

## Local Pharmaceutical Services (LPS)

The Department of Health has issued guidance notes on Local Pharmaceutical Services, which can be found at:

[www.doh.gov.uk/localpharmaceuticalservices/guidance.pdf](http://www.doh.gov.uk/localpharmaceuticalservices/guidance.pdf).

This briefing note provides a summary of the guidance notes. (Throughout this note, superscript numbering refers to the paragraphs in the guidance document.)

### Rationale of LPS

The new arrangements provide an alternative legal framework for the contracting of pharmaceutical services at a local level.<sup>5</sup>

The driving force behind the new arrangements is the hypothesis that the current nationally determined arrangements limit the opportunities for tailoring the provision of pharmaceutical services to meet local needs. LPS provides an opportunity to develop integrated local arrangements, which address local priorities and meet local needs.<sup>4</sup>

### Arrangements Between PCTs and LPS Providers

Primary Care Trusts (PCT) will contract local pharmaceutical services from LPS Providers,<sup>7</sup> which must be reviewed at least once in a three year period from commencement.<sup>8</sup>

LPS Providers may be an individual or corporate body (but not a PCT).<sup>38</sup>

The LPS Provider may be different to the individual providing the day-to-day services stipulated in the contract, since the LPS Provider may outsource or employ individuals to deliver all or some of the services.<sup>37, 39</sup> However, LPS pilots cannot include dispensing by doctors or dentists.<sup>15</sup>

LPS pilots will only be approved where the service includes dispensing of prescriptions to patients generally, to a specific group of patients or a combination of both.<sup>16</sup> Charges relating to prescriptions and exemptions will be the same as applies currently.<sup>23, 24, 25</sup>

LPS pilots will not be allowed to deliver services from premises where pharmacy services under the national contract are provided, except in situations where the Secretary of State is satisfied that there is no risk of financial abuse.<sup>31</sup>

## **Financial Arrangements**

The contract between the PCT and the LPS Providers will have an agreed total value.<sup>102</sup> This is equivalent in conceptual terms to the remuneration element in the existing pharmacy contract.

Reimbursement of medicines dispensed will continue to be calculated in the same way as before through submission of prescriptions to the Prescription Pricing Authority. LPS pilots will be registered separately with the PPA.<sup>93</sup>

The agreed total value of the contract will be comprised of central funding provided from an annual transfer of funds from the remuneration component (non-discretionary provision) of the pharmacy contract and funds from the PCT, where appropriate. These latter funds will need to be outlined in the proposals submitted.<sup>86</sup>

The central non-discretionary provision will be based, in the first instance, on a calculation of the level of remuneration that the predicted level of dispensing would have attracted had it been calculated under the terms of a national contract.<sup>87</sup> In subsequent years payment will be uplifted by remuneration increases that will be due to be paid under the national contract.<sup>90</sup>

A proviso exists that should dispensing volumes be significantly greater or less than predicted after the first year, adjustments will be considered. In general adjustments during the first year will not be made.<sup>91</sup> No "clawbacks" of committed funds in the first year will take place should there be variances in estimates of dispensing volumes.<sup>90</sup>

The Prescription Pricing Authority will provide a payment service for LPS pilot contracts, which PCTs can use and if they wish to do so they will have to provide the PPA with a monthly payment schedule.<sup>103</sup>

## **Control of Entry Regulations, Right of Return for LPS Providers and Designation**

Control of entry regulations do not apply to LPS Pilots. This is particularly relevant where an LPS Provider is a new entrant and may be allowed to dispense prescriptions as covered by the LPS Contract. Technically, LPS Providers will not be added to "Pharmaceutical Lists" as is understood currently. In such situations the PCT will have to assess the likely effect of any proposed pilot on the provision of existing services.<sup>26</sup>

New applications for a pharmacy contract in the future will have to take into account premises that are providing LPS pilots.<sup>27</sup>

There will be a “Right of Return” for those pharmacy contractors who leave the current contract to become an LPS Provider. This will allow the LPS Provider to revert back to a national pharmacy contract when the LPS contract ends or is terminated.<sup>28</sup> Where there is a change of ownership in the business of an LPS Provider (that was formerly a pharmacy contractor), then the new owner will also retain the “Right of Return”. There is no “Right of Return” for LPS Providers who were not formerly pharmacy contractors.<sup>29</sup>

The PCT will also be allowed to “Designate” an area for the purposes of LPS, which means that any applications for a pharmacy contract (apart from change of ownership) may be deferred.<sup>64</sup> Guidance relating to the circumstances under which designation may be made, maintained or cancelled is being prepared.

## The Process

There are two dates by which PCTs should submit proposals for approval (final or preliminary) to the Secretary of State - 28 June 2002 and 1 November 2002.<sup>10</sup>

The first step in the process is for the PCT Board to decide through its formal policy making procedures whether it wishes to use LPS or not.<sup>43, 44</sup>

If the PCT Board decides against using LPS, it should then set up a process and date on which to review its decision.<sup>45</sup>

If the PCT Board recommends the use of LPS, then it has a number of choices about how to submit proposals for approval.

While PCTs cannot themselves be LPS Providers,<sup>35</sup> they can take the lead in seeking preliminary approval for pilots, subject to finding an appropriate LPS Provider.<sup>60</sup>

The choices the PCT has are:<sup>52</sup>

- Consider requests from potential LPS Providers (Outline Proposals)
- Develop its own proposal without an identified LPS Provider (Full proposal seeking Preliminary Approval)
- Develop its own proposal with a named LPS Provider (Full proposal seeking Final Approval)

The PCT Board should also identify a lead person to take LPS work forward,<sup>46</sup> establish a process to ensure that the requirements of the LPS scheme can be met<sup>47</sup> and ensure that a written record of all proposals received and processed is created.<sup>59</sup>

If the PCTs will consider Outline Proposals, then the PCT Board must:<sup>53</sup>

- Establish the criteria by which Outline Proposals will be judged
- Make the criteria available to all applicants
- Establish a panel that will assess the Outline Proposals and make recommendations to the PCT Board
- Specify a date by which date Outline Proposals should be submitted<sup>50</sup>

Outline Proposals are intended to identify ideas which may be worked up to full proposal stage and to ensure that ideas fall within scope.<sup>54</sup> The outline proposals must take a certain form and include information under specific headings and be submitted by a date specified by the PCT.<sup>50</sup>

The PCT Board will review the recommendations of the panel to determine which, if any, Outline Proposals should be developed into full proposals.<sup>56</sup>

Contracts between the PCT and the LPS Provider can be either an NHS contract or an ordinary contract.<sup>95</sup> LPS Providers can apply to become a health service body so that it can enter into an NHS contract with the PCT. Applications need to be made to the Secretary of State.<sup>96,99</sup> The guidance notes that experience with personal medical services that there is an advantage of having an NHS contract because it reduces bureaucracy without sacrificing security for contractors.<sup>95</sup>

Prior to submission for approval to the Secretary of State, which must be in a standard form,<sup>69, 70, 71, 72</sup> PCTs must consult on any LPS proposals. Those consulted, as a minimum, should include the local pharmaceutical committee, local medical committee, community pharmacy contractors in the geographic area to which the proposal(s) refer, dispensing doctors in the geographic area to which the proposal(s) refer and the community health council.<sup>63</sup>

If the LPS proposal might affect another PCT then that PCT should also be consulted prior to submission of the proposal.<sup>66</sup>

## **Approval process**

Applications submitted by PCTs will firstly be considered by one of four regional panels and secondly by the Department of Health before being presented to the Secretary of State<sup>73, 74</sup> for approval as submitted, for approval subject to modification or for rejection. There is no right of appeal against the Secretary of State's decision.<sup>77</sup>

## **Preparation Costs**

National funding allocations are planned to support costs for LPS preparatory work. Activities covered by preparatory work includes preparation of a proposal for submission for approval or preliminary approval and preparing to implement an LPS pilot once approval has been granted.<sup>78, 79</sup> Funding will not be available for preparation of outline proposals.<sup>81</sup> Regulations apply to the manner in which PCTs may make payments for financial assistance for preparatory work.<sup>83, 84, 85</sup>

Webstar Health  
May 2002

To find out more about how Webstar Health can assist in  
LPS Planning and Implementation

Contact

Webstar Health

Tel: 020 8424 0860

Email: [gc@webstar-health.co.uk](mailto:gc@webstar-health.co.uk)