

Briefing 001/26: Category H FAQs

In December 2025, the Department of Health and Social Care (DHSC) [announced](#) that a new Drug Tariff category, **Category H**, will be added to Part VIIIA Drug Tariff from March 2026. This briefing produced by Community Pharmacy England's Dispensing and Supply Team explains the background to the introduction of Category H and how the new reimbursement arrangements will work.

Introduction

1. What is the new Category H?

A subset of Category C drugs with multiple suppliers will be listed in a new category, **Category H**, in Part VIIIA of the Drug Tariff from March 2026. Community Pharmacy England objected to the introduction of the changes at this time because of the wider challenges pharmacies are currently facing and the risk that further changes could disrupt the already turbulent medicines supply chain. DHSC is **imposing** these changes.

Price-setting and reimbursement arrangements for drugs in Category H

2. What are the main differences between the Drug Tariff categories in Part VIIIA?

Part VIIIA of the Drug Tariff is currently split into 3 main drug categories referred to by the letters A, C and M. DHSC is introducing a new category, Category H, to Part VIIIA from March 2026. The main differences between each of the categories in Part VIIIA of the Drug Tariff is summarised below:

- **Category A** drugs are readily available generic medicines – generally, they include lower volume generics which do not meet the qualifying criteria for Category M
- **Category M** drugs are also readily available generic medicines which are dispensed more frequently
- **Category C** drugs include those generally not available as a generic medicine (or those that do not meet qualifying criteria for Category A or M) and their reimbursement price is based on the NHS list price of a particular brand or supplier. However, generic medicines without any competition or with very limited competition may also be in Category C.
- **Category H** includes a subset of Category C drugs with multiple suppliers/competitors.

See [Appendix 1](#) for a table summarising the key differences between each category.

3. Will all multi-source drugs in Category C be considered for entry to Category H?

DHSC says it will consider all drugs with multiple suppliers in Category C for movement to Category H i.e. the product must have at least two manufacturers listed under the same generic description in the [NHS Dictionary of Medicines and Devices \(dm+d\)](#).

Over 100 multi-source drugs in Category C appear to meet DHSC's criteria for entry to Category H. Community Pharmacy England has strongly objected to DHSC's proposals to consider all multi-source drugs in Category C and urged DHSC to take a cautious approach with moving these to Category H.

In light of feedback shared by Community Pharmacy England, DHSC is starting by moving only **11 products** to Category H from March 2026. See [Appendix 2](#) for the initial list products moving to Category H. We believe DHSC's ambition is to seek to include **all** products that fulfil the Category H entry criteria, in a phased approach.

Please note: where a drug is available as both a generic and branded product, DHSC will continue to assess if the generic is suitable for entry to either Category A or Category M, subject to meeting the associated entry criteria. If a generic drug does not fulfil the entry criteria for Category A or M, it will be assessed for entry to Category H.

4. How will DHSC determine reimbursement prices for drugs listed in Category H?

Under the new arrangements, the reimbursement prices for drugs in Category H will be determined using **actual purchase, sales and volume data** obtained by DHSC in the quarterly collection under the Health Service Products (Provision and Disclosure of Information) Regulations 2018. Manufacturer and wholesaler sales data will be combined using a weighted average approach based on their share of total volumes.

One quarters' sales and volume data will inform Category H price-setting. For example, reimbursement prices for March 2026 Drug Tariff will be based on information submitted by suppliers (manufacturers and/or wholesalers) for the reference period between September – November 2025.

5. Will all pack sizes be used to determine reimbursement prices of drugs in Category H?

Yes, data for all available pack sizes will be used for price-setting. Reimbursement prices will be calculated on a price-per-unit basis except for products classed as special containers which will be priced per pack.

6. How frequently will Category H reimbursement prices be updated in the Drug Tariff?

Category H prices will be **updated quarterly** in the following months: March, June, September and December. (Please note: price changes for drugs listed in Category A and M

follow a different quarterly timetable with prices updated every January, April, July, and October).

7. Will moving from monthly to quarterly price-setting arrangements make the Drug Tariff less responsive to price changes in the market?

Currently, reimbursement prices of Category C products are updated monthly depending on changes to the NHS list prices of the reference products and following the current price change timetable.

Moving from a monthly to a quarterly price-setting approach using data obtained under the DHSC's information gathering powers will introduce a lag in price-setting (with prices updated quarterly using sales data that is 3-6 months old). Additionally, the monthly price adjustments applicable under the current price-change mechanism will be lost. Community Pharmacy England is concerned that use of lagged data to set reimbursement prices for drugs in Category H may introduce pricing instability for branded products that generally see very little price fluctuation.

In response, DHSC stated as part of the outcome to the consultation that *"using market information instead of list prices to inform Category C reimbursement prices will mean that reimbursement prices respond quicker to pharmacy purchase prices. Furthermore, the government has found that stability in the reimbursement price gives contractors confidence in purchasing. Changing the reimbursement prices on a monthly rather than quarterly basis could create considerable instability in market confidence, as contractors will not know from one month to the next what they are going to be reimbursed. Quarterly adjustments (as with current Category M) seem to strike the balance between stability and responsiveness. Furthermore, should these quarterly adjustments not be responsive enough, there are still the 2 mitigations of concessionary prices and retrospective medicine margin inquiry to ensure contractors are paid fairly and do not dispense at a loss."*

8. Will Category H drugs be eligible for price concessions?

Yes, all drugs in Part VIII including those listed in Category H are eligible for price concessions. We encourage pharmacies to report any problems obtaining a Part VIII product at or below the stated Drug Tariff price, using the online feedback form on the Community Pharmacy England's [Price Concessions](#) webpage.

9. Is there a risk that the changes may lead to more price concessions and supply disruptions to products in Category H?

Generally, very few Category C drugs enter the price concession process each month. However with certain multi-source Category C drugs moving to Category H, Community Pharmacy England is concerned that the new price-setting arrangements will introduce price volatility and potentially draw more drugs into the price concession process, cause

more supply disruptions and increase the risk of dispensing certain branded products at a loss, where the impact on individual businesses could be notable depending on their dispensing mix.

To mitigate some of the concerns around the potential impact on pricing of medicines in Category H, we highlighted that reimbursement prices should principally be based on the suppliers from which pharmacy owners directly purchase medicines i.e. wholesalers. However, DHSC has opted to use sales data from both manufacturers and wholesalers to determine Category H reimbursement prices.

DHSC maintains that if a pharmacy is unable to purchase a particular Part VIII drug at or below the published Drug Tariff price, an application can be made for a price concession.

10. What discount deduction rate will apply to drugs listed in Category H?

Unless the drug meets the Discount Not Deducted (DND) criteria for Group or Individual items or is granted a price concession, drugs listed in Category H will have the **'brand' discount deduction rate of 5%** applied.

11. Will any retained margin be included in the Category H reimbursement prices?

The reimbursement prices will include an element of retained margin, to allow pharmacy owners to earn margin on the Category H drugs they dispense. However, the margin on Category H drugs will not be adjusted to achieve the annual amount of retained margin under the Community Pharmacy Contractual Framework (CPCF).

12. Can Broken Bulk claims be made for drugs listed in Category H?

Yes, if necessary, Broken Bulk may be claimed for drugs listed in Category H (except for those classed as special containers or where OPD +/- 10% rules have been utilised). Pharmacy owners should only claim Broken Bulk (by endorsing the item 'BB' along with the pack size used) if it is unlikely that they will be able to dispense the residual balance again within six months of splitting the pack. More information on Broken Bulk can be found [here](#).

13. Can out-of-pocket expenses be claimed on drugs listed in Category H?

Yes, claims for out-of-pocket expenses (over 50p) can be submitted for any drug listed in Category H. Further information on claiming out-of-pocket expenses can be found [here](#).

Background

14. What led to DHSC making this change?

This change forms part of a series of community pharmacy drug reimbursement reforms following from a public consultation by the Department of Health and Social Care (DHSC) in 2019. One of the proposals was to change how reimbursement prices are set for medicines in Category C which are prescribed generically but have multiple suppliers. This change is also one of the actions to improve medicine margin arrangements as set out in the [Community Pharmacy Contractual Framework \(CPCF\) 2025/26](#) funding settlement.

15. Why is DHSC changing the way prices are set for multi-source drugs in Category C?

DHSC aims to set reimbursement prices for Category C drugs with multiple suppliers to reflect their actual selling prices and to support fairer distribution of medicine margin.

Currently, the reimbursement price of a drug listed in Category C is based on the NHS list price of a specific reference product or supplier. The majority of Category C drugs only have one brand or supplier listed with the reimbursement based on the product NHS list price as published in the [NHS Dictionary of Medicines and Devices \(dm+d\)](#).

However, some drugs in Category C are available from multiple suppliers (i.e. there is competition between products and suppliers), but this is not reflected in the current Category C price-setting arrangements.

According to DHSC, the reimbursement prices for multi-source drugs in Category C are not always reflective of their actual purchase prices. This effect is compounded when branded generic companies set list prices below the Drug Tariff, which can encourage branded prescribing, and increase the need for pharmacies to hold multiple brands. In turn, this can have a distortive effect on the distribution of medicine margin.

16. How did Community Pharmacy England respond to DHSC's public consultation on the proposed drug reimbursement reforms to Category C?

Community Pharmacy England highlighted significant concerns about DHSC's proposed changes to the Category C price-setting arrangements and emphasised the importance for detailed discussions about the caveats and safeguards to the system, to ensure the protection of patient safety, the prevention of dispensing at a loss for pharmacy owners, and to reduce the risk of any medicine supply issues.

[Community Pharmacy England's consultation response](#) stated that any changes to Category C price-setting mechanisms should only be considered if they can meet the following criteria:

- i. Patient safety and access to medicines must not be put at risk
- ii. Pricing mechanisms should not penalise pharmacy professionals who follow regulatory and/or professional guidance

- iii. Changes to reimbursement must not result in increased risk of dispensing at a loss for pharmacy owners
- iv. The 'reactivity' of the system to supplier price changes should not be reduced
- v. Changes to reimbursement prices should be implemented gradually, with regular review points

17. What was the outcome of the public consultation?

The outcome of DHSC's consultation showed that only **40%** (out of 283 respondents) agreed with the Category C proposals i.e. there was **no clear majority** in favour of the proposed reforms.

Despite recognising there was a lack of clear majority in favour of the proposal to change the price-setting arrangements for multi-source drugs in Category C, the Department took the decision to progress detailed discussions with Community Pharmacy England to implement this reform which was also included as part of the [Community Pharmacy Contractual Framework \(CPCF\) 2025/26](#) funding settlement as an action to improve margin distribution.

18. Did Community Pharmacy England agree to these changes?

Whilst it was acknowledged that the current approach for setting reimbursement prices of multi-source drugs in Category C should be reviewed, Community Pharmacy England **did NOT agree** with DHSC's proposed price-setting approach for several reasons outlined below:

- The changes may create unintended risks to patient safety. For example, certain patients may be negatively impacted if they are inadvertently and/or unnecessarily switched to an unsuitable alternative product that:
 - is required/recommended to be prescribed by brand/supplier name
 - has different licensed indications between different brands or suppliers of the same drug
 - has different directions for use, dosage instructions, or administration techniques between different brands/suppliers of the same drug
- The changes may conflict with pharmacy professional and regulatory standards or guidance. Several multi-source Category C drugs have differences in licensed indications (and/or instructions for use) across different brands of the same drug. If these products are added to Category H it may create perverse incentives to drive more off-label prescribing or dispensing which goes against regulatory and professional guidance or standards set by the MHRA, GPhC, GMC and other bodies.
- The changes are likely to increase workload for both pharmacy teams and prescribers. For example, prescribers may need to issue certain prescriptions by brand to avoid

patients stable on a particular brand/supplier's product being switched to an alternative following any reimbursement price changes.

- The Category H price-setting arrangements would increase the frequency of price changes compared to the current Category C arrangements (which are driven by manufacturer list price changes). Use of lagged data (obtained under the Health Service Products (Provision and Disclosure of Information) Regulations 2018) to set reimbursement prices for drugs in Category H may introduce pricing volatility and potentially draw more products into the monthly price concession process. These changes risk adding more uncertainty and supply chain instability to an already fragile system with potential supply disruptions and shortages particularly if there are sudden shifts in demand due to changing reimbursement prices.
- The changes will not help to address some of the more fundamental issues with margin distribution caused by branded generics.
- Introducing a new Drug Tariff category for a relatively small number of products adds more complexity to existing reimbursement arrangements and is a shift away from the previous work carried out by DHSC to simplify the Drug Tariff (in 2005 and 2012).

Despite these concerns highlighted by Community Pharmacy England, Ministers have decided to introduce Category H in the Drug Tariff from the March 2026. DHSC has **imposed** these changes on the community pharmacy sector and will begin moving certain Category C products to Category H in a phased approach.

19. Did Community Pharmacy England put forward any alternative solutions for reimbursement of multi-source drugs in Category C?

Community Pharmacy England proposed a far simpler and quicker price-setting approach for certain multi-source Category C drugs by choosing a suitable alternative reference product (provided there is sufficient stock in the UK to meet market demand). This approach would also help to avoid the need to create a new Drug Tariff category, Category H, and remove the additional burden on the industry to provide quarterly sales data to inform price-setting.

20. Are the changes likely to impact pharmacy teams and prescribers?

DHSC has indicated that if the pharmacist has concerns that a specific brand is needed by the patient, the pharmacist should check with the prescriber and get the prescription changed. Community Pharmacy England is concerned that pharmacy workload and cost will increase if pharmacists need to check the indication with the prescriber and/or ask the patient to return to their prescriber for a branded prescription so that an appropriate licensed product can be supplied.

DHSC's arrangements could also increase prescriber workload and cause delays in patients being able to access their prescribed treatments in a timely manner if they are referred back to their GP to obtain a new prescription for a specific brand they are stabilised on.

21. Is now the right time for DHSC to introduce a new reimbursement arrangement for multi-source products in Category C?

With the sector already battling with immense funding pressures and turbulence in drug prices caused by ongoing instability in medicines supply chains, Community Pharmacy England disagrees profoundly with the timing of these changes.

We highlighted that tinkering around at the edges isn't going to help pharmacies or their patients, and we will continue to press for more constructive discussions about tackling the issues around medicines pricing and supply with DHSC, including in the upcoming funding negotiations.

If you have any queries or require more information, please contact: ds.team@cpe.org.uk

Appendix 1: Table outlining the key differences between the product categories in Part VIIIA of the Drug Tariff

	Category A	Category C	Category M	Category H
Products include	Readily available licensed generic medicines (low volume)	Not readily available as a generic medicine (or does not meet qualifying criteria for Category A or M)	Readily available licensed generic medicines (high volume)	Drugs available from multiple suppliers (previously listed in Category C)
Price-setting approach	Based on market data obtained under the Health Service Products (Provision and Disclosure of Information) Regulations 2018.	Based on list price of a particular brand or supplier.	Based on market data obtained under the Health Service Products (Provision and Disclosure of Information) Regulations 2018.	Based on market data obtained under the Health Service Products (Provision and Disclosure of Information) Regulations 2018.
Frequency of price changes	Quarterly (Jan, Apr, Jul, Oct)	Monthly	Quarterly (Jan, Apr, Jul, Oct)	Quarterly (Mar, Jun, Sept, Dec)
Discount deduction rate if prescribed generically (unless DND)	20%	5%	20%	5%



	Category A	Category C	Category M	Category H
Can price concessions be requested?	Yes	Yes	Yes	Yes
Broken Bulk eligibility (excluding special containers)	If necessary for products with smallest listed pack size of £50 or over.	Yes	If necessary for products with smallest listed pack size of £50 or over.	Yes
Out-of-pocket expenses eligibility	No	Yes	No	Yes



Appendix 2: Drugs moving from Category C to Category H in March 2026

Product name
Cinchocaine 5mg / Hydrocortisone 5mg suppositories
Doxazosin 4mg modified-release tablets
Etodolac 600mg modified-release tablets
Isosorbide mononitrate 25mg modified-release capsules
Nicotine 4mg medicated chewing gum sugar free
Omeprazole 10mg dispersible gastro-resistant tablets
Omeprazole 20mg dispersible gastro-resistant tablets
Omeprazole 40mg dispersible gastro-resistant tablets
Pseudoephedrine hydrochloride 60mg tablets
Ursodeoxycholic acid 500mg tablets
Verapamil 120mg modified-release tablets