

# Discount deduction/ clawback overview

For community pharmacists  
and dispensing doctors



This overview has been pulled together from a number of sources (noted) and is designed to provide a simple summary. The interpretation is that of Accord based on the information available.

## Introduction

**Discount deduction and clawback** are essential components of the pharmaceutical reimbursement landscape in England. The following definitions are widely understood by the pharmacy and dispensing doctor community and representing bodies.

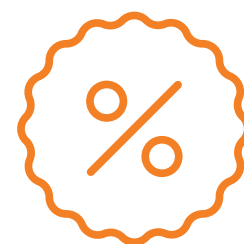
**Discount deduction** is a percentage of the drug price that community pharmacies are required to pay back to the NHS.<sup>1</sup>

**Clawback**, while similar, is a specific term used for the recovery of excess payments made to dispensing doctors under the Drug Tariff. These mechanisms play an important role in managing the cost of medicines for the NHS while ensuring their accessibility.<sup>2</sup>

This article aims to give an overview of how discount deduction and clawback works and how they impact community pharmacists and dispensing doctors.

## Discount deduction for Community Pharmacists

Discount deduction is a statutory requirement under the NHS Drug Tariff, applying to all prescription items dispensed in England. Calculating the exact deduction received on each medicine would be complex and time-consuming for both pharmacies and the NHS. Instead, the deduction scale provides a streamlined way to estimate these savings by applying a standardised rate across all items.<sup>3</sup>



As of April 2023, the rate of discount deduction for generics increased from 17.52% to 20%.<sup>4</sup> The specific rates can be found in Part V of the NHS Drug Tariff (see Resources). However, it is important to note that different deduction rates apply depending on the type of item dispensed:<sup>5</sup>

Generics	Deduction rate 20%.
Appliances	Deduction rate of 9.85%.
Branded Medicines	Deduction rate of 5%.
Discount Not Deducted (DND) Items - including Concession Lines	No discount deduction applied.

Concession lines are classified under the DND category, meaning no discount deduction is applied for these items. This ensures that pharmacies are reimbursed appropriately when supplying medicines at higher market prices.

#### **Generic Example Calculation:**

1. Drug Tariff Reimbursement Price £14.05
2. Deduction rate: 20%
3. **Discount Deduction:** £14.05-£2.81

Thus, the reimbursable amount would be £11.24.

## Discount Not Deducted (DND) list

As we have outlined, certain products are exempt from discount deduction. The full, up-to-date list can be found in Part II of the Drug Tariff under the heading 'Drugs for which discount is not deducted'. These include:



#### **Group items:**

- Products on price concession
- Cold chain storage items
- Schedule 2 or 3 Controlled Drugs
- Cytotoxic or cytostatic items
- Immunoglobulins
- Insulins for injection
- Vaccines and antisera

- Unlicensed medicines
- Hazardous chemicals

#### **Individual items:**

- For a comprehensive and current list, please refer to Part II of the Drug Tariff.

The list is subject to change and it is worth checking the monthly Drug Tariff updates. You can view the Drug Tariff three working days before the 1st of each month.<sup>6</sup>

To request a product be considered for the DND list, contact the [Community Pharmacy England Dispensing and Supply Team](#).<sup>1</sup>

## The impact of discount deductions on Community Pharmacies

Discount deductions can significantly affect community pharmacies' cash flow and profitability. To manage these deductions effectively, pharmacies can implement several strategies:

- Regularly review the NHS Drug Tariff.
- Utilise financial management software which may be available via your PMR to automate and track deductions.



# The Clawback Mechanism for Dispensing Doctors

Clawback is a mechanism that was originally introduced to address the significant discounts that dispensing doctors received through schemes such as the Manufacturers Discount Scheme (MDS). Under these schemes, doctors could obtain substantial discounts, when purchasing branded medicines. The clawback system was introduced to recover a portion of these excess profits and ensure a fairer financial outcome.<sup>2</sup>

The clawback deduction is applied consistently to all items under the General Medical Services (GMS) contract, based on a sliding scale that reflects the total prescription costs.<sup>7</sup>

Total basic price per month of the prescriptions submitted by the contractor	New discount rate %
£1 to £2000	3.17%
£2001 – £4000	5.93%
£4001 – £6000	7.21%
£6001 – £8000	8.06%
£8001 – £10000	8.68%
£10001 – £12000	9.19%
£12001 – £14000	9.60%
£14001 – £16000	9.97%
£16001 – £18000	10.29%
£18001 – £20000	10.57%
£20001 – £22000	10.82%
£22001 – £24000	11.03%
£24001+	11.18%

### Example Calculation:

1. Drug Tariff Reimbursement Price: £10
2. Clawback Rate: 11.18%
3. **Clawback Amount:** £10.00  
minus £1.12 [as it is rounded up]

Thus, the reimbursable amount would be £8.88.



# Our suggested best practices for Community Pharmacists and Dispensing Doctors

- ✔ Develop a comprehensive financial plan that accounts for discount deductions and clawback.
- ✔ Maintain meticulous records of all prescription items dispensed, reimbursements, and deductions.
- ✔ Leverage pharmacy or dispensing practice management software which might be available via your PMR to automate and track deductions and generate financial reports.

## Conclusion

Discount deduction and clawback are integral components of the pharmaceutical reimbursement system in England.

By having a clearer understanding of how these deductions and clawbacks work, healthcare professionals can better navigate the complexities of reimbursement, ensuring they are fully informed about the implications these mechanisms have on their everyday practice.

## Resources

The following resources may offer additional guidance on discount deduction and clawback. Please note that while these sources may be useful, we cannot guarantee the accuracy or currency of the information provided on these sites. We recommend using them with discretion and verifying the details independently.



[Community Pharmacy England guidelines on discount deduction](#)

[NHS Drug Tariff](#)

[NHS England – General Medical Services Statement of Financial Entitlements 2024: Annex G – Dispensing Payments](#)

## References

- <sup>1</sup> Community Pharmacy England (CPE). 'How discount deduction works.' Last accessed: December 2024
- <sup>2</sup> Dispensing Doctors. 'Dispensing Safeguards.' Last accessed: December 2024
- <sup>3</sup> NBSA. 'Drug Tariff.' Last accessed: December 2024
- <sup>4</sup> NBSA. NHS Prescription Services. 'Drug Tariff deduction scale.' Last accessed: December 2024
- <sup>5</sup> NBSA. Drug Tariff Part V. 'August Drug Tariff' Deduction Scale (Pharmacy Contractors). Last accessed: December 2024
- <sup>6</sup> NBSA. Drug Tariff Part II. 'December Drug Tariff' Drugs for which discount deduction is not deducted.' Last accessed: December 2024
- <sup>7</sup> NHS England (NHSE). 'General Medical Services Statement of Financial Entitlements Directions 2024: Annex G – Dispensing Payments.' Last accessed: December 2024

