

## ICPSA LETTER OF OFFER – GENERIC VERSION

Ref: «New\_Contract\_Number»

ICPSA LETTER OF OFFER – GENERIC VERSION

«Provider\_Contact\_Name»

«Provider\_Name»

«Postal\_Address\_1»

«Postal\_Address\_2»

«Postal\_Address\_3»

23 August 2018

Dear «First\_Name»

### ***Letter of Offer - Integrated Community Pharmacy Services Agreement***

Please find attached the new *Integrated Community Pharmacy Services Agreement* (ICPSA) which comes into effect 1 October 2018.

**Your contract acceptance must be received by «DHB» District Health Board by 5.00pm Friday 14 September, so your contract can take effect on 1 October 2018.**

The new contract is a key step in enabling all of us to deliver on the aspirations of the Pharmacy Action Plan and the Government's desire for health services to be delivered closer to home, and reduce inequity by providing additional support to the most vulnerable populations. Maintaining access to health services is critically important and DHBs highly value the distributed community pharmacy network that delivers services to their populations. We recognise the ability of community pharmacy to advance national health objectives is dependent on its sustainability.

We would like to thank everyone who provided consultation responses on the draft contract, and in particular the provider representatives (the Pharmacy Guild, Green Cross Health, Nirvana Health Group, Pharmacy Partners and Countdown) for their collaborative work in jointly developing the new contract with us. We would also like to thank wider pharmacy stakeholders – the Pharmacy Council, the Pharmaceutical Society, local community pharmacy groups and consumers - who have been engaged in the ongoing development of the contract.

The contract has changed considerably in response to the consultation feedback received. Details of changes are in Appendix One and a summary of the key changes is outlined below.

Forecasts indicate additional funding over \$20 million, in the first year. The detailed funding changes are outlined in this letter.

### **Summary of key changes in offer relative to DHBs' initial proposal**

The new contract includes a head agreement and three service schedules.

The head agreement (Parts A to E) covers background, service and quality requirements, general terms, payment and claiming terms, and definitions.

The three schedules are as follows:

1. Schedule 1: dispensing and professional advisory services
2. Schedule 2: the new Additional Professional Advisory Services Payment
3. Schedule 3: population services

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- a. Schedule 3A – nationally consistent services, which are:
  - Opioid Substitution Treatment Services (3A.1)
  - Aseptic Service (3A.2)
  - Sterile Manufacturing Services (3A.3)
  - Clozapine Services (3A.4)
  - Influenza Immunisation Services (3A.5)
  
- b. Schedule 3B – these are services for which there is a national service specification, but which DHBs may be able to locally commission following the change processes outlined in clauses B27 to B29, and are:
  - Long Term Conditions Pharmacy Services (3B.1)
  - Community Residential Care Pharmacy Services (3B.2)
  - Age-Related Residential Care Pharmacy Services (3B.3)
  - Special Foods Services (3B.4)
  - Community Pharmacy Anticoagulation Monitoring Service (3B.5)
  - Smoking Cessation Services (3B.6) (if relevant)
  
- c. Schedule 3C – services that are "Part Ps" under the Community Pharmacy Services Agreement 2012.

Changes to the head agreement and Schedules 1, 2 and 3A will be made as part of a National Annual Agreement Review process, which is outlined in clauses B23 to B26.

Other key changes are set out below:

- **Community pharmacy:** The contract is limited to licensed community pharmacies and the contract is now called the *Integrated Community Pharmacy Services Agreement*.
  
- **Schedules 1 and 2:** As a result of your feedback, the services and funding have been put back together in Schedule 1. The contract now specifies there will be a review of Schedule 1 that will consider (amongst other things) patient access, needs and safety, service design, funding implications, and any necessary IT changes. No change will be made prior to 1 October 2019, or if the Pharmacy Council advises changes are inconsistent with pharmacists' professional obligations and Code of Ethics. Any proposed changes will be considered as part of a National Annual Agreement Review.
  
- **Additional Professional Advisory Services Payment:** An Additional Professional Advisory Services Payment is included in Schedule 2. This payment recognises and values the clinical services pharmacists provide to their patients that are not specifically linked to the dispensing of a medicine. It will be paid monthly and recalculated quarterly. It is 2% of forecast funding in 2018/19 to reflect cost pressures, and estimated at \$8.4 million (calculated on a twelve month period). It is in addition to current service fees.

A one-off lump sum payment for the new Additional Professional Advisory Services Payment (2%) for the 1 July to 30 September 2018 quarter (\$2.1 million) will also be paid shortly after contract commencement.

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- **Local commissioning:** DHBs have committed an additional \$4.1 million to local commissioning, which will be sustained over the longer term. Greater clarity has been added to the contract on how local commissioning will be undertaken, including noting that each DHB:
  - has obligations and functions relating to the delivery of health and disability services to its resident population under the NZ Public Health & Disability Act 2000, including monitoring the delivery and performance of such services;
  - has obligations to the Crown in relation to the delivery of health and disability services under its Crown Funding Agreement, including the service change processes in the Operational Policy Framework, and the Service Coverage Schedule, which form part of the Crown Funding Agreement; and
  - must comply with Crown Directions, including the direction to comply with the Government Rules of Sourcing given by the Ministers of State Services and Finance on 19 June 2014.

DHBs and provider representatives will undertake further work on local commissioning, including that there will be joint training for contract holders and portfolio managers across the country on how this will work in practice.

In terms of LTC pharmacy services, DHBs have made a commitment that, until at least 30 September 2020, if changes are made to this service schedule by a DHB following the local commissioning process, the DHB will offer to continue to contract with existing community pharmacy LTC providers for any amended services, if the provider has the eligible population and can meet the service standards and other requirements.

- **Relationship structures:** Provider representatives will participate in the National Annual Agreement Review process and the Expert Advisory Group.

The current Expert Advisory Group (EAG) Terms of Reference will be reviewed and updated and an additional provider representative will be added to the group.

National Annual Agreement Review process: The contract outlines this process, which includes DHBs and contract-holders and/or your representatives. This is supported by an agreed Terms of Reference and an Indicative timeframe (Refer to Attachments A and B).

- **Evergreen:** The evergreen contract includes an annual review process, including a review of cost pressures and funding adjustments. You and/or your representatives are embedded in this process through the National Annual Agreement Review process. For the purposes of supporting the first National Annual Agreement Review, existing provider representatives as nominated in January 2017 will all be participants in the first National Annual Agreement Review, along with any other representatives nominated by providers.
- **Services:** The services you currently provide remain the same, and can only be changed through either the National Annual Agreement Review process or the local commissioning process. You can choose who represents you in discussions with DHBs. You can choose to have the same or different representatives at national contract discussions and at local commissioning discussions.

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### Funding

Funding for 2018/19 is projected to exceed \$470 million, including additional funding of more than \$20 million for volume growth, new services, the new Additional Professional Advisory Services payment, flu vaccinations, special foods and pharmaceutical margins.

The table below outlines the additional funding. The 2% funding for the Additional Professional Advisory Services Payment and 2% additional funding for the margins pack fee reflects how the cost pressure adjuster for 2018/19 has been applied. There is no expectation of additional services for this funding.

Item	Funding increase 2018/19	Additional funding	Notes
<b>Forecast growth volume</b>	2.5%	\$11.1 million	
<b>Local commissioning</b>	1%	\$4.1 million	Additional funding (note: no reduction in LTC cap from 2017/2018 extension)
<b>Additional Professional Advisory Services Payment</b>	2%	\$8.4 million plus \$2.1 million for the 3-month extension.	Based on twelve-month period, payment will be calculated quarterly and paid in three equal monthly instalments.  July – Sept cost pressures payment will be paid mid-Oct (as a lump sum) if signed contract received by 21 September. Signed agreements received after this date will receive the lump sum payment the following month.  Schedule 2 details the payment mechanism.
<b>Immunisation (flu vaccination)</b>	2% + 1%	\$13,000	2% aligns with GP % funding increase 1% to support cold chain requirements
<b>Special Foods</b>	Margin rate increased to 4% for all special foods	\$190,000	To address reduction in pharmaceutical margin funding for Special Foods due to interim margins solution
<b>Pharmaceutical Margins</b>	2% of total margin	\$900,000	2% uplift applied from October to Per Pack Fee Per Pack Fee changing from 23.8 to 25.3 cents.

### Supply-chain

A supply-chain taskforce has been meeting since early 2018 comprised of sector representatives, wholesalers and other subject matter experts; and DHBs are committed to finalise and implement a sustainable supply chain solution.

Some of the concerns have been addressed through the new contract, with additional margins funding of \$900,000 taking forecast margins funding to \$45 million. The additional funding is an increase of 2% of all forecast margins funding applied through the pack fee.

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Margins for all Special Foods with a schedule subsidy less than \$150 has increased to 4% which applies an additional \$190,000 funding, and 1% funding has been applied to immunisation (flu vaccination) to support cold chain requirements, in addition to 2% funding increase for immunisation (flu vaccination).

There are a range of supporting documents to the Integrated Community Pharmacy Services Agreement:

- National Annual Agreement Review: Terms of Reference
- Indicative timeline for the National Annual Agreement Review
- Integrated Community Pharmacy Services Relationship Structure

FAQs are available at [on the TAS website](#)

### **Additional Professional Advisory Services Payment**

A one-off lump sum payment for the new Additional Professional Advisory Services Payment (APAS) for the 1 July to 30 September 2018 quarter, will be paid on 11 October 2018. We will advise of you of the amount you will receive by the end of September.

The regular quarterly APAS payments, paid monthly and beginning in October, are based on business activity from two quarters earlier. You will be advised of this amount at the beginning of each quarter.

**Please refer to Fact Sheet Additional Professional Advisory Services Payment on the TAS Community Pharmacy website <https://tas.health.nz/community-pharmacy> for more detail on how this payment is calculated.**

### **Additional services (Part Ps and Schedule 3C)**

Under CPSA 2012 some pharmacies provided additional services that were referred to as Part Ps, because the relevant service schedule was included in Part P of CPSA 2012. If your pharmacy is going to continue to provide those services under the new contract, the service schedules for those services have generally been included in Schedule 3C of your new contract.

However, there are some exceptions to that. The following Part P services have been included in Schedules 3A and 3B of the Integrated Community Pharmacy Services Agreement, for those pharmacies that are providing those services:

- Influenza Immunisation Services is included in Schedule 3A.5
- Community Pharmacy Anti-coagulation Management Services is included as Schedule 3B.5
- The national Smoking Cessation Services Schedule is included as Schedule 3B.6 (note: some DHBs have their own service schedule for this service)

Also if there are other additional information specific to your contract, these will be noted under the relevant sections of your contract.

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### To accept this Offer

1. The contract must be signed by a person(s) with the authority to enter into contracts on your behalf.
2. The signatory pages of the contract are at the beginning of the contract. Please make sure that:
  - your signatory (or signatories) sign the section headed with your provider name
  - your signatory (or signatories) include their name, position, and the date of signing; and
  - the signatures are witnessed, and the witness details are completed.
3. By signing the contract, you are agreeing to the terms set out in the contract. If you have any questions about the contract, or think that a change needs to be made to the contract, please contact your Portfolio Manager to discuss.

### **INDIVIDUAL DHB RETURN INSTRUCTIONS HERE**

**Your contract acceptance, in the format above, must be received by «DHB» District Health Board by 5.00pm Friday 14 September, so your contract can take effect on 1 October 2018.**

I look forward to working with you to provide high quality and highly valued services to our community to deliver on the Pharmacy Action Plan, improve health outcomes and address inequities.

Please contact me if you want further information.

Yours sincerely

«Signatory»

«Position»

«DHB» DHB

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### Appendix One – Key contract changes from original proposal

Topic	Original proposal as consulted on	New contract offer
<b>Title</b>	Integrated Pharmacist Services in the Community.	Integrated Community Pharmacy Services Agreement.
<b>Signatory</b>	Can be signed by community pharmacies or pharmacists.	This contract is limited to licensed community pharmacies only. <i>Definition of "Provider" in Part E.</i>
<b>Dispensing and Advisory Services</b>	Schedule 1 – pharmaceutical product supply.  Schedule 2 – professional advisory services related to product supply.	All dispensing and professional advisory services have been combined and are in Schedule 1, and must be provided by the same provider.  The funding (dispensing transaction fees and case mix service fees) has been put back together following consultation feedback.  There will be a review of Schedule 1. It has been written into the contract that no change will be made prior to 1 October 2019 or if the Pharmacy Council considers a change would be inconsistent with pharmacists’ professional obligations.  Any future proposed change would be considered as part of the National Annual Agreement Review process and can only be implemented via subsequent voluntary variation.  <i>Clause B26.</i>
<b>Additional Professional Advisory Services Payment</b>	Not quantified at time of proposal	\$8.4 million. Based on twelve-month period, payment will be calculated quarterly and paid in three equal monthly instalments.  July – Sept cost pressures payment (\$2.1 million) will be paid mid-Oct (as a lump sum) if signed contract received by 21 September. Signed agreements received after this date will receive the lump sum payment the following month.  <i>Schedule 2.</i>
<b>Local commissioning</b>	Local commissioning by DHBs.	Greater clarity and assurances have been added to the contract on how local commissioning will be undertaken.  DHBs have made a commitment that, if a DHB changes the LTC services schedule, it will offer to contract with its existing community pharmacy LTC service providers for the new or amended services if the provider has the eligible population and can meet the service standards and other requirements.  The DHBs and provider representatives to undertake a joint exercise across the country on how the contract and local commissioning will work.  If the DHB wants to change a Service Schedule in Schedule 3B, including by adding a new Service Schedule to Schedule

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		<p>3B, and the changed or new Service Schedule will not be offered to all providers, the Service Schedule must be for a fixed term.</p> <p><i>Clauses A.1(3) and B.27 – B.29.</i></p>
<b>Evergreen contract</b>	Evergreen contract (no end date) with annual review.	<p>Evergreen contract (no end date) with annual review</p> <p>Change management is by way of voluntary variation and there is no provider obligation to accept any variation offers, either for national or local change variations. Where a variation is not accepted by a provider, that provider's contract will continue on existing terms and conditions.</p> <p>If the DHB wants to change a Service Schedule in Schedule 3B, including by adding a new Service Schedule to Schedule 3B, and the changed or new Service Schedule will not be offered to all providers, the Service Schedule must be for a fixed term.</p> <p>More detail has been written into the contract on the National Annual Agreement Review process and local commissioning processes.</p> <p><i>Clauses B.23 – B.26.</i></p>
<b>Relationship structure</b>	Proposed contract silent on this topic.	<p>Provider representatives will participate in the National Annual Agreement Review process and the Expert Advisory Group.</p> <p>Providers can choose who represents them in discussions with DHBs. Providers can have different representatives at the National Annual Agreement Review process and local commissioning discussions.</p> <p>Terms of Reference for the National Annual Agreement Review process have been developed. It is expected the process will be initiated prior to 30 November 2018 and an annual timeline and process will be agreed the first time the parties meet.</p> <p>The Terms of Reference for the Expert Advisory Group will be reviewed, including to reflect that there will be two provider representatives.</p> <p><i>Clauses B22 – B.26.</i></p>
<b>Pharmaceutical supply chain</b>	Silent	<p>2% funding increase amounting to \$900,000 - paid through an uplift in the pack fee.</p> <p>Uplift in funding for Special Foods amounting to \$190,000 - applied to margins. All Special Foods to be paid pharmaceutical margin at 4% (i.e. 1% uplift in margin for special foods with a pharmaceutical subsidy less than \$150).</p>

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## Attachment A

### Integrated Community Pharmacy Services Agreement

#### *National Annual Agreement Review: Terms of Reference*

#### Introduction

The Integrated Community Pharmacy Services Agreement provides that, each year, there will be a national review of the nationally-consistent parts and service schedules of the Agreement (as well as any Service Schedules in Schedule 3B that the Participants agree to consider as part of the review).

The Agreement:

- provides that District Health Boards (DHBs), Providers, and Provider representatives will participate in the review;
- sets out the matters that may be considered as part of each review, which includes possible changes to the Agreement; and
- sets out some of the ways in which matters may be put forward for consideration.

The function of the review is to consider the matters described in the Agreement, and to provide recommendations to the DHBs as required.

These terms of reference provide guidance (in addition to the matters provided for in the Agreement), as to how the review will proceed. They are intended to assist Participants in the review to carry out the review as described in the Agreement.

#### Participation in annual review

1. The Participants in the review will consist of:
  - a. DHB representatives;
  - b. Providers and/or representatives of Providers;
  - c. Ministry of Health representatives;

#### *Independent Chair*

2. Review meetings will be chaired by a Chair who is independent of, and acceptable to, the Participants in the review.
3. If the Chair is unable to attend a particular meeting for any reason, an alternative Chair may be agreed to by the Participants at the meeting.
4. The responsibilities of the Chair include:
  - a) ensuring that meetings are run efficiently and effectively, including by providing a summary of agreed action points and recommendations at the end of each meeting; and

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- b) facilitating discussions and ensuring that adequate input has been received from all Participants and that, if possible, recommendations have been arrived at by consensus.

### *DHB representatives*

5. DHB representatives participating in the review will represent the views of all 20 DHBs.

### *Providers and Provider representatives*

6. Any Provider may participate in a review, either by attending meetings in person (or through electronic means, where available) or through a representative appointed by that Provider.
7. Persons appointed as Provider representatives must inform the secretariat about the number of Providers that they represent prior to the commencement of each annual review.
8. There is no restriction as to the number of Providers and Provider representatives that may attend a meeting. Meetings will be conducted in such a way that balances the need for all Providers to have an opportunity to contribute, with the need to ensure that Provider representatives have an opportunity to contribute that acknowledges who they represent.
9. However, for discussions focused specifically on the terms of potential changes to the Agreement, it is expected that Provider representatives will appoint, from among themselves, a team (with the objective that it consist of up to 6 people) to lead participation on behalf of Providers.

### *Other attendees*

10. It is anticipated that other relevant bodies (for example, PHARMAC, the Pharmacy Council, and the Pharmaceutical Society) will be invited to attend meetings from time to time, as appropriate.

### **Timeframe and process for annual review**

11. DHBs will initiate the annual review in the final quarter of each calendar year, with the objective of ensuring that the review is completed by July of the following year. That is to enable any variations to the Agreement resulting from the review to be processed in time to take effect on the anniversary date of the Agreement of 1 October.
12. The Participants will suggest topics to be considered in the review. Topics suggested by the Expert Advisory Group and any other relevant fora will also be considered by the Participants for inclusion in the review. It is expected that each proposal will be supported by appropriate documentation and rationale.
13. The Participants will discuss the proposals received, including whether they should be considered as part of the review and the priority that should be given to each proposal accepted for consideration. They will also discuss arrangements for the review, including for meetings that should be scheduled to enable the review to be completed by July of the following year. The objective will be for Participants to reach consensus on these matters.

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### Meetings

#### *General requirements for meetings*

14. Meetings will be scheduled having regard to the availability of Participants, so that as many Participants as reasonably practicable can attend.
15. Agendas for the meetings, meeting papers and other documentation will be circulated by the secretariat a reasonable time before a meeting.
16. Participants in the review will advise the secretariat as to who will attend a meeting a reasonable time in advance of the relevant meeting.
17. Minutes of each meeting will be prepared by the secretariat, including a record of any agreed action points or decisions. The secretariat will circulate the minutes to Participants at a meeting as soon as practicable after that meeting. The secretariat will also publish the minutes on the TAS website as soon as practicable after a meeting, excluding any part of the minutes containing confidential information, as referred to in paragraph 25.

#### *Meeting attendances*

18. It is intended that the Providers and Provider representatives who attend each meeting will be broadly representative of all Providers.
19. If for whatever reason, Providers and Provider representatives at a meeting are not broadly representative of all Providers, the meeting may proceed. The minutes of the meeting will record the attendees and the extent to which all Providers were represented.

### Outcome of annual review

20. The recommendations resulting from each review, including recommended amendments to the Agreement, will be submitted to the DHB Chief Executives.
21. The objective of each review is for the Participants to arrive at recommendations by consensus.
22. If the Participants are unable to reach a consensus after having made all reasonable efforts to do within the review schedule, the Participants (including any combination of Participants) may make separate recommendations to the DHB Chief Executives. Any such separate recommendation will record the Participants on behalf of whom it is made.

### Meetings outside of annual review cycle

23. Participants will meet outside the annual review cycle whenever required to consider issues that may arise and require attention outside of that cycle. In that case, these terms of reference apply to that process (with any necessary amendments) as if it were part of the annual review cycle.

### Resourcing

24. TAS will provide secretariat and administrative services to support the review. This will be done in accordance with the instructions of the Chair, including ensuring that an accurate record of recommendations and actions are documented and kept.

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### Confidentiality and public statements

25. Participants and attendees at meetings may inform persons they represent, other members of their organisation and any professional advisers about the progress and outcomes of the review. However, from time to time certain information may not be able to be disclosed in this way. Participants and attendees at meetings will keep the relevant information confidential to themselves only. Minutes of meetings containing reference to such information will not be published.
26. If it is desirable to make public statements about a review while it is in progress, the statement will be agreed by the Participants at the relevant meeting.

### Changes to these terms of reference

27. Any change to these terms of reference will be discussed as part of a National Annual Agreement Review.

### Attachment B

## National Annual Agreement Review: Indicative timeframe

### **Background**

This document sets out an indicative timeframe for the National Annual Agreement Review of the Integrated Community Pharmacy Services Agreement that will lead to variations to the contract to come into effect on 1 October 2019.

### **Indicative timeframe**

The duration of each National Annual Agreement Review will be such that any variations can be in place by 1 October each year.

Below is an indicative timeline for the first year of the *Integrated Community Pharmacy Services Agreement*. In the first year it is anticipated that additional meetings may be required as the processes are embedded, and therefore the timeline includes meetings which can be cancelled if not required. It is expected that the first meeting would occur prior to 30 November 2018 and at that meeting dates for subsequent meetings would be agreed.

The dates set out below are indicative only, and are subject to change.

### **Indicative timeframe 2018/19**

- |  |                      |
|--|----------------------|
| ➤ Advise review and request issues for inclusion                   | November 2018        |
| ➤ First meeting to be held   | by 30 Nov 2018       |
| ➤ Issues from DHBs cut-off date                                    | March 2019           |
| ➤ Issues from providers cut-off date                               | March 2019           |
| ➤ Meeting to decide issues to be included in review                | April 2019           |
| ➤ Discussion of issues – National Annual Agreement Review meetings | May/June 2019        |
| ➤ Development of DHBs' response to issues and price                | May/June 2019        |
| ➤ Recommendations to, and sign-off by, DHB GMs and CEs             | early July 2019      |
| ➤ Sector Operations contract processing                            | July 2019            |
| ➤ Voluntary Variation offer period                                 | early Aug – mid Sept |
| ➤ Sector Operations activation                                     | mid Sept – 30 Sept   |
| ➤ Implementation of contract variation and price increases         | 1 October 2019       |

Attachment C

