NATIONAL PHARMACY ASSOCIATION HUB AND SPOKE ROUNDTABLE

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NPA
National Pharmacy Association

BACKGROUND

Although the concept of 'hub and spoke' has been in place in many industries, particularly in transportation and logistics, for many years, the phrase 'hub and spoke' only entered mainstream use in UK pharmacy in 2015. The then Department of Health's funding proposals were predicated to a significant degree on achieving efficiencies through the introduction of these new dispensing models.

In March 2016, the Department of Health issued a consultation that proposed to remove the restriction within Section 10 of the Medicines Act which only permits hub and spoke dispensing if the hub and the spoke are both part of the same business. This change would apply across the UK.

The latest funding settlement for community pharmacy in England, which was published in July 2019, is linked to efficiencies to be made through the hub and spoke dispensing model. The Department of Health and Social Care is seeking a legislative change to enable inter-company hub and spoke dispensing, where a pharmacy can outsource elements of its dispensing to a third party.

Intra-company hub and spoke dispensing already exists. This is where one company centralises part of its dispensing activity in a 'hub', which subsequently distributes the dispensed prescriptions to its network of branches (the 'spokes') for patients to collect.

The National Pharmacy Association (NPA) wanted to facilitate an informed debate about the potential benefits and risks of inter-company hub and spoke dispensing models.

The NPA is very grateful to Richard Murray, Chief Executive of The King's Fund, for chairing the roundtable and to all of the guests who attended the event. We are grateful that all participants shared their informed opinions candidly, and we hope this account of the roundtable fairly reflects the balance of the discussion on the day.

At the event, the following areas were explored:

1. Opportunities
2. Risks and barriers
3. Enablers

Representatives from the following organisations attended the event:

Association of the British Pharmaceutical Industry
Beaminster Pharmacy
British Generics Manufacturers Association
Company Chemists' Association
Community Pharmacy Scotland
Day Lewis
Department of Health and Social Care
General Pharmaceutical Council
Healthcare Distribution Association UK
J Cubbin and Sons
NHS England
Medicines and Healthcare products Regulatory Agency
National Pharmacy Association
PCT Healthcare
Pharmaceutical Group of the European Union
Pharmaceutical Services Negotiating Committee
Royal Pharmaceutical Society
Walgreens Boots Alliance
Weldricks
Whitworths

OPPORTUNITIES

Increase capacity

The main opportunity identified was to release capacity at the pharmacies (the spokes) to deliver more clinical services. Some intra-company hub and spoke models have successfully enabled pharmacists at the spokes to spend more time providing services to patients.

Patient safety

Another key opportunity identified was to improve patient safety. It was reported that an existing intra-company model has demonstrated that automation can significantly improve patient safety. In addition to the hardware, it was noted that the software and scanning technology is also important in order to achieve the desired patient safety benefits, and that the benefits of software and scanning could also be secured in an existing bricks and mortar pharmacy without the need for introducing a full hub and spoke model.

Operating cost savings

The intra-company model has provided one company the opportunity to reduce non-clinical headcount at the spokes, therefore generating cost savings. However, it was debated that this may defeat the object of increasing capacity at the spoke.

Another opportunity identified was to transfer MDS (monitored dosage systems) dispensing to a hub in order to reduce stockholding at pharmacies. An example was provided where an intra-company model has centralised MDS dispensing and seen some benefits, however there was not a significant reduction of stockholding at the pharmacies.

Miscellaneous

It was highlighted that the dispensing appliance contractor model is a type of inter-company dispensing model, which seems to be working well for the independent sector. Its regulatory framework is slightly different to that of pharmacy and remuneration is higher for dispensing appliance contractors. It was suggested that with a level playing field in place, an inter-company hub and spoke model could work if the principles were similar to the dispensing appliance contractor model and there was more investment centrally from the NHS.

It was suggested that there could be an opportunity for independent pharmacies in a local area to come together to set-up a hub and provide dispensing hub services themselves.

Many NHS hospitals have implemented automation of dispensing for a number of years, therefore it was advised that the community pharmacy sector should learn from the experiences of the hospital sector and review their data on the benefits, such as efficiency gains and patient safety, whilst noting the fundamental differences in the economic models.

The technology required to support hub and spoke dispensing has been available for a number of years. It was therefore recommended that the sector should engage with relevant system suppliers and bring them together to create hub and spoke solutions for the sector.

RISKS AND BARRIERS

Given the experiences of intra-company hub and spoke models, it was recognised that inter-company hub and spoke would be a challenging venture for pharmacy.

It was acknowledged that hub and spoke dispensing is not the only answer to releasing capacity in pharmacies and other capacity building initiatives will also need to be considered and explored.

Lack of system cohesion

A major barrier identified was that currently the whole system is not joined up. From GPs and CCGs to IT system suppliers and NHS Digital, processes and systems are not aligned therefore there is not a seamless process from when the patient is prescribed a medicine to when the patient receives that medicine. A particular issue identified was a lack of seamless data flow between different types of healthcare providers, such as data flow between GPs and community pharmacists.

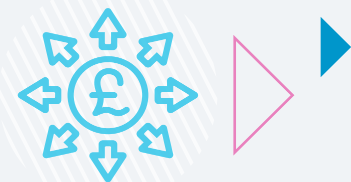
Financial viability

There was a broad consensus that setting-up and operating a dispensing hub is expensive due to the significant upfront capital investment, ongoing operational costs, maintenance costs and logistics and distribution costs to deliver to the spokes. It was therefore advised that the objective of current intra-company hub and spoke models is to release capacity at the spokes not to deliver cost savings.

In an inter-company hub and spoke model, it was recognised that hub service providers would need to recoup their costs. It is most likely that hub providers would charge pharmacies a service fee. This would be an additional new cost for pharmacies. It was highlighted that as many pharmacy businesses are facing financial hardship, it is unclear how they would be able to pay for this outsourcing of dispensing activity. It was suggested that pharmacy owners may have to consider reducing the headcount at their pharmacies, however this would be counterproductive as overall capacity at the pharmacies would be reduced.

It was also recognised that in an inter-company hub and spoke model, the pharmacies (spokes) might also incur process and transformation costs, such as new/updated IT software costs which can be significant. It was emphasised that investment in software support and aftercare service is important.

It was suggested that, from existing evidence, an inter-company hub and spoke model would need to operate on a massive scale (potentially dispensing tens of millions of prescription items annually) to achieve any potential economic benefits.



Interoperability of IT systems and operating procedures

There was a general agreement that pharmacy IT system suppliers can be unresponsive to market needs and historically it has been difficult to drive IT development based on the needs of patients or the sector. Another issue identified was the approach of developing technology solutions around the regulations, which could stifle innovation.

There was a common view that a lack of interoperability between IT systems was a risk. This situation could cause unintended consequences, for example, a pharmacy could be financially pressured into using a specific hub provider solely on the basis that they are the only hub with an IT system which is interoperable with the pharmacy's system.

Another potential risk highlighted was that the cost of the technology could stifle competition causing some pharmacies to fail despite embracing the new model and technology.

It was acknowledged that in an intra-company hub and spoke model it is feasible to achieve capacity and patient safety benefits due to single company oversight. The one company will be in control of the systems, processes, SOPs and staff training and there will be one management structure to ensure compliance at the hub and spoke. However, in an inter-company model the hubs and spokes will belong to different companies therefore they will have different systems and processes, which is a potential barrier to achieving the desired outcomes as the spoke has no control over the operations at the hub and vice versa.

A system risk highlighted was scanning errors. If a system's database has any incorrect product codes then the wrong products would be selected and supplied to the patient.

Change management

There was a general acceptance that in order to successfully implement a new system, there must be behaviour changes. If staff do not adapt to the new technology and methods of working, then the objectives will not be achieved.

It was advised that human factors need to be considered, in particular, there needs to be an understanding of how new technology and inter-company hub and spoke models will affect behaviour. An example given was that people working in the same organisation trust and rely on each other knowing that they follow the same systems and processes, however people may find it difficult to trust and rely on others in external organisations i.e. hubs.

An example was given that when an intra-company hub and spoke system was introduced, a big challenge initially was stopping the pharmacists at the spokes from re-checking the prescription bags from the hub.

It was acknowledged that as many independents are small to medium sized businesses, they are unlikely to have the resources or time for effective change management, therefore they may struggle to implement a hub and spoke dispensing model.

Legal & professional issues

It was suggested that there is an assumption that the current law preventing inter-company hub and spoke dispensing was a mistake or is not fit for purpose anymore and thus needs to be changed.

However, it was advised that consideration should be given to the reasons for the current law, whether they are still valid and the reasons for changing the law.

There is an assumption that a hub would be a registered pharmacy, however it was acknowledged that this may not be the case. If the hub is not a registered retail pharmacy then it will not come under the regulatory remit of the GPhC. A major risk identified was that a 'hub services' market would be left to self-regulate.

In an inter-company model, it was highlighted that pharmacies would still be responsible for procuring medicines from reputable sources and for the assembly of prescriptions even though this is outsourced. Pharmacies will therefore need to have appropriate assurances from hub providers.

A potential risk identified was a pressure to reduce costs at the spokes, which could lead to the use of collection points, such as lockers, for patients to collect their prescriptions from instead of pharmacies.

A risk identified was that accuracy and clinical checks could be either omitted or duplicated. An example, which was given earlier, was used to again to illustrate the point, where a pharmacist at a spoke would re-check every prescription bag from the hub in order to ensure that they are not held to account for the mistakes of others. This practice would defeat the object of the new systems and introduce new risk. However, another risk identified was that if an error or problem occurred it may not be clear who is accountable or responsible.

It was highlighted that transporting medicines with special storage requirements, such as controlled drugs and fridge items, to spokes could increase the risk to patient safety if Good Distribution Practice was not followed. Pharmacists and regulators would have to assure themselves that proper processes were being followed.

Before enabling inter-company hub and spoke dispensing, it was advised that NHS regulations and policy objectives need to be considered, in particular, to protect patient choice and the ambition to expand the clinical services that community pharmacies provide in order to relieve pressure on other parts of the NHS.

Patient data was discussed and it was acknowledged that the spokes would need to obtain patient consent to transfer their data to another company, therefore pharmacies would need to introduce new processes and be able to answer questions from patients about their data, for example questions about ownership of data and data protection.

Another potential risk identified was prescription direction – that is the practice of a prescriber seeking to unfairly influence the patient's choice of dispenser. It was advised that this needs to be considered along with hub ownership.

Impact on the medicines supply chain and procurement

It was acknowledged that the cost-effective purchasing of generic medicines by community pharmacies saves the NHS and taxpayer a significant amount of money. The sector is able to drive down the cost of generic medicines due to effective competition in the market between suppliers. A major risk identified was that the hub and spoke model could impair the current system and diminish the savings it delivers for the NHS and taxpayer, if the purchasing of medicines is concentrated in only a few hub providers potentially leading to price rises of medicines.

Another potential risk identified was a reduction in resilience of the medicines supply chain, if the purchasing, dispensing and distribution of medicines becomes concentrated in only a handful of hub providers in the market.

Impact on competition and pharmacy funding

There was a general view that it was important to have a competitive market for 'hub services' with a wide choice of providers for pharmacies. However, it was highlighted that there is a high risk that only a handful of companies will be able to provide fully comprehensive hub services due to various impediments, such as restrictive distribution arrangements, a significant upfront capital investment, ongoing operational costs and logistics and distribution costs.

Unless there was a proliferation of hub providers, a risk identified was that there would not be a level playing field for the independent sector as the hubs were likely to be operated by large companies, thus the balance of power would be shifted towards the hubs. A small number of hub providers may lead to less competitive procurement and higher costs for the taxpayer.

Fair access to procurement margin is integral to the community pharmacy financial model and therefore the sustainability of individual pharmacies. A possible risk identified was that the hub and spoke model might impair margin distribution, for example due to an anti-competitive 'hub services' market.

Regarding the transfer of patient data to a hub, a risk identified for independents was that they would be sharing their commercial data with an external company, which may be a competitor.

Regarding the opportunity for independent pharmacies to collaborate to set-up and operate a hub themselves, it was acknowledged that this may be difficult to achieve as they are still competing businesses.

Miscellaneous

Certain rate limiting factors at the hub have been identified in an intra-company hub and spoke operation, such as filling the prescription bags manually and a lack of original pack dispensing. A significant number of staff have to be employed at the hub to manually cut strips and assemble the prescriptions.

A risk identified was that when the law changes to enable inter-company models, potentially a wide range of hub providers could enter the market with varying levels of quality services. As many independents do not have knowledge of hub and spoke models, there is a risk that they will not be able to make informed choices about the best hub to use.

It was advised that consideration needs to be given to how inter-company hub and spoke models could work in the devolved nations, as they can have different systems.

ENABLERS

There was a consensus that a holistic approach needs to be taken and all factors need to be considered.

Regulation and professional standards

It was advised that the different sets of regulations, such as NHS and professional regulations, would need to be reviewed.

There was a broad acceptance that hubs should be regulated and should adhere to professional standards. It was suggested that there should be an accreditation process for hubs in order to give confidence to pharmacies using hub services.

It was proposed that there should be an audit process for hubs and they should be audited by inspectors with the appropriate expertise.

It was acknowledged that current professional standards for pharmacies would need to be reviewed to ensure that they are appropriate for hubs and they cover all of the associated risks and issues.

In addition to regulatory and professional standards, it was suggested that there should be British industry standards for hub and spoke dispensing models.

In order to protect patient safety, it was suggested that there needs to be validation of the model as a whole and there needs to be clear accountabilities and transparency of roles and responsibilities.

In order to protect patient and public safety, it was advised that the spoke should be a pharmacy and the clinical check should be made at the spoke.

It was recommended that there should be a regulatory approach to enable responsible innovation.

Interoperable IT systems and operating procedures

There was a broad agreement that it was very important to develop effective operational processes and there needs to be effective operational management.

There was a consensus that there needs to be effective interoperability between IT systems. It was recommended that there should be an open approach to achieving this and all system suppliers (IT and automation technology) should be brought together to develop solutions for the sector. It was suggested that the NHS and DHSC could facilitate this as they did for GP system suppliers.

System cohesion

It was advised that the whole system needs to be integrated for the hub and spoke model to be effective. Processes and systems need to be aligned in order to ensure that there is a seamless process from when the patient is prescribed a medicine to when the patient receives that medicine. There needs to be seamless data flow between healthcare providers.

Contractual protections

It was suggested that contracts should be in place between hubs and spokes in order to provide pharmacies with the relevant assurances and protection.

It was also advised that the current market entry system for pharmacy needs to maintain its integrity.

A competitive ‘hub services’ market

In order to create a competitive market for ‘hub services’ with a wide choice of providers for pharmacies, it was advised that all hubs would need fair and equal access to medicines that are subject to restrictive distribution arrangements.

It was highlighted that there needs to be a degree of standardisation in the market, to enable pharmacies to change hub providers with ease.

New services and workforce development

In order for pharmacies to exploit the capacity release and to cover operating costs, it was advised that new additional services would need to be commissioned.

Before implementing a hub and spoke model, it was highlighted that preparations would need to be made to ensure that the workforce is ready. Preparations would include developing new job descriptions and providing training on the new operational activities and any new services commissioned.

Miscellaneous

It was recommended that prescribing practices should be standardised to support automation.

It was recognised that pharmacies would need relevant information and guidance in order to help them to make informed choices about hub services. Pharmacies, in particular independents, would also need help and support with change management.

For the model to work and for pharmacies to have confidence to use the model, it was advised that both the hub and spoke should be a registered pharmacy and the spoke should be recognised as a vital part of the model. The role and value of the spoke should be clear, for example to provide important advice and clinical services with supply.

It was advised that there should be a plan to monitor the model and its impact post implementation.

CONCLUSION

Opportunities have been identified for the sector, such as releasing capacity at pharmacies and improving patient safety. However, it was acknowledged that hub and spoke dispensing may release little or no capacity unless the risks and barriers are overcome. Numerous potential risks and barriers have been identified which need to be addressed in order to avoid unintended consequences. Hub and spoke is not the only possible answer to releasing capacity and other capacity building initiatives would also need to be considered and explored.

Simply changing the law to enable inter-company hub and spoke dispensing will not create a level playing field for independent pharmacies and will not guarantee that the desired outcomes for the NHS, taxpayers and patients will be achieved. There are many factors which need careful consideration and a holistic approach needs to be taken.

Various enablers have been identified which need to be considered and explored. This will require relevant stakeholders from across the whole system coming together to discuss and develop potential solutions.

In order for the entire community pharmacy sector to rise to the challenge, effective and responsible innovation is required. However, expectations need to be clear and realistic.

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