ROYAL PHARMACEUTICAL SOCIETY

VAT and the Public Sector: Reform to VAT refund rules
Royal Pharmaceutical Society response

The RPS supports the intent of the suggested reform to a full refund model for VAT to even out disparities around the current VAT rules. The NHS currently pays VAT on medicines purchased which isn't reclaimed, while medicines purchased outside the NHS are VAT exempt. This has, on occasions, resulted in patient pathways being developed which have taken advantage of this difference. The RPS believes VAT should not be the driver in patient pathways rather the key consideration should be what is most appropriate for the patient.

Any changes to services that are made following the suggested VAT reforms must be based on the following key principles:

- Improved patient care
- Better value for money
- Ability to provide improved access to medicines wherever the patient needs are.

If implemented, these changes could remove the financial impact that VAT causes when services are being commissioned and provided, allowing quality, safety and value to the patient to have a greater bearing on the overall decision. A system wide approach to VAT could also facilitate the relocation of some current secondary care services into primary care to be delivered at a more convenient access point for the patient. The current disparity in the treatment of VAT between the NHS and its independent contractor partners currently acts as a barrier to the movement of some of these services. Efficiencies, pressures and savings across a system will be managed differently.

These changes will allow commissioners to consider how medicines are best supplied for patients, focusing on care closer to home for people and developing different models of care. We have seen some of these different models being developed or more widely utilised during the pandemic, such as chemotherapy being administered in a person's home. This could also include a more substantial use of community pharmacies as some medicines provided by homecare suppliers may be rerouted via community pharmacies. Better use of community pharmacies will be even more likely if interoperable IT systems between secondary and primary care are put in place.

For secondary care it could incentivise an unbundling or decentralising of services and redesign of patient pathways. This is likely to reduce hospital outsourced outpatient dispensing activity in England and a renewed focus on inpatient care. The current arrangements mean that smaller District General Hospitals cannot offer similar outsourced outpatient service as Teaching Hospitals. The changes will potentially allow all hospitals to offer the same range of outpatient services.

In addition, in terms of community pharmacy the government should commit to creating a level playing field for community pharmacies as a business providing NHS primary care services. This would include removing the inconsistent VAT treatment applied to health services delivered by different healthcare professionals. For example, services provided in a GP practice are VAT exempt no matter which member of the practice team provides them. Currently services provided by a pharmacist are VAT exempt but by any other member of the team are not VAT exempt and this must change as it limits the capacity for community pharmacy to deliver cost effective and efficient services.

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