

An overview of NHS Procurement of Medicines and Pharmaceutical Products and Services for acute care in the United Kingdom

Executive Summary

1. The purpose of this paper is to give an overview of the current arrangements for the procurement of medicines and pharmaceutical products and services in the UK. It includes an overview of arrangements for NHS England, NHS Scotland, NHS Wales and HSC Northern Ireland. It is intended as a resource document for those individuals working in the NHS who do not have a background in medicines and pharmaceutical products and services in the United Kingdom.
2. NHS Medicines Procurement in England is led and coordinated through a structure headed by the Commercial Medicines Unit hosted by NHS England, and supported by the National Pharmaceutical Supply Group, The Pharmaceutical Market Support Group, The National Homecare Medicines Committee.
3. Operationally, medicines procurement in England is managed through 10 regional pharmacy purchasing groups which are listed below and each group has a regional pharmacy procurement specialist (RPPS). The regional pharmacy purchasing groups exist within historical boundaries which relate to the former strategic health authority areas. They form the footprints over which the current NHS England regions are configured.
4. For the purposes of tendering and contracting, Licensed Medicines are split into a number of categories and the size of the contract is determined by the characteristics, dynamics and risks associated with each category.
5. There are robust mechanisms to ensure the NHS obtains competitive prices for medicines whilst ensuring that the UK remains a commercially attractive marketplace for pharmaceutical companies.
6. The Devolved Health Administrations in Wales, Scotland and Northern Ireland have different but complementary systems for procuring medicines for acute care which are also described.

1. Purpose

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2. Structure

2.1 Commercial Medicines Unit

The Commercial Medicines Unit (CMU) sits within the Specialised Commissioning Directorate of NHS England. CMU is responsible for awarding and managing frameworks for licensed medicines for the regional purchasing groups in compliance with public procurement regulations.

2.2 National Pharmaceutical Supply Group (NPSG)

The strategic organisation of medicines procurement is ratified by the National Pharmaceutical Supplies Group (NPSG). Membership of this group consists primarily of secondary care chief pharmacists representing their geographical area and representatives from the devolved administrations (Northern Ireland, Scotland and Wales). There are two subgroups of NPSG, these are the Pharmaceutical Market Support Group (PMSG) and the National Homecare Medicines Committee (NHMC).

2.3 Pharmaceutical Market Support Group (PMSG)

The Pharmaceutical Market Support Group (PMSG) enacts the strategic requirements set by NPSG. Membership of PMSG consists of the Regional Pharmacy Procurement Specialists and leads from the Commercial Medicines Unit for branded and generic medicines along with the principal pharmacist lead. Representatives from the devolved administrations, Department of Health, NHS Pharmaceutical QA Committee and Medicines Information subgroups of SPS also attend. PMSG is chaired by a secondary care chief pharmacist who is a member of NPSG. PMSG has two subgroups – the Generic Medicines subgroup and the Branded and Biosimilar subgroup.

2.4 National Homecare Medicines Committee (NHMC)

The National Homecare Medicines Committee (NHMC) is a subgroup of NPSG and acts as the national focus for developing and improving administration and governance processes for medicine homecare services. Membership consists of Regional Homecare Specialists and Procurement leads, CMU Homecare team, NHS commissioners, National QA representative, Royal Pharmaceutical Society representative and clinical colleagues. The committee also has representatives from Association of British Pharmaceutical Industry (ABPI) and the National

Clinical Homecare Association (NCHA). NHMC have three subgroups: Digital Strategy group, Supplier Engagement group and the Standardisation group. The Digital Strategy group is involved in various NHS IT development projects around homecare medicines services, the Supplier Engagement group meets regularly with all homecare providers to review performance and support innovation in the homecare market. The Standardisation group have a work plan approved by NHMC which aims to provide documents to support the NHS in the delivery of homecare services.

3. Medicines and Pharmaceutical Products and Service arrangements

3.1 NHS England

England has 10 regional pharmacy purchasing groups which are listed below and each group has a regional pharmacy procurement specialist (RPPS). The regional pharmacy purchasing groups exist within historical boundaries which relate to the former strategic health authority areas. They form the footprints over which the current NHS England regions are configured.

Table 1: NHS England Regions and Footprints

NHS England Region	Regional Pharmacy Purchasing Groups
North of England	North West North East Yorkshire & Humber
Midlands and East	East Midlands West Midlands East of England
London	London
South of England	South East Coast South West Thames Valley & Wessex

The geographical demographics of the groups enables the RPPS to support hospital Trusts across their individual footprints and to facilitate networking among individual trust medicine procurement leads. The role of the RPPS includes responsibility for ensuring the interests and requirements of Trusts are represented from planning and design of the medicine tender through to contract award and implementation. The role drives engagement with contracting processes and a collaborative approach to tackling other issues such as shortages, e-commerce and concerns about supplier performance.

Each RPPS for England is a member of the National Pharmacy Procurement Specialists Committee (NPPSC) along with a representative from Scotland and Wales. This committee forms a further link into the Specialist Pharmacy Service of which procurement is a functional group.

Tenders in England are managed by the CMU across the 10 regional groups. The groups are configured to present sufficiently high usage volumes to attract the best prices for both branded and generic medicines. The configurations are designed to maintain continuity of supply and avoid monopolies.

Trusts are responsible for implementation of the contracts after award. Authorised pharmacy staff can view all details of the contracts including price via the CMU web catalogue. The awarded lines have been assessed by an NHS Quality Assurance (QA) Pharmacist and QA reports are available at www.pharmaqc.nhs.uk

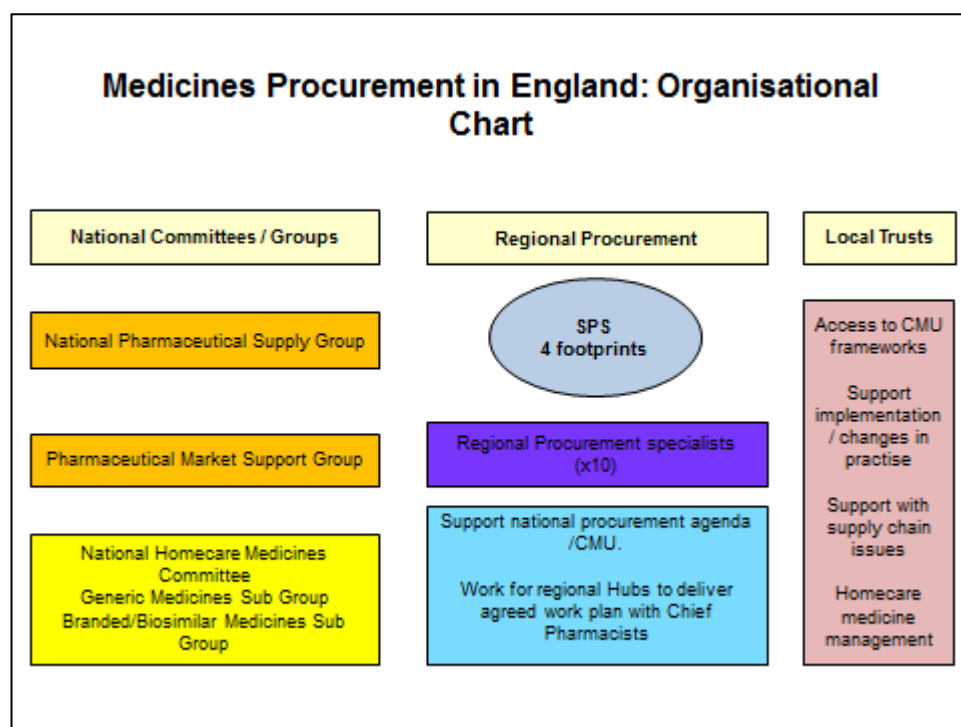


Chart 1. Medicines Procurement in England: Organisational Chart.

3.1.1 Licensed Medicines

Licensed Medicines are split into a number of categories and the size of the contract is determined by the characteristics, dynamics and risks associated with each category. These are outlined in Table 2.

Table 2: Licensed Medicine Category

Licensed Medicine Category	CMU team responsible	Size of framework contract
Generic Medicines that are predominantly used in the hospital sector e.g. injectable medicines	Generics	One third of England divided as follows: South West & Central (SWCE) ¹ London North & North West (LNNW) ² London South & North East (LSNE) ³
Generic Medicines of which <10% national demand used in hospital sector and >90% in primary care	Generics	National - England
Branded Medicines in a competitive market <ul style="list-style-type: none"> Biosimilars Branded Medicines near /at patent expiry 	Branded team	By NHSE region North of England Midlands and East London South of England
Branded medicines with only one supplier and minimal competition	Branded team	National –England
Albumin and Anti D	Specialised team	National-England
Icatibant and C1-esterase inhibitor	Specialised team	England, Wales & N Ireland
Blood Clotting Factors (BCF)	Specialised team	England, Wales, Scotland & N Ireland
Prothrombin Plasma Complex	Specialised team	England, Wales & N Ireland
Intravenous and Subcutaneous Immunoglobulin	Specialised team	National- England & N Ireland
Nitric Oxide	Specialised team	England, Wales and N Ireland
Intravenous fluids	Branded team	National - England

¹South West & Central includes the South West, Thames Valley & Wessex, East Midlands and West Midlands

²London North includes East of England ³London South includes South East Coast and North East includes Yorkshire and Humber

Table 3: Other areas of licensed medicines managed by CMU

Unlicensed Medicine or Service	CMU team responsible	Size of framework contract
Blood Clotting Factors Homecare Service	Homecare team	England, Wales& N Ireland
Dose banded chemotherapy	Specialised team	North of England, London and East of England
Pulmonary Hypertension Homecare Service	Homecare team	National-England
Enzyme Replacement Therapy Homecare Service	Homecare team	England & Scotland
Home Parenteral Nutrition	Homecare team	National -England

NPSG have agreed that licensed medicines (excluding any listed in Table 4) should only be tendered by CMU in accordance with the geographical size listed in Table 2. This means that local procurement hubs should not be tendering for these categories of medicines.

3.1.2 Competitive pricing and contract coverage

There are robust mechanisms to ensure the NHS obtains competitive prices for medicines whilst ensuring that the UK remains a commercially attractive marketplace for pharmaceutical companies. Strategies employed to ensure that this balance is maintained include

- Quarterly benchmarking of branded medicine prices by CMU, PMSG and the devolved nations
- Use of a mid-contract CMU price review mechanism for branded medicines to match to the best price identified through benchmarking
- Horizon scanning to ensure contracts are not awarded just before a significant change in the market price for example within a few months prior to patent expiry
- Contractual obligation for suppliers of generic medicines to reimburse Trusts if their contracted line cannot be supplied and as a consequence Trusts have to pay a higher price from an alternative supplier. A procedure for managing off contract claims for generic medicines has been agreed with the British Generic Manufacturers Association.

Every Trust in England submits Trust purchasing data to CMU on a monthly basis. The data includes the drug description, pack size, price paid and volume purchased. This data is used both to inform the tenders and to monitor compliance and uptake of the contracts. Each Trust receives a monthly contract variance report to identify if they have missed any savings opportunities.

All licensed medicines go out to tender via CMU in England and via the national procurement organisations in the devolved administrations. Management consultants and turnaround teams often ask for explanation as to why Trusts do not have 100% contract coverage for all the medicines purchased. The reasons may include:

- No bid received
- Bid received but the medicine fails on quality
- Supplier withdraws their bid or does not accept an award
- Supplier terminates contract because of production or other issues
- CMU do not award as there is no economic advantage eg a supplier may offer 2% discount through direct supply in response to a tender but there is a 10% discount available through a wholesaler
- There is a confidential patient access scheme agreed with the Department of Health /NICE

3.1.3 Pharmacy Products and Services

There are 9 recognised Collaborative Purchasing Organisations (CPOs) for Pharmacy Products and Services in England. These groups manage the procurement of pharmacy products and services. The North West utilise contracts set up by NHS Shared Business Services (SBS) or by external CPOs.

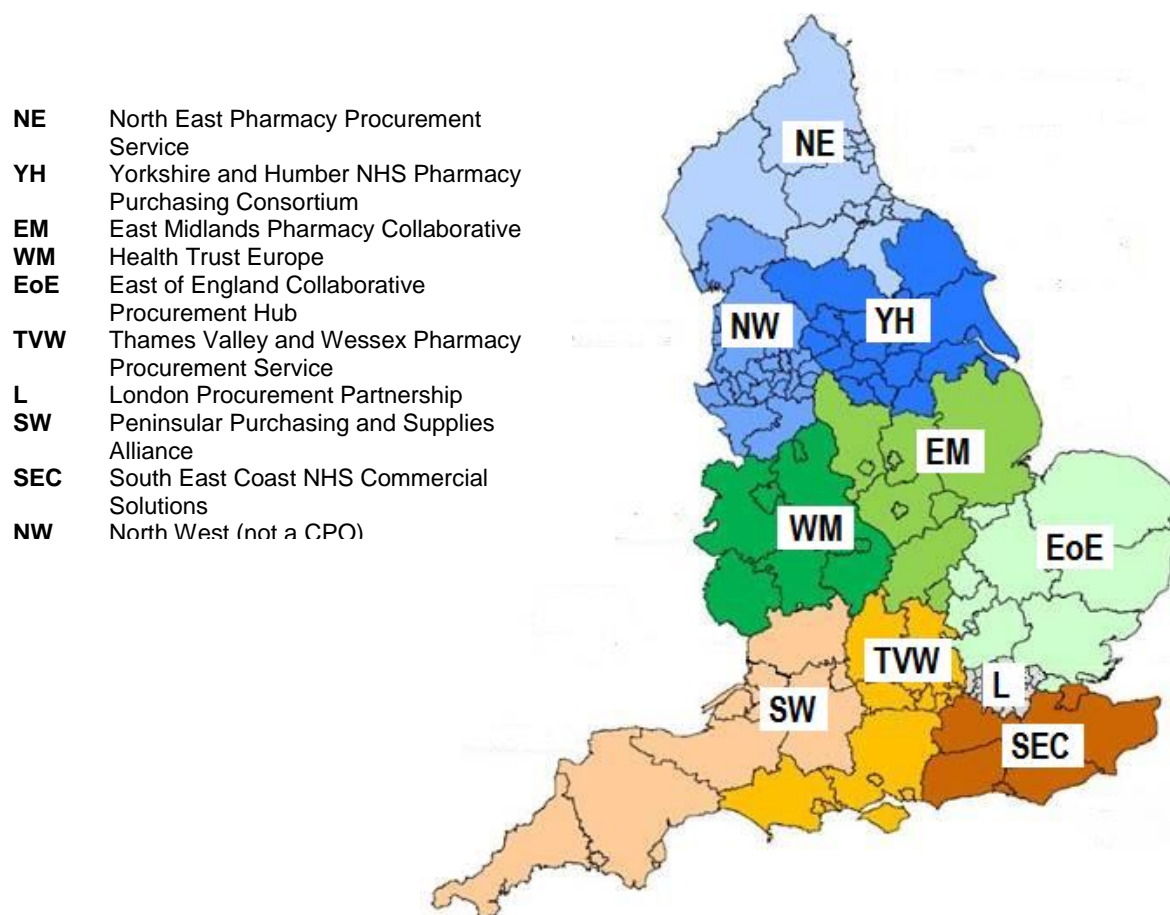


Table 4: Pharmacy Products and Services Managed by the regional collaborative purchasing organisations in England

Cleanroom consumables	Liquid oxygen
Compounding Services including dose banded chemotherapy	Medical Gas Cylinders
Contrast media & consumables	Overlabelled packs
Drug Testing Kits	Parenteral Nutrition
Emergency boxes	Pharmacy Automation
Enteral feeds	Radiopharmaceuticals
Eye products inc Viscoelastics, hylauronidase	Urinalysis & pregnancy testing kits
Fibrin sealants	Wholesalers
Homecare (excluding four national contracts managed by CMU)	Wound care
Imports	
Insulin pumps & consumables	

Not all Pharmacy Products and Services listed in table 4 are managed by all the regional collaborative purchasing organisations.

The procurement of pharmacy products and services is managed effectively through the regional collaborative purchasing organisations. These organisations are recognised and understood by the supplier base. The NPPSC is developing national documentation for contracts based on best practice which can then be used at regional and devolved nation level.

Collaborative groups can and do join together to share workload. The maximum size of market share that can be tendered at any time should be agreed by the RPPS. As a general principle a pharmacy product or service contract should not exceed 3 CPOs at any time as the ability to manage the market and competition is reduced (new suppliers can be locked out for 4 years). Furthermore the contract becomes more difficult to manage.

A collaborative group should not pick off individual Trusts in another region as it undermines the collaborative strength of the region, confuses suppliers and fragments management of the contracts.

3.2 NHS Scotland

National Procurement, part of National Services Scotland, leads the collaborative procurement of medicines and associated services on behalf of Scotland's Health Boards. The majority of off-patent medicines are contracted via seven therapy-specific frameworks which are re-tendered every two-years (staggered with 3 frameworks tendered in one year and 4 the next). The Negotiation without Advert procedure is used frequently for in-patent medicines with individual product specific frameworks. There are a small number of product areas where there has been joint procurement with England; a key example is Recombinant Factor VIII (rFVIII). Some of the products and services typically managed by regional collaborative purchasing organisations in England are also procured on behalf of Scottish Health Boards by National Procurement.

3.3 NHS Wales

In NHS Wales, the integrated health service structure provides chief pharmacists with overall accountability for patient safety and expenditure related to medicines and pharmacy services in both the managed sector and primary care. There is an All Wales Medicines Procurement Specialist Pharmacist (AWMPSP) who provides clinical procurement leadership to the contract process managed by NHS Wales Shared Services Partnership (NWSSP) – Procurement Services.

Other key medicines procurement services that are part of this national approach in NHS Wales include

- Medicines Homecare Services
- Primary Care Rebate Schemes
- Commercial agreements outside of a formal tender process usually related to new medicines or indications that have been subject to the health technology appraisal process completed by AWMSG or NICE

In Wales, the NWSSP invite and manage all the medicine contract categories and services for the 7 health boards and Velindre Trust. The All Wales Drug Contracting Committee (AWDCC) act as the awarding body for these contracts and ensure compliance with all the legal and governance requirements under the public procurement regulations. The committee has health board medicine procurement lead pharmacists, the All Wales pharmaceutical assurance pharmacist, chief pharmacist representation, a finance director and the medicines procurement category manager

3.4 HSC Northern Ireland

Public procurement is undertaken or under the advice of Centres of Procurement Expertise (CoPEs). NI Public Procurement Policy is developed by the Department of Finance with advice and guidance from the Central Procurement Directorate (CPD).

Health service procurement including pharmaceuticals is undertaken by the Business Services Organisation Procurement and Logistics Service (BSOPaLS). Professional and technical support, advice and leadership is provided by the Regional Pharmaceutical Procurement Service (RPhPS), based within the Northern Health and Social Care Trust.

The portfolio of work is agreed with the Regional Pharmaceutical Contracting Executive Group (RPEG) comprising Trust¹ Heads of Pharmacy and Medicines Management, and senior representation from the Department of Health and BSOPaLS.

There are three main procurement work streams:

- Generic and branded medicines
- Medical devices (limited areas: surgical dressings, wound management products)
- Therapeutic tendering (STEPSelect)

RPhPS / BSOPaLS also contribute to the Public Health Agency and Department of Health strategies for procurement of seasonal influenza vaccines, co-ordination of childhood vaccines distribution (with NHS England) and local storage and distribution arrangements and stockpile management.

Amongst other project areas, nutritional services, unlicensed medicines, homecare services and wholesaler services are within the current programme of work. Contracts typically now operate as a 2+2+2 year period with pricing review pre-extension and review of transition products incorporated into the programme. NI has also implemented a Dynamic Purchasing System (DPS) to support the medicines procurement portfolio.

The Department of Health leads the Medicines Optimisation Regional Efficiency (MORE) Programme to then be delivered by the Trusts and the Health and Social Care Board (HSCB). This programme of work aims to achieve £90m efficiency over a three year period commencing 1 April 2016.

NI HSC is also included within some national procurement arrangements including a number of NHS England frameworks and participation in the National Procurement Scotland Contrast Media Framework.

¹ NI includes 5 'hospital' trusts (Belfast HSCT, Northern HSCT, South Eastern HSCT, Southern HSCT and Western HSCT. (The NI Ambulance Service is also a Health and Social Care Trust.)