

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

Welsh Medicines Partnership
Department of Pharmacology, Therapeutics & Toxicology
University of Wales College of Medicine
Heath Park, Cardiff CF14 4XN
Direct line: (029) 2074 5466
E-mail: wmp@cardiff.ac.uk



CARDIFF AND VALE NHS TRUST
YMDIRIEDOLAETH GIG CAERDYDD A'R FRO

Partneriaeth Meddyginiadau Cymru
Adran Ffarmacoleg, Therapiwreg a Toxicoleg
Coleg Meddygaeth Prifysgol Cymru
Mynydd Byofian, Caerdydd CF14 4XN
Llinell Uniongyrchol: (029) 2074 5466
E-bost: wmp@cardiff.ac.uk

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 in 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 evidence-based. 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 Glyncothrog 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.