

<< >> 2024

<Provider contact name>

<Provider name>

<Postal address 1>

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Kia ora koutou

Letter of Offer – Voluntary Variation 6 of the Integrated Community Pharmacy Services Agreement

Please find attached the 2024 Variation 6 of the Integrated Community Pharmacy Services Agreement (**ICPSA**). This voluntary variation should be read in conjunction with this letter of offer.

Variation 6 includes the following changes (**Funding Changes**), which are explained in more detail in this letter:

- a 2.51% funding uplift for cost pressures
- a redistribution of funding currently paid at the 2023/24 Additional Professional Advisory Services (**APAS**) payment pool level, reflecting that those amounts are to be paid through increased service line funding
- an increase in the standard immunisation administration fee for all immunisations excluding influenza, COVID-19, and shingles on the same occasion as influenza vaccine administration.

Please advise Health New Zealand | Te Whatu Ora (Health NZ) whether you accept Variation 6 by signing and returning the Variation by 28 November 2024 (the **Acceptance Date**). Further details as to when the Funding Changes will take effect if you accept Variation 6 are set out in this letter.

If you choose not to accept this Variation, the terms and conditions of your ICPSA will remain unchanged.

Summary of key changes in Variation 6

Funding Uplift

Variation 6 includes:

- (a) a 2.51% (\$19.51 million) funding uplift for cost pressures to be applied across the service lines Per Pack Fee, Extemporaneous Compounding (ECP) multiplier, Handling Fee (base), Case Mix initial service fee and the Case Mix repeat service fee.
- (b) a reduction in the APAS payment pool from the 2023/24 level of \$12.150 million to \$8.633 million per quarter, with \$14.068 million per annum (or 28.95% of the total APAS funding pool) redistributed and paid across the service lines listed above.

See Appendix 1 of this letter for detail on fee increases to each of the service lines listed in (a) above.

This formula recognised the pharmacy sector's desire to move APAS funding into the service line fees with a staged approach to better represent where service-based cost pressures associated with community pharmacy activity arise in practice.

Because the Acceptance Date for Variation 6 is 28 November 2024, which is after 1 July 2024, the **Commencement Date** of the Variation, there will need to be washups and back payments in respect of the funding changes. These are described in Appendices 2 and 3 and have been incorporated into the Variation.

Immunisation Services

The immunisation standard administration fee for all immunisations, excluding influenza, COVID-19, and shingles on the same occasion as the influenza vaccine, will increase from \$36.05 to \$41.20 (excluding GST), a 14.3% increase. This will introduce differential rates for influenza immunisation administration versus childhood and other immunisation administration.

Summary of immunisation administration pricing under this offer:

Immunisation type	Existing price (\$) (ex GST)	Proposed Price (\$) (ex GST)
All immunisations excluding influenza, COVID-19, and shingles on the same occasion as influenza vaccine administration	36.05	41.20
Influenza vaccine (no change)	36.05	36.05
Influenza + shingles vaccine co-administration to the same person on the same day (no change)	56.57 36.05 + 20.52	56.57 36.05 + 20.52
Influenza and Boostrix (Tdap) for pregnant people ¹	56.57 36.05 + 20.52	56.57 36.05 + 20.52
COVID-19 vaccine ²	36.05	36.05

1. Enhanced funding for the co-administration for influenza and Boostrix (Tdap) for pregnant people is provided under a separate agreement to the ICPSA, from 2 April to 31 December 2024, with retrospective top-up payments.
2. COVID-19 immunisations are provided under a separate agreement to the ICPSA and is paid through the Aotearoa Immunisation Register (AIR).

This increase will be backdated to 1 July 2024 for providers that accept, sign and return their signed variation by the Acceptance Date of 5:00 pm, Thursday 28 November 2024, and will be calculated and paid as set out in Appendix 2.

Future engagement

Health NZ recognises that the community pharmacy sector has much to contribute to the health reforms, health system development, system pressures, the approach to funding sustainable pharmacy services, the prevention and management of chronic conditions, and the provision of pharmacy services that are accessible, culturally safe, appropriate, and whānau-centred.

Health NZ agrees to:

- Enter into discussions with NAAR provider representatives about what services community pharmacy would put forward for surcharging, which are allowable within the existing Service Coverage Schedule (SCS), and to work with Manatū Hauora to investigate what amendments, if any, it would be appropriate to make to the existing SCS to enable broader surcharging.
- Involve the community pharmacy sector in the primary care development programme including:
 - considering development and introduction of enduring extended care pharmacy services¹ and a nationwide funded minor health conditions service through community pharmacy
 - incorporating updates to the Sapere 2020² and the Grant Thornton³ reports on community pharmacy funding issues into Health NZ's workplans for completion by June 2025, subject to budget availability.

Accepting the Offer

By signing Variation 6, you are agreeing to the terms set out within it.

The signatory page is on page 1 of the Variation. Please ensure:

- your signatory signs the section headed with your provider name and includes their name, position and date of signing; and
- the signing is witnessed, and the witness details are completed.

If your acceptance of Variation 6 is received after 5 pm 28 November 2024) you will not receive the backdated payments for the period 1 July 2024 to 30 November 2024, and application of the new higher service line fees will be delayed depending on when your acceptance of Variation 6 is received (See Variation 6, clause A2 Commencement Date).

Please sign, scan and email the signed variation to <Local Te Whatu Ora Email> by 5:00 pm, Thursday 28 November 2024. We will then sign it and return a completed copy for your records.

Ngā mihi

<Regional Pharmacy Commissioning Manager or other signatory>

<Position title>

<Region>

¹ 'Extended care pharmacy services' could include services such as gout management, COPD/asthma management, hypertension management, diabetes management.

² Sapere. [Independent Review of Community Pharmacy Services \(Stage One\)](#). Sapere, December 2020.

³ Grant Thornton/Strategic Pay. [Independent Review of Wage Cost Pressures](#). Grant Thornton/Strategic Pay, February 2021.

Appendix 1

Modelling for the application of the 2.51% price uplift and redistribution of APAS funding

Please note that this modelling is based on past dispensing volume and is an estimate of the potential impact.

The formula was built by the following steps:

1. Health NZ has forecast the total spend in financial year 2024/25 under the current terms of the ICPSA (June 2024). The forecasted spend must be 2.51% higher than what it would have been had no changes been made.
2. All changes are to take effect from 1 July 2024 (which will require backdating).
3. Figures in the agreement should be a whole number of cents, for ease of understanding, calculation, and forecasting.
4. Implementing a 2.51% price uplift and redistribute APAS funding by:
 - Decreasing the quarterly APAS payment pool from \$12.150 million to \$8.633 million.
 - Increasing the Per Pack Fee.
 - Increasing the Handling Fee (base).
 - Increasing the Extemporaneous Compounding (ECP) multiplier.
 - Increasing the Case Mix initial service fee.
 - Increasing the Case Mix repeat service fee.
 - Adjust all of the above funding lines until the following goals are met:
 - the uplift of total service expenditure has been increased by at least 2.51% over the forecast figure before these changes; and
 - that the lowest uplift forecast to be faced by any individual pharmacy is still positive.
 - The adjustments ensure that the overall service expenditure forecasts a 2.51% increase for the coming year.

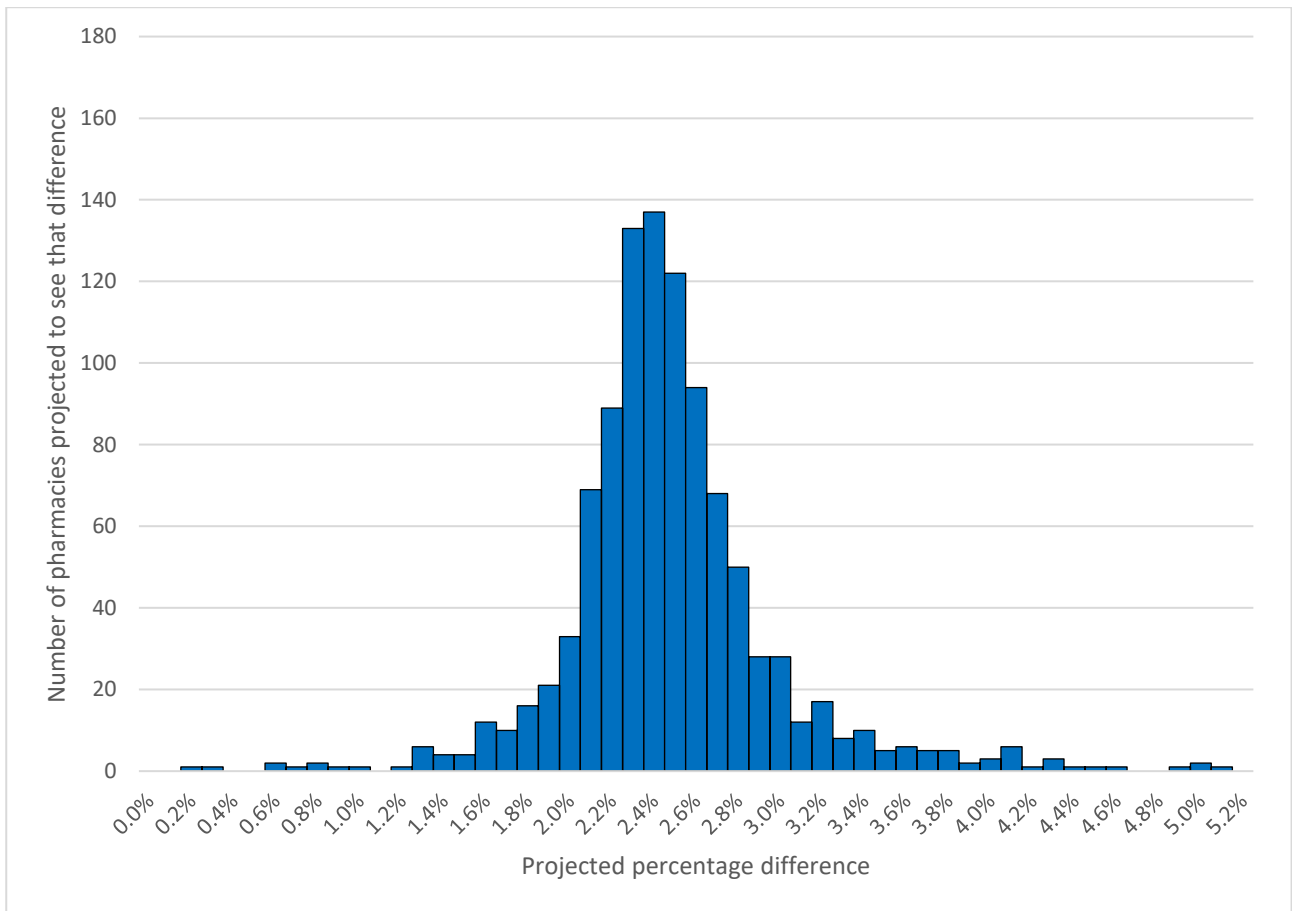
Table. Changes to the ICPSA

Item or input	Current	Proposed new figure (percentage difference)
Handling Fee (base)	\$1.13	\$1.20 (+6.19%)
Per Pack Fee	\$0.27	\$0.28 (+3.70%)
Case Mix initial base service fee	\$5.03	\$5.30 (+5.37%)
Case Mix repeat base service fee	\$3.27	\$3.45 (+5.50%)
Handling fee multiplier ECP	7.95	11.40 (+43.40%)
APAS quarterly Payment Pool	\$12.150 million	\$8.633 million (-28.95%)

The predicted effect of these changes on the total service revenue for individual pharmacies is provided below.

The model predicts that all pharmacies would see an increase in revenue, from the overall 2.51% cost pressures uplift, and prior to additional funding impacts arising from forecast volume increases.

Percentage difference in total service revenue predicted for individual pharmacies over ICPSA Variation 5 (2023/24)



Appendix 2

Methodology for implementing the funding changes for washups and back payments under the Integrated Community Pharmacy Services Agreement (ICPSA) Variation 6

General notes

1. To ensure all valid dispensing is included for washups and back payments, calculations will not be performed until at least mid-December 2024 with most of these payments scheduled for April 2025.
2. Sector Operations will only include claims that have been approved on or prior to **30 November 2024**.
3. As set out in the letter of offer, Variation 6 will take effect on 1 July 2024. Because the acceptance date for Variation 6 is 28 November 2024, there will need to be some washups and back payments in respect of the Funding Changes described in the agreement. These are described below.

1. Handling Fee

Sector Operations will run a query over the payments processing system for the period (eg, 1 July 2024 to 30 November 2024) for all dispensing activity for each individual pharmacy for payments made.

- Identify all Pharmacy Items that have been accepted for payment with a dispensing date between 1 July 2024 and 30 November 2024 inclusive.
- Calculate the difference in Handling Fees between what should have been paid (new) and what has been paid (current).
- Group total amount payable by approval month for each Pharmacy.

Difference in Handling Fee	= New (Variation 6) Handling Fee = \$1.20 = \$0.07	- Old (Variation 5) Handling Fee \$1.13	
To be paid	= Total number of dispensings <u>by each dispensing type</u> (Handling Fee Multiplier) paid for the period (for example, 1 July 2024 to 30 November 2024), by month = Amount to be paid + GST	x Each Handling Fee Multiplier	x \$0.07

Health NZ will undertake these calculations and make the necessary payments to providers.

2. Per Pack Fee

Sector Operations will run a query over the payments processing system for the period (eg, 1 July 2024 to 30 November 2024) for all dispensing activity for each individual pharmacy for payments made.

- Identify all Pharmacy Items that have been accepted for payment with a dispensing date between 1 July 2024 and 30 November 2024 inclusive.
- Calculate the difference in Per Pack Fees between what should have been paid (new) and what has been paid (current).
- Group the total amount payable by approval month for each Pharmacy.

Difference in Per Pack Fee	= New (Variation 6) Per Pack Fee	- Old (Variation 5) Per Pack Fee
	= \$0.28	\$0.27
	= \$0.01	
To invoice for	= Total number of Per Pack Fees paid for the period (for example, 1 July 2024 to 30 November 2024), by month	x \$0.01
	= Amount to be paid	
	+ GST	

Te Whatu Ora will undertake these calculations and make the necessary payments to providers.

3. Case Mix initial and repeat base service fee

Once a month, community pharmacies receive a service fee payment based on the number of items dispensed to patients in a given Service Month. Only dispensings covered under the Core (Schedule 1) and Long Term Condition service are eligible for the payment.

Payments are calculated in advance of the pharmacy actually dispensing medication to patients. This advance payment is calculated using a pharmacy's historical dispensing information for a given Service Month. The second payment (the 'actual' payment) is calculated three months later using the actual dispensing information for the Service Month.

For example, the following table provides the applicable dates for each service fee payment. The first row under the 'Advance Payment' heading shows that dispensings with a date between 01/05/2024 to 31/05/2024 are used to calculate the advance service fee payment for 1 August 2024. On 3 December 2024, the service fee payment will be based on actual dispensings for September 2024 (the Service Month).

Service month	Advance payment		Actual payment	
	Based on data From / To	Payment date	Based on data From / To	Payment date
August 2024	01/05/2024 to 31/05/2024	1 August 2024	01/08/2024 to 31/08/2024	1 November 2024
September 2024	01/06/2025 to 30/06/2024	2 September 2024	01/09/2024 to 30/09/2024	2 December 2024
October 2024	01/07/2024 to 31/07/2024	1 October 2024	01/10/2023 to 31/10/2024	3 January 2025

The advance service fee payment is reversed in full at the same time as the service fee based on actual dispensings for the Service Month is paid. The case mix system (CPSA4_prod) calculates the advance and actual service fee payments for each community pharmacy.

At the end of each year there is an annual washup where each month's Case Mix is reprocessed to capture late scripts and change of pharmacy ownerships. This process will ensure that the new amounts paid for initial base service fees, and repeat base service fees, are paid to providers.

The washup will address back payment to 1 July 2024.

4. Additional Professional Advisory Services (APAS) payments

Back-payments for APAS will be handled by new payments and a one-off set of reversals for July to December 2024. These will be completed in April 2025. A pharmacy's proportion of the APAS Payment Pool will not be recalculated, only the size of the pool.

As Variation 6 provides for a redistribution of funding currently paid as part of the APAS Payment Pool to other fees, the reversal payment will be larger than the new payment for all pharmacies. As set out in the Variation 6, that amount will be set off from payments to be made to providers, in the usual way.

5. Extemporaneous compounding (ECP) handling fee multiplier

Sector Operations will run a query over the payments processing system for the period (eg, 1 July 2024 to 30 November 2024) for all dispensing activity for each individual pharmacy for payments made.

- Identify all Pharmacy Extemporaneously Compounded (ECP) items that have been accepted for payment with a dispensing date between 1 July 2024 and 30 November 2024 inclusive.
- Calculate the difference in ECP between what should have been paid (new) and what has been paid (current).
- Group the total amount payable by approval month for each Pharmacy.

Difference to be paid per ECP Service User	=	New (Variation 6) ECP Service Fee	-	Old (Variation 5) ECP Service Fee
	=	\$11.40		\$7.95
	=	\$3.45		
To invoice for	=	Total number of ECP Service Fees invoiced and paid for the period (for example, 1 July 2024 to 30 November 2024), by month	x	\$3.45
	=	Amount to be invoiced		
	+	GST		

6. Immunisation Services Fee

Sector Operations will run a query over the payments processing system for the period (eg, 1 July 2024 to 30 November 2024) for all Immunisation Administration Fees accepted for payment for each individual pharmacy.

This query will:

- Identify all Immunisation Administration Fees that have been accepted for payment with a claiming date between 1 July 2024 and 30 November 2024 inclusive, excluding influenza, COVID-19 and shingles on the same occasion as influenza immunisation administration).
- Calculate the difference in Immunisation Administration Fees between what should have been paid (new) and what has been paid (current).
- Group the total amount payable by approval month for each Pharmacy.

Difference to be paid per Immunisation Administration Fees	= New (Variation 6) Immunisation Administration Fees = \$41.20 = \$5.15	- Old (Variation 5) Immunisation Administration Fees \$36.05
To invoice for	= Total number of Immunisation Administration Fees (excluding influenza, COVID-19 and shingles on the same occasion as influenza immunisation administration) paid for period (for example, 1 July 2024 to 30 November 2024), by month = Amount to be invoiced + GST	x \$5.15

Appendix 3 – Schedule of payments and washups

Contract Year 1 July to 30 June

	July/Aug/Sept 2024	Oct/Nov 2024	Dec-2024	Jan-2025	Feb-2025	Mar-2025	Apr-2025	Nov/Dec 2025
Handling Fee (x multiplier where applicable)	Paid at current rate	Paid at current rate	New Handling Fee will be paid on all items with dispensing date of 1 December or later	New Handling Fee	New Handling Fee	New Handling Fee	New Handling Fee	
Pack Fee	Paid at current rate	Paid at current rate	New Pack Fee will be paid on all items with dispensing date of 1 December or later	New Pack Fee	New Pack Fee	New Pack Fee	New Pack Fee	
Immunisation Fee	Paid at current rate	Paid at current rate	New Admin Fee will be paid on all items with dispensing date of 1 December or later	New Admin Fee	New Admin Fee	New Admin Fee	New Admin Fee	
Extemporaneously Compounded Preparations Service (ECP) Multiplier	Paid at current rate	Paid at current rate	New Multiplier will be paid on all items with dispensing date of 1 December or later	New Multiplier	New Multiplier	New Multiplier	New Multiplier	
APAS	Payments are calculated using the January/February/March 2024 prescriptions & visits, paying out the variation 5 Payment Pool	Payments are calculated using the April/May/June 2024 prescriptions & visits, paying out the variation 5 Payment Pool	Payments are calculated using the April/May/June 2024 prescriptions & visits, paying out the variation 5 Payment Pool	Payments are calculated using the July/August/September 2024 prescriptions & visits, paying out the variation 6 Payment Pool	Payments are calculated using the July/August/September 2024 prescriptions & visits, paying out the variation 6 Payment Pool	Payments are calculated using the July/August/September 2024 prescriptions & visits, paying out the variation 6 Payment Pool	Payments are calculated using the October/November/December 2024 prescriptions & visits, paying out the variation 6 Payment Pool	
Case Mix	Actuals for April, May and June - paid at current rate	July and August actual paid at current rate Actual July (paid October 2024) and August Actual (paid November 2024) at current rate	Actual September 2024 Case Mix paid at current rate Case Mix Advance based on September 2024 Actual	Actual October 2024 Case Mix paid at New Rate Case Mix Advance based on October 2024 Actual	Actual November 2024 Case Mix paid at New Rate Case Mix Advance based on November 2024 Actual	Actual December 2024 Case Mix paid at New Rate Case Mix Advance based on December 2024 Actual	Actual January 2025 Case Mix paid at New Rate Case Mix Advance based on January 2025 Actual	

	July/Aug/Sept 2024	Oct/Nov 2024	Dec-2024	Jan-2025	Feb-2025	Mar-2025	Apr-2025	Nov/Dec 2025
Wash Up of Handling/Pack Fees							EOM - Difference paid from current to new fees from 1 July to 30 November 2024	
Wash Up Immunisation Admin Fees/ Including co-administration							EOM - Difference paid from current to new fees from 1 July to 30 November 2024	
Wash Up Extemporaneously Compounded Preparations Service (ECP) Multiplier							EOM - Difference paid from current to new fees from 1 July to 30 November 2024	
Wash Up APAS							<p>EOM – difference deducted from current to new \$ pool for July through December 2024 – clawback set for April 2025.</p> <p>The APAS wash up is in April 2025 offsetting the negative APAS payment against the other positive payments and when the new funding is paid out.</p>	
Wash Up Case Mix							July, August and September 2024 End of Year Final Actual Case Mix Wash Up paid at new rate	Rest of months would be BAU wash up