

# Health and Social Services Committee

**HSS(2)–04-06(p.10)**

**Date: 8<sup>th</sup> March 2006**

**Venue: Committee Room 3, Senedd, National Assembly For Wales**

**Title : Funding for Drugs in NHS Wales**

## **Purpose**

1. To inform the Committee of the drugs budget for NHS Wales.

## **Recommendation**

2. The Committee is asked to note the content of this paper.

## **Background**

3. The drugs funding allocated to Local Health Boards includes the drug prescribing budget and the drugs element of the dispensing doctors funding within the nGMS contact allocation. In addition, the discretionary funding for hospital and community health services (HCHS) includes an element for drugs costs. The drugs element within the HCHS revenue allocations is not separately identifiable.

## **Impact of the Reduction in Prescription Charges on the Budget**

4. The drug prescribing budget allocated to Local Health Boards is net of the estimated patient charge income collected by them in year. As prescription charge income has reduced in line with the Welsh Assembly Government's commitment to abolition of prescription charges, additional funding has been allocated to the Local Health Boards to make good the shortfall in the drug prescribing budget.
5. There is currently no evidence to suggest that the reductions in the level of prescription charges to date have had a significant impact on prescribing volumes.
6. The table below details the primary drugs prescribing allocation for the period 2004-05 to 2006-07, including the drugs element of the dispensing doctors funding within the nGMS contact allocation.

**Table: Drugs Prescribing Allocations 2004-05 to 2006-07**

	Gross drug prescribing allocation	Deduction for income from prescription charges	Additional Funding to cover the reduction in prescription charges	Net drug prescribing allocation	Drugs element within nGMS contract allocation	Total	Total as a % of Health Budget
	£m	£m	£m	£m	£m	£m	%
2004-05	500.3	29.5	N/A	470.8	41.3	512.1	11.5
2005-06	510.3	29.5	9.8	490.6	45.0	535.6	11.5
2006-07	515.4	19.7	4.9	500.6	45.0	545.6	11.5

7. For 2005-06, the drugs prescribing budget was uplifted by only 2 per cent. This enabled the redirection of £30 million savings from the price reduction of 4 generic drugs from December 2003 and from the reduction in the cost of branded medicines under the Pharmaceutical Price Regulation Scheme to be used to part fund the new Pharmacy Contract.

8. From April 2005 the Department of Health introduced a new category of drugs (Category M) in the England and Wales Drug Tariff as a means of part funding the new pharmacy contract in England. The Community Pharmacy Contract in Wales is funded differently. Category M is a new category of generic medicines under Part VIII that was previously in Category A. The basic prices of Category M medicines reflect the average manufacturers' market price after discount rather than Category A system of basket prices before discount. The mix of the basket of drugs within Category M is reviewed quarterly by the Department of Health to achieve target savings of £300 million for England. The Wales equivalent savings are forecast to be £24 million.

9. For 2006-07, the drug prescribing budget was uplifted by 6 per cent after the deduction of the forecast windfall saving of £24 million on Category M drugs. Although the 2006-07 budget for the drugs element within the nGMS contract allocation is at the same level as for 2005-06, the Category M savings not recovered from the 2006-07 allocation are equivalent to the 6 per cent uplift on the drug prescribing budget.

## Cross cutting Themes

10. None.

## Financial Implications

11. There are no direct financial implications arising from this paper. The financial implications of changes in prescribing patterns are addressed on an annual basis through the Budget Planning Round.

## **Action**

12. The Committee is asked to note the contents of this paper.

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