallen by some 7 per cent overall.
16. As a consequence, the savings that would have accrued, had primary care medicines been obtainable at the prices obtained for hospitals by the All Wales Drugs Contracting Committee, are much reduced. For the top ten items, the modelled saving falls from £22.7 million, as shown in figure 6 on page 12 of the Auditor General for Wales' report, to some £2.7 million. This means that the savings that might have been achievable through the specific measure of centralised contracting are now largely being achieved as a consequence of negotiations between the UK health departments and the pharmaceutical industry over prices in the existing reimbursement-based procurement system. For the top ten items, this would indicate savings of some £20 million a year due to the price changes in the current system.
17. The substantial reduction in the differences in prices should also have the benefit of reducing distorting effects on primary care practice caused by loss-leading. Such distortions occur because patients begin a course of treatment in hospital on a certain

product, with a low hospital price, and then continue on that product after discharge despite it having relatively high primary care price.

The pursuit of centralised contracting is also less appropriate because of the introduction of a new community pharmacy contract

18. Another factor that has made the pursuit of centralised contracting less favourable since the Audit Committee made its recommendations is the Assembly's Health & Social Care Department's recent work to introduce a new community pharmacy contract. The new contract is intended to improve primary healthcare by making better use of community pharmacists' skills, such as their provision of medicine reviews – examination of the full range of a patient's medication in order to identify such things as avoidable harmful interactions and wastage of medicines as a result of patients not taking what they are prescribed. Such reviews are a major aspect of good medicines management. Therefore, this development is in line with the underlying purpose of the Committee's recommendations on medicines management. However, as part of the contract, community pharmacists are explicitly to be allowed to make a fair return on their purchasing and supply of medicines. This provision would be undermined if the Department were to pursue the centralised contracting of primary care medicines.

The Welsh Assembly Government's Health & Social Care Department has made limited progress in pursuing centralised procurement

19. In October 2003, the Welsh Assembly Government's response to the Committee's report accepted all of the Committee's recommendations (Annex 2). Since then, progress against the four recommendations concerning centralising procurement has been limited. However, the rationale for pursuing these recommendations in relation to widely used medicines in order to achieve financial savings has been eroded by the changes in the prices of medicines outlined above. Consequently, it is probably now appropriate for the Department to focus its attention more closely on the pursuit of the Committee's recommendations concerning prescribing behaviour and medicines management. Nevertheless, the Department might, however, keep in view the option of centralised procurement for non-drug prescribed items, such as sip feeds, which it has identified as continuing to be priced higher for primary care than secondary care.
20. In relation to **recommendation 1**, which called for the Department to monitor the differences in prices charged between the primary and secondary care sectors, the Department has reviewed the overall costs and volumes of medicines of the two

sectors. This has been sufficient for it to be fully aware of the general trends in prices, particularly the recent convergence of prices between the two sectors and the implications this has for centralising procurement.

21. The Department has undertaken preparatory work to pursue **recommendation 2**, the piloting of centralised procurement. It has not, however, set up any such pilots. The All Wales Medicines Strategy Group recommended that the Assembly Government should obtain detailed and costed modelling of such contracts. Consequently, the Department sought tenders, through the Official Journal of the European Community, from consultants to undertake work in order to present options for the development of centralised contracting pilots. The Department has had 11 expressions of interest and presentations from two shortlisted firms. However, given recent developments in medicines pricing, it is now considering how best to proceed.
22. The Department has not formally considered the adequacy of the Essential Small Pharmacy Scheme as a means of addressing the potential destabilising effect of centralised procurement on the viability of community pharmacies (**recommendation 3**). This is because without further information about such destabilisation, which might be provided by piloting centralised contracts, further consideration of the scheme in relation to centralising procurement would not be practical. The Department has, however, made the Essential Small Pharmacy Scheme a feature of the enhanced services element of the new community pharmacy contract. This means that support for economically marginal pharmacies that are necessary to provide accessible pharmacy services will be based on needs assessments by local health boards. The Department considers that this makes the scheme more flexible than the regulation-based scheme that operates in England, and that it should therefore be better placed to match financial support to need for access to pharmaceutical services where market conditions makes this necessary.
23. As the Department has not conducted any piloting of centralised primary care medicine procurement contracts, it has not undertaken any evaluation of such pilots (**recommendation 4**).

Good progress has been made against the Committee's four recommendations on measures to improve prescribing behaviour and medicine management

24. In relation to **recommendation 5**, the Department arranged for its professional advisory body, the All Wales Medicines Strategy Group (AWMSG), through its sub-

group the All Wales Prescribing Advisory Group (AWPAG), to develop prescribing indicators and monitor prescribing behaviour overall. This monitoring shows that prescribing in most local health board areas is improving against the indicators. Detailed monitoring of prescribing behaviour at the practice level is done by local health board prescribing advisors. The indicators are also used in the Strategic and Financial Framework (SaFF), which is NHS Wales' main performance management mechanism.

25. In terms of medicines management, the Department has commissioned a programme of work, known as the Medicines Management Collaborative Wales, to develop practices in this area. Fifteen local health board sites are participating. As well as workshops to share good medicine management practice, the programme involves local project teams providing data against national measures, such as the percentage of patients in registered care home who have had a documented clinical review of their medicines in the past twelve months.
26. Good progress has been made on **recommendation 6**. The All Wales Medicines Strategy Group set a target for 2004-05 of increasing generic prescribing to 78 per cent of all prescriptions. This was against a background of the rate of generic prescribing improving from 66.7 per cent in 2000-01 to 69.1 per cent in 2001-02. In 2003-04, the level of generic prescribing in Wales was 75.7 per cent and by the third quarter of 2004-05 had reached 77.8 per cent.
27. On **recommendation 7**, as the Department does not have the necessary resources of expertise to draw together the results of evaluations of initiatives intended to improve prescribing behaviour, it has arranged for this to be done by the All Wales Prescribing Advisory Group (AWPAG). AWPAG has undertaken a review of such initiatives in order to develop a prescribing incentive scheme. This scheme is not compulsory but has been adopted by some local health boards.
28. On **recommendation 8**, the Department arranged the All Wales Medicines Strategy Group to review the cases for and against prescribing certain drugs denoted in the British National Formulary as "less suitable for prescribing". As a result, the Group has set targets to reduce the levels of prescribing of certain medicines, such as Co-proxamol.

The Audit Committee's recommendations

- (i) That the Assembly's NHS Department monitors the differences in price charged to the primary and secondary care sectors before making changes to the arrangement for the procurement of selected primary care medicines.
- (ii) That the Assembly's NHS Department pursues centralised contracts for primary care medicines on the basis of the proposals and advice that it receives from the All Wales Medicines Strategy Group
- (iii) That the Assembly's NHS Department assess the adequacy of the Essential Small Pharmacy Scheme (ESPS) as a means of addressing the potential destabilising effect of centralisation, and uses its powers to reform the Scheme if it assesses it as inadequate
- (iv) That the Assembly's NHS Department fully evaluates all its piloting of centralised contracts for primary care medicines, taking account of all costs and benefits, including the effects on access to pharmacy and GP services and the cost of buying in expertise, and that it disseminates the lessons learned before taking such contracts further
- (v) That prescribing behaviour and medicines management advances are monitored by local health board and the Assembly's NHS department using the new performance management framework and that the Assembly's NHS Department keep the Auditor General for Wales updated on progress
- (vi) The Assembly's NHS Department makes full use of the work of the All Wales Medicines Strategy Group (AWMSG) in setting targets for generic prescribing and developing strategies for increasing the level of generic prescribing where appropriate
- (vii) The Assembly's NHS Department draws together the results of its evaluations of initiatives intended to improve prescribing behaviour so that they may readily be disseminated
- (viii) The Director of NHS Wales requests that the All Wales Medicines Strategy Group (AWMSG) reviews the justification for prescribing medicines of limited

clinical value and considers what cost-effective alternatives there may be beyond prescription, such as the provision of written dietary advice

WELSH ASSEMBLY GOVERNMENT'S RESPONSE TO THE AUDIT COMMITTEE REPORT 02-03(2): "THE PROCUREMENT OF PRIMARY CARE MEDICINES"

Recommendation:

- i) **that the Assembly's NHS Department monitors the differences in price charged to the primary and secondary care sectors before making changes to the arrangement for the procurement of selected primary care medicines;**

Accepted. We agree that it is important to understand the complex reasons for, and monitor the differences between, prices charged to the primary and secondary care sectors before making changes to the arrangement for the procurement of selected primary care medicines. However, it is important that drugs considered suitable for central procurement are also selected on the basis of sound evidence of effectiveness rather than cost alone. Drugs particularly suitable would be those considered to be the treatments of first choice for given common diseases, supported by a sound evidence base. These drugs are not necessarily those with the greatest price difference.

Recommendation:

- ii) **that the Assembly's NHS Department pursues centralised contracts for primary care medicines on the basis of the proposals and advice that it receives from the All Wales Medicines Strategy Group;**

Accepted. The advice received from the All Wales Medicines Strategy Group (AWMSG) and feedback from the two sub-groups of the AWMSG: the NHS-Industry Forum and the All Wales Prescribing Advisory Group was that implementation of central procurement, even as part of a pilot, should not be progressed on the basis of the information contained in the report. In particular no party consulted considered the predicted savings from central procurement to be achievable and all felt that the legal implications of the recommendation would expose the Assembly to challenge. The AWMSG believe these comments to be justified and strongly recommends that If the Assembly wishes to pursue central procurement contracts, it would be advised to produce detailed and costed models that are then subject to full consultation. (The AWMSG's full response is attached at Doc 1).

We have therefore asked the Welsh Procurement Initiative Team to consult with procurement colleagues in the Health Sector to see if they can work up proposals for central procurement in this area. These will need to be developed in light of any progress by Department of Health (DH) on making changes to the arrangements for reimbursement of generic medicines across the UK that would render centralisation inappropriate and on proposals to amend the Pharmaceutical Price Regulation Scheme (PPRS) which is

undertaken by DH on behalf of the devolved administrations. Details of these latest DH proposals are attached at Doc 2.

Recommendation:

iii) **that the Assembly's NHS Department assess the adequacy of the Essential Small Pharmacy Scheme (ESPS) as a means of addressing the potential destabilising effect of centralisation, and uses its powers to reform the Scheme if it assesses it as inadequate;**

Accepted. The Welsh Assembly Government has the powers to amend the scheme as necessary. However, changes to the contractual framework for community pharmacists, currently under discussion, may result in amendments to the ESPS. Alternative arrangements could be made to address potential destabilising effects of centralisation should the Assembly decide to pursue pilots in the future.

Recommendation:

iv) **that the Assembly's NHS Department fully evaluates all its piloting of centralised contracts for primary care medicines, taking account of all costs and benefits, including the effects on access to pharmacy and GP services and the cost of buying in expertise, and that it disseminates the lessons learned before taking such contracts further;**

Accepted. The Assembly's NHS Department (NHSD) agrees that if any centralised procurement pilots are undertaken, they should be fully evaluated before being extended.

Recommendation:

v) **that prescribing behaviour and medicines management advances are monitored by local health board and the Assembly's NHS department using the new performance management framework and that the Assembly's NHS Department keep the Auditor General for Wales updated on progress;**

Accepted The NHS Wales Department is in the process of compiling the Service and Financial Framework (SAFF) targets for 2004-5. Targets relating to the implementation of drug (and other) technologies recommended by the National Institute for Clinical Excellence (NICE) and the All-Wales Medicines Strategy Group (ASWVG) have been submitted for inclusion in the new SaFF targets for 2004/2005. An additional target has been submitted asking that Local Health Boards meet seven high-level All Wales Medicines Strategy Group prescribing indicator targets by April 2005.

An initial sift of SaFF target submissions has been undertaken but further processes are to be followed before the final list of SaFF targets is agreed.

Subject to their being agreed, Local Health Boards will report their performance against the SaFF on a quarterly basis. The Assembly's NHS Department will be pleased to share these reports with the Auditor General for Wales.

Recommendation:

vi **the Assembly's NHS Department makes full use of the work of the All Wales Medicines Strategy Group (AWMSG) in setting targets for generic prescribing and developing strategies for increasing the level of generic prescribing where appropriate;**

Accepted. The AWMSG has agreed seven high level prescribing indicators to be used to monitor prescribing patterns across Wales. Generic prescribing is one such target. The Group agrees that appropriate generic prescribing can make considerable savings with no difference in therapeutic outcome and notes that Wales consistently lags behind England in terms of generic prescribing rates.

The AWMSG has set a target of 78% for the percentage of items to be prescribed generically in Wales. The group will monitor and report on Local Health Boards' prescribing of generic medicines at its quarterly meetings. The group will also monitor and report on the percentage of items dispensed generically but will not set a target for this parameter.

The AWMSG are to specifically monitor and report, as a separate high-level indicator, on the level of simvastatin prescribed generically. In May 2003, simvastatin was the first statin to come off patent. The purpose of the target is to maintain or improve the current proportion of simvastatin prescribed generically at 45% expressed as a percentage of the total statins prescribed.

Educational programmes aimed at prescribers will target areas covered by the seven high-level indicators. With regard to the generic statin prescribing the AWMSG recommends that Local Health Boards should also continue to monitor practice audits relating to the implementation of the Coronary Heart Disease National Service Framework.

Recommendation:

vii **the Assembly's NHS Department draws together the results of its evaluations of initiatives intended to improve prescribing behaviour so that they may readily be disseminated;**

Accepted. The All Wales Prescribing Advisory Group, sub-group to the All Wales Medicines Strategy Group (AWMSG), will undertake an evaluation of Local Health Board Prescribing Incentive Schemes. This is likely to be initiated towards the end of this financial year.

One of the AWMSG's high-level indicators includes a target that seeks to ensure that all Local Health Boards have a working formulary in practice by 1st

April 2004. In subsequent years, adherence to this formulary will be monitored.

The Welsh Medicines Resource Centre (WeMeReC) publish annual activity data relating to the number of distance learning packages completed by General Practitioners and other health professional staff.

We are happy to consider with the NAO how best to further evaluate the impact of WeMeReC and of the work of prescribing advisors.

Recommendation:

viii **the Director of NHS Wales requests that the All Wales Medicines Strategy Group (AWMSG) reviews the justification for prescribing medicines of limited clinical value and considers what cost-effective alternatives there may be beyond prescription, such as the provision of written dietary advice.**

Accepted. The AWMSG has included 'Drugs less suitable for prescribing' as one of the seven high-level prescribing indicators that it will monitor and report. No target will be set for this parameter but the Group will urge Local Health Boards and GP Practices to work to reduce the prescribing of such drugs.

The AWMSG will be asked to consider what cost-effective alternatives there may be beyond prescription drugs.

ALL WALES MEDICINES STRATEGY GROUP

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RW / rml
22ndSeptember 2003

Mrs Ann Lloyd
Director of NHS Wales
Welsh Assembly Government
Cathays Park
CARDIFF

Dear Mrs Lloyd

Please find enclosed a copy of the minutes of a special, closed meeting of the All Wales Medicines Strategy Group (AWMSG) held on 24 July 2003 to consider the report of the Auditor General for Wales entitled "The Procurement of Primary Care Medicines".

There are a number of issues raised in our minutes that relate to the nature of the consultation process itself, whether all key stakeholders were consulted, and the publication of the Audit Committee report presented to the National Assembly for Wales on 22 August 2003 but posted on the web on 11 July 2003. I do not wish to pursue these issues in this letter but merely draw them to your attention. I do, however, wish to focus on one particular recommendation within the report that AWMSG consider to be important:

"The Assembly's NHS Department pursues centralised contracts for primary care medicines on the basis of the proposals and advice that it receives from the All Wales Medicine Strategy Group".

This recommendation was the reason for the meeting held on 24 July and allowed:

1. Key stakeholders to present their views on the report of the Auditor General; and
2. AWMSG to commence the process of preparing their advice to the Assembly's NHS Department.

Those bodies/individuals who had submitted comments in response to the Auditor General's report were invited to the meeting. All accepted. In addition, a representative of the All Wales Drug Contracting Committee, a Community Health Council representative, and a dispensing doctor attended the meeting. After the meeting additional, written comments were received from Boots (unsolicited) and the Chairman of the British Association of Pharmaceutical Wholesalers (solicited).

/cont/2

In brief, no party consulted considered it feasible, practical or without significant risk to NHS Wales to pursue the implementation of central procurement. It was also noted there was an ongoing consultation by the Department of Health and Welsh Assembly Government to amend the arrangements for the supply and reimbursement of generic medicines, along with discussions on the future structure of the Pharmaceutical Price Regulation Scheme. Both of these issues could impact on the business of pharmaceutical manufacturers, wholesalers, community pharmacists or dispensing doctors and serve to create an environment that was neither suited to the implementation of central procurement or a central purchasing pilot.

In conclusion, although there are a number of recommendations in the Auditor General's report that AWMSG will act upon, we feel obliged to advise that the central procurement of medicines in primary care should not be pursued at this point in time.

Yours sincerely

A handwritten signature in blue ink that reads "Roger Walker". The signature is written in a cursive style with a large initial 'R'.

Professor Roger Walker
Chairman. All Wales Medicines Strategy Group

CC Mrs Carolyn Poulter, Head of Pharmaceutical Services Branch,
Welsh Assembly Government

Enc.

AWMSG CLOSED MEETING

- A discussion on the response to the National Audit Office report on the procurement of primary care medicines

Summary

The draft minutes of the Audit Committee response to the report of the National Audit Office on The Procurement of Primary Care Medicines were posted on the web on 11th July 2003.

These draft minutes set out a number of proposals including an intention to pursue central procurement of medicines for primary care based on the proposals and advice received from AWMSG.

AWMSG subsequently consulted a number of representative bodies within NHS Wales regarding central procurement.

No party consulted considers the predicted savings from central procurement to be achievable and the majority have raised substantive concerns about the accuracy and misleading nature of elements of the report. AWMSG believe some of these reservations to be justified.

Detailed and costed models of how it is envisaged central procurement will be implemented must be produced and made available for consultation.

Background

- The report of the Auditor General for Wales "The procurement of primary care medicines was presented for information to AWMSG at its meeting on 0 June 2003. The Group agreed to set aside dates in June/July to consider the response of the Audit Committee to the report.
- On 11th July 2003 a draft, restricted, copy of the Audit Committee minutes were posted on the web. The draft minutes made several references to AWMSG including the following recommendations:

Recommendation (ii). The Assembly's NHS Department pursues centralised contracts for primary care medicines on the basis of the proposals and advice that it receives from AWMSG.

Recommendation (vi). The Assembly's NHS Department makes full use of the work of AWMSG in setting targets for generic prescribing and developing strategies for increasing the level of generic prescribing where appropriate.

Recommendation (vii). The Director of NHS Wales requests that AWMSG reviews the justification for prescribing medicines of limited clinical value and considers what cost-effective alternatives there may be beyond prescription, such as the provision of written dietary advice.

- Recommendation (ii) was of particular interest to AWMSG given the implications for patients and professionals across Wales. A number of bodies had already submitted comments on the report to officers of the Assembly or the Chairman

of the Audit Committee. Many of these written responses had been made widely available and clearly reflected anxieties should the Assembly support a move to central procurement. AWMSG convened a meeting of these respondents to clarify the substance of the individual submissions and challenge statements made.

- An approach was also made to the Director (designate) of the Association of Welsh Community Health Councils for a representative to attend the proposed meeting. Given the potential implications of recommendation (ii) on the medicines received and timeliness of supply for patients it was considered important to factor in their perspective.
- The role of wholesalers appears not to have been considered by the National Audit Office in formulating their report. The vast majority of medicines are distributed across Wales by wholesalers and their pivotal role in the classical manufacturer wholesaler retailer consumer chain has been consistently drawn to the attention of AWMSG. No decision on central procurement should be made without appropriate consultation of this sector.
- The minutes of the meeting convened by AWMSG on 24th July are attached and reflect the response already made by these bodies in their earlier submissions in response to the National Audit Office report. Whilst it is of no surprise that a number of issues raised reflected a wish to maintain the status quo, real issues of concern were also raised. The overwhelming consensus from all parties consulted was that implementation of central procurement, even as part of a pilot, should not be progressed on the basis of the information contained in the report. In particular no group believed the savings set out in the report were achievable and the legal implications of the recommendation would expose the Assembly to challenge. AWMSG believe these comments to be justified.
- Recommendation (ii) of the report has been discussed by the two subgroups of AWMSG, the NHS Industry Forum and the All Wales Prescribing Advisory Group. Neither group support implementation of central procurement on the available evidence.
- If the Assembly wish to pursue central procurement they would be advised to produce detailed and costed models that are then subject to proper consultation. Current debate has generated a very negative response probably because of difficulties conceptualising a feasible and workable arrangement.
- During the consultation two additional issues were brought to the attention of AWMSG and merit clarification:
 - i. The Wales Industry Group are listed in the report as an organisation that has been consulted. This would appear to be an incorrect representation of their contribution and may mislead the reader. This is a serious allegation.
 - ii. The publication on the web of the restricted draft minutes of the Audit Committee is unsatisfactory. Of greater intrigue is the suggestion that these minutes were drafted by parties involved in the production of the original report.

AWMSG CLOSED MEETING

A DISCUSSION ON THE RESPONSE TO THE NATIONAL AUDIT OFFICE REPORT ON THE PROCUREMENT OF PRIMARY CARE MEDICINES

THURSDAY, 24TH JULY AT 11.00 AM

IN THE LIBRARY SEMINAR ROOM, UWCM, HEATH PARK, CARDIFF

Members

Professor Roger Walker (Chairman)

Miss Sian Evans

Mr Peter Harsant

Dr Thomas Lau

Dr Ceri Phillips

Miss Carwen Wynne-Howells (Welsh Assembly Government)

Dr Emma Lam (Welsh Medicines Partnership)

Mrs Ruth Lang (Welsh Medicines Partnership)

Professor Philip Routledge (Welsh Medicines Partnership)

Mrs Karen Samuels (Welsh Medicines Partnership)

Invited attendees:

Dr David Bailey

(Member, NHS Industry Forum & representative of GPC Wales)

Dr Mark Goodwin

(Representing dispensing doctors)

Dr Richard Greville

(Vice Chairman, NHS Industry Forum & representing ABPI Cymru Wales)

Mr David Kenny

(Representative of Gwent Community Health Council)

Ms Catherine O'Brien

(Representative of RPSGB Welsh Executive)

Mr Phillip Parry

(Representative of Community Pharmacy Wales)

Mr Colin Ranshaw

(Representative of the All Wales Drug Contracting Committee)

1 Apologies

Mrs Carolyn Poulter

Dr Paul Buss

Mr Quentin Sandifer

Mr David Morgan

Mrs Kathryn Bourne

Mrs Susan Hobbs

Mr Michael Pollard

Mr Jeffrey Evans

Dr David Gozzard

Councillor Meurig Hughes

1 Introduction and welcome

The Chairman declared that on 17th July the Audit Committee of the National Assembly for Wales considered the report of the Auditor General for Wales entitled The Procurement of Primary Care Medicines. Although the minutes of the Audit Committee have not been formally published, draft minutes have been posted on the web and contain

a number of recommendations that require the attention of AWMSG, notably a suggestion that:

The Assembly's NHS Department pursues centralised contracts for primary care medicines on the basis of the proposals and advice it receives from AWMSG.

To date, the Auditor General's report has, not been considered in detail by AWMSG, although the NHS Industry Forum, a subgroup of AWMSG, discussed the report at a meeting on 15th July 2003. The AWMSG have not been involved in the process of consultation prior to the publication of this document and members expressed their concern over the lack of communication. The group also sought clarification as to the identity of the author(s) of the draft minutes that appeared on the Assembly web page.

The next formal meeting of AWMSG will be held on 0' September and in the interim the Chairman informed the group that he wished to pull together the relevant information.

The Chairman reported that a number of expert groups who have already submitted their views on the report had agreed to attend the meeting. The Chairman stated that the purpose of the meeting was two-fold; firstly for key stakeholders to present their views on the Auditor General's report to AWMSG and respond to questions posed by members of the Group; and secondly for AWMSG to commence the process of preparing their advice for submission to the Assembly's NHS Department.

The Chairman expressed his thanks to those attending the meeting and apologised for the short notice. However, he stressed that the implications for NHS Wales were significant and the relevant issues required clarification without delay.

2 *Response by ABPI*

The Chairman invited Dr Richard Greville, Director of ABPI Cymru Wales, to outline the major concerns of ABPI Cymru Wales Industry Group. These were identified as:

The approach of the report is driven by a narrow concern to achieve short-term savings in medicines procurement without fully understanding the broader implications of introducing major changes to the current system or, indeed, the value of medicines.

Medicines are not just another consumer product, but are essential to the health and well-being of people in Wales and are the result of intense research and development, worth more than £3.2 billion each year in the UK alone. The need to secure continued investment of this scale is one of the reasons why the UK Government and the pharmaceutical industry have agreed to the Pharmaceutical Price Regulation Scheme (PPRS). This report represents a significant challenge to the integrity of the PPRS and hence threatens to undermine the research and development capacity of the pharmaceutical industry with important consequences in terms of the economy and the fight against chronic disease.

The report fails to put the increasing expenditure on medicines in its proper context: the increased emphasis on preventing disease by investment in primary care and the increasing standards of care prescribed as a result of health policy developments such as National Service Frameworks.

The report's assumption that cost-savings achieved in secondary care by central purchasing can be replicated in primary care represents a fundamental misunderstanding of the way in which the market in pharmaceuticals operates and the principles which underpin the PPRS.

Centralised purchasing for primary care on any significant scale is incompatible with the current systems of reimbursing community pharmacists and prescribing GPs. It risks under-mining the commercial viability of community pharmacies, particularly in rural areas.

Although the industry supports appropriate generic prescribing, the Report's advocacy of generic and therapeutic substitution risks undermining the relationship between doctor and patient. ABPI strongly oppose therapeutic substitution, which challenges the accountability of the doctor for their patient's treatment.

3 Response by RPSGB Welsh Executive

The Chairman invited Ms Catherine O'Brien, Welsh Executive Secretary of the Royal Pharmaceutical Society of Great Britain to outline the major concerns of this professional group.

The RPSGB has considered the above report. As the regulatory and professional body for pharmacists, the Royal Pharmaceutical Society is not involved in matters relating to the NHS community pharmacy dispensing contract. The Society does, however, have an interest in ensuring that the public has access to a safe and effective pharmacy service.

The recommendations in the report that receive the support of the RPSGB do not relate to procurement. The RPSGB support the report's recognition of the benefits of better medicines management, standardisation of medication pack size and supplementary prescribing. The Welsh Executive produced a briefing paper for Assembly Members last year on the benefits of original pack dispensing.

The RPSGB are concerned that the recommendations of the report relating to procurement could have far reaching consequences for patients in Wales.

These concerns include:

- Timely access to acute medicines
- Continuity of supply
- Equity of service provision across Wales
- Supply of medicines in rural areas - Cross boarder issues between England and Wales
- Potential risk to secondary care of associated increase in costs.

The Welsh Executive could only support the principle of testing the recommendation on direct procurement provided the process takes full account of the complexity of the existing model, and that it is linked to the Assembly's review of community pharmacy an Wales to ensure individual communities continue to benefit from access to pharmaceutical services.

The report itself suggests that "securing potential savings on this scale in practice is not straightforward and is not guaranteed" and the RPSGB would question the cost benefit of investment of resources of the NHS Directorate in this area at this time.

The RPSGB also highlighted that there are other means of both controlling and maximising the benefit from drug expenditure for which there is a firm evidence base. These developments, including supplementary prescribing, medicines management and repeat dispensing, utilise the skills of community pharmacists, deliver savings combined with health gain and underpin the development of the NHS in Wales.

4 Response by Community Pharmacy Wales

The Chairman invited Mr Phil Parry to outline the concerns of Community Pharmacy Wales (CPW). These were as follows:

CPW represent the interests of all 712 community pharmacies in Wales who between them employ in the region of 4000 full and part-time staff throughout Wales.

CPW have already taken the step of responding to the National Audit Office through the Assembly, not primarily because of a disagreement with a number of the recommendations but more because of concern with the quality and the accuracy of the report. CPW are particularly concerned with fundamental omissions and flaws in the report which produce an overall misleading outcome. CPW believe the result of this is that the proposals expose the National Assembly to avoidable risks and challenges.

In many instances, the impact of concerns expressed in the report is diminished through lack of evidence, or lack of clarity in its extrapolation.

Some drug pricing mechanisms, which are referred to, are not considered appropriately or accurately.

The processes of consultation during the compilation of the report were perfunctory and some major players were not consulted. This has resulted in gaps of information and evidence. CPW are also concerned that Assembly Members may believe that the usual extensive consultation, collection and checking of evidence has already taken place, which is not the case with this particular report.

CPW believes it is being both reasonable and responsible in opposing the proposal to pilot central procurement. The proposal to pilot is not evidencebased. It does not identify the processes or the scale of such a pilot. To be meaningful the pilot of central procurement would need to be large and this, in itself, could result in lasting damage, both to the supply chain and the viability of the community pharmacy network throughout Wales. The report is focused on cost saving, not on healthcare provision,, and does not provide a balanced cost-benefit view of the advantages of appropriate use of medicines.

The report is considered naive in its expectation of savings from central procurement in primary care and has not fully extrapolated the effect of the PPRS and other existing price regulating mechanisms. It has not considered the administration and costs of distribution, or the increased risk of supply problems.

The £50M potential savings from central procurement are unproven.

The report does not account for the £30-40M of stock investment in primary care to meet immediate and ongoing patient need. Nor does it account for the £40M in the supply chain available for twice-daily supply. The supply chain resource includes some 5000 slow moving items that could be put at risk if the proposals were accepted. These 5000 items are usually specialised and needed for serious illness.

The existing supply network of wholesalers and community pharmacies is a resource that provides a high level of satisfaction and meets real patient need. It should not be tampered with lightly. Patients would blame the National Assembly for supply problems and the Assembly would have to accept the investment risk currently absorbed by primary care contractors.

The Department of Health has recently recognised that community pharmacists need some retained discount as well as remuneration to run the service. Central procurement would substantially reduce this necessary retained discount and community pharmacies as local businesses would become unviable unless other funds were provided.

The report correctly refers to the increase in the drug bill. This comes from the introduction of new medicines and increased demand for them. Central procurement will not change this. Costs are best kept down through good buying by individual pharmacies where there is an incentive, and recovered through government discount enquiries. Central procurement would remove the incentive for individual pharmacists to buy well.

5 Response by GPC Wales

The Chairman invited Dr David Bailey to highlight the major concerns of GPC Wales. These included:

The potential devastating effect several of the suggestions in the report will have on dispensing practices. Given these practices are mainly in rural areas GPC Wales would be very concerned regarding any suggestion that might reduce the provision of general medical practice in these areas. Many of these practices depend on their dispensing income to make them financially viable. The future recruitment and retention of general practitioners in these areas would be severely affected if dispensing income was significantly reduced, as could arise by interfering with dispensing practices' ability to negotiate on price.

Any savings from central purchasing for primary care are likely to have a detrimental effect on dispensing income and may destabilise the provision of general medical services in rural Wales. These rural areas already have difficulty in recruiting new GPs and anything that made recruitment and retention more difficult would be unwelcome.

GPC Wales also wished to correct the statement in the Auditor General's report (section 4.10) that progress had been made in considering a replacement for the 10.5% on-cost payment to dispensing practices calculated on the net ingredient cost of the medicines they procure. The report indicated this would be replaced by a payment that reflects services to patients. GPC Wales wished to state categorically that no progress had been made on this issue and dispensing practices will remain reliant upon on-cost to maintain financial viability.

6 Dispensing doctor perspective

The Chairman invited Dr Mark Goodwin, a rural full-time general practitioner and dispensing doctor based in Glyncorrwg Health Centre to address the group. Dr Goodwin advised the group that his practice dispenses to 1000 of the 3200 patients registered with the practice. He was extremely concerned- at the possible introduction of central medicine procurement and the devastating effect it would have on his practice's viability. He informed the group that if his practice lost the ability to continue dispensing, and lost part of the income generated from dispensing, then the resources available to offer high standards of service within the practice would be lost, and he would have to resign his partnership. Dr Goodwin emphasized this would have a catastrophic effect on general practitioner services available across rural Wales, which he believed is currently under-staffed and under-funded.

7 Community Health Council perspective

The Chairman invited Mr David Kenny to give his views of the meeting.

Mr Kenny informed the group of his concern over the lack of professional and public debate on the issue of central procurement. He also expressed concern over possible lack of supply of medications to the public and the effect on rural general practitioners and pharmacies. He agreed to raise this issue with the Director (designate) of the Association of Welsh Community Health Councils.

8 Response by All Wales Drug Contracting Committee

The Chairman invited Mr Colin Ranshaw, representing the All Wales Drug Contracting Committee, to address the group. Mr Ranshaw had received the invitation to attend at very short notice and offered to provide a copy of the formal response of his committee following the meeting. Mr Ranshaw stated it was too simplistic to transpose the process for central purchasing as used by secondary care into primary care as set out in the report. Moreover, he stressed that price should not be the major issue of any central procurement exercise, the major issue should be quality.

9 Summary and close of meeting

The Chairman wished to place on record that after each presentation he had asked whether consideration had been given to the benefits of implementing central procurement in total or as a pilot. No group could identify any benefits. The Chairman declared that each presentation was a persuasive and cogent argument that reflected a unanimous and strong disapproval with any move to central procurement. All attendees were again thanked for both their attendance at short notice and their active participation in the proceedings.

The Department of Health (DH) issued a consultation on proposals for amending the current arrangements for the supply and reimbursement of generic medicines on 1st September 2003. In summary, the proposal would:

- harness for the NHS the competition that exists between generic manufacturers for the supply of generic medicines by linking change in the reimbursement price for these medicines to the market prices charged by manufacturers, thus the NHS to benefit more quickly from falls in the market price of most generic medicines in the months after patent expiry;
- require all stakeholders to provide information quarterly to enable DH to operate the system and monitor changes in the market and take corrective action if necessary;
- include incentives to encourage community pharmacies to buy economically and thereby strengthen competition between generic manufacturers;

The proposals to amend the reimbursement of generic medicines will serve to reduce the profits made by wholesalers and community pharmacists, which could lead to introduction of the instabilities in the supply chain (described in paragraph 3.17 of the Auditor General's report) that would add to the risks inherent in the establishment of central procurement contracts. The Welsh Assembly Government is consulting along similar lines to the DH under its joint arrangements with the Department for the supply and reimbursement of generic medicines, publication of the monthly Drug Tariff and contractual framework for community pharmacists. The proposals will be implemented from April 2004, subject to the outcome of the consultation.

Discussions have begun between the Department of Health (DH), the NHS Confederation and the Pharmaceutical Services Negotiating Committee (PSNC) to establish a new contract for the provision of pharmaceutical services in primary care in both England and Wales. The outcome of the consultation on reimbursement of generic medicines will inform the financial element of the new contract.

On the 1st September 2003, the DH also issued a discussion paper on proposals to amend the Pharmaceutical Price Regulation Scheme (PPRS) which is undertaken by the Department on behalf of the devolved administrations. Their paper invites discussion on:

- rolling forward the 1999 PPRS agreement without change;
- a number of key aspects of the scheme that could be amended through negotiation;
- the potential for deregulation;
- or any alternative proposals that may be put forward.

Changes to the PPRS, and hence the control of prices of branded medicines, are likely to impact, positively or adversely, on the viability of centralised contracts.