

Briefing from the Independent Pharmacies Association (IPA): Frontier Economics Economic Analysis of NHS Pharmaceutical Services in England

The findings of the independent economic analysis of NHS pharmaceutical services commissioned by NHS England and conducted by Frontier Economics confirm **what the Independent Pharmacies Association (IPA) has long warned**: the financial pressures faced by community pharmacies are unsustainable, putting vital patient services at risk, pushing the sector toward unsustainable losses, and risking widespread closures.

This will have a detrimental impact on the Government's plans to shift healthcare out of acute hospitals and closer to home, impacting their ability to deliver on their commitments.

KEY FINDINGS:

- + **Widespread Financial Distress:** Nearly half (47%) of pharmacies were not profitable in their last accounting year, and 99% of pharmacies are operating at a loss when full economic costs are considered.
- + **Closures:** Since 2021, England has seen a 7% net reduction in pharmacies, with large chains closing sites at an accelerating rate. The most common reasons for this were cited as inadequate funding, rising operational costs and difficulty recruiting and retaining community pharmacists.
- + **Unpaid Bills and Cashflow Issues:** A growing number of pharmacies are defaulting on direct debit payments for stock, threatening the supply of medicines to patients.
- + **Operational Strain:** Due to financial pressures, 99.9% of pharmacies have had to make significant changes to staffing and operations.
- + **Severe Underfunding:** The total funding shortfall for 2023-24 was estimated to be between **£1.64 billion and £2.98 billion**, far exceeding the resources available to pharmacy businesses. About 45-96% of community pharmacies have funding that is lower than the costs to operate the pharmacy. Average unweighted EBITDA is -2.3%.
- + **Increased workload:** There has been a 10% increase in prescription volume nationally over 4 years with no funding increase to compensate for this, although costs have risen significantly.
- + **Hub & Spoke** has not delivered the saving that were initially perceived and has broadly moved branch costs to a central hub cost.

IMPLICATIONS FOR PATIENTS AND THE NHS:

- + **Reduced Access to Medicines:** Continued pharmacy closures will leave many communities without easy access to essential medications, healthcare advice, and services such as vaccinations and health screenings.
- + **Longer NHS Waiting Times:** With fewer pharmacies able to provide clinical services, more patients will be forced to seek help from overstretched GPs and hospitals, increasing pressure on primary care services and waiting times for prescriptions and consultations.
- + **An impact on vulnerable communities:** Independent pharmacies, often serving deprived communities, are at particular risk. Their closure will disproportionately impact vulnerable patients.

The UK Government must urgently act to prevent the collapse of NHS community pharmacy services. The Independent Pharmacies Association are calling for:

- **The Community Pharmacy Contractual Framework (CPCF) for 2024/25 and 2025/26** to reflect the significant role that pharmacies play in providing for the community and supporting the NHS, to prevent further closures and stabilise the sector.
- **A Fairer Pharmacy First Scheme Funding Model:** Many patients rely on pharmacies as their first contact for healthcare, bypassing formal referrals. The Pharmacy First scheme should reflect this reality and provide financial support for all patients seen, not just those referred by NHS 111 or GPs. This change would recognise the full contribution of pharmacies to NHS capacity, allowing them to continue providing accessible, front-line healthcare.
- **A Net Funding Increase for Community Pharmacies:** To offset the impact of rising operational costs, including wage and insurance adjustments, community pharmacies need a net increase in funding to maintain and expand their services. The current flat funding has already caused significant financial strain, and without a fair and sustainable funding model, more closures are inevitable.
- **A Sustainable Drug Reimbursement System:** Community pharmacies require a stable and predictable drug reimbursement structure that prevents pharmacists from having to cover medication costs out of their own pockets. This is essential for maintaining consistent access to medications, especially critical during high-demand periods and for vulnerable populations reliant on local pharmacies.

The full Economic Review Report can be found through the link below:

[frontier-iqvia-economic-analysis-pharmacy-final-report-web.pdf](https://www.frontieriqvia.com/economic-analysis-pharmacy-final-report-web.pdf)