Hub and Spoke Unpacked

A pharmacy guide to new hub and spoke business models and their structure, set-up and standards.

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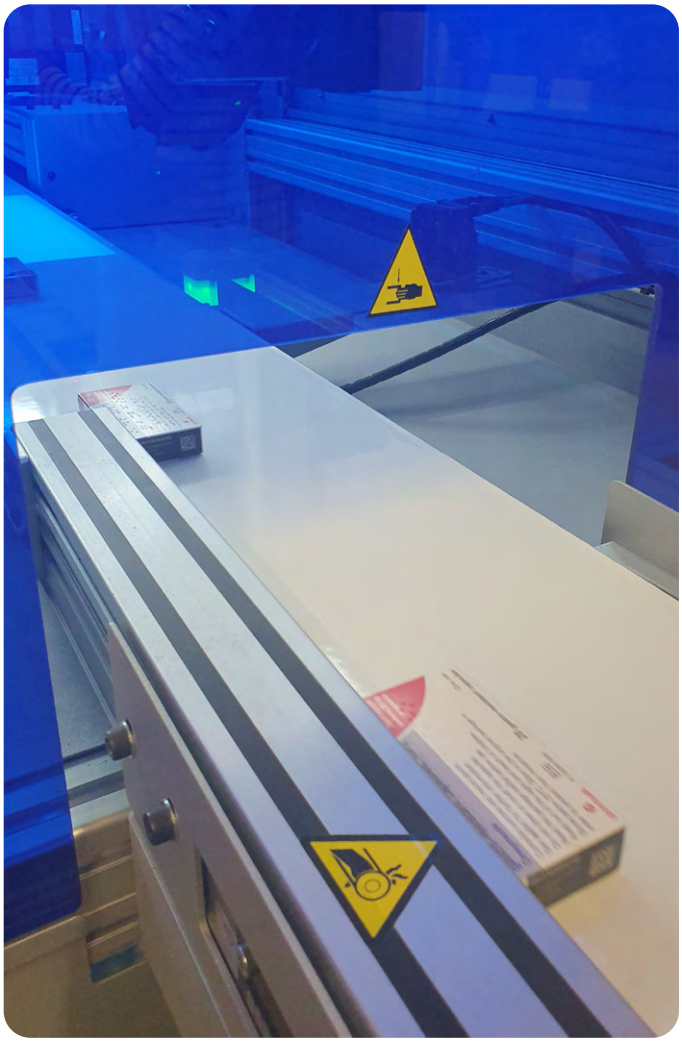
Introduction: The Case for Hub and Spoke

Hub and spoke dispensing for pharmacy isn't a new concept. Variations of the model have been used for some time, both here in the UK and in a number of European countries. One of the most mature markets for the central fulfilment of labelled and bagged original packs is the Netherlands where the reported benefits include staff time savings, with the freed up time used to provide medication reviews and support with chronic disease management, and lower local stockholding levels.

In the UK, hub and spoke dispensing between pharmacies with the same legal entity has been allowed for a number of years. It has been growing in popularity over the last five years for both original pack and MDS. After almost a decade of consultation and heated debate, hub and spoke dispensing between pharmacies with different legal entities has finally been enabled across the UK. This ensures all pharmacies have access to this model of dispensing and an opportunity to take advantage of the benefits that hub and spoke can bring.

It's worth noting here the biggest benefit of a hub and spoke model of dispensing. There is a widely held misconception that hub and spoke is about saving money. It's not. The purpose of hub and spoke should primarily be to release capacity within the pharmacy spoke so that valuable time can be spent on clinical services and supporting patients, in line with the NHS 10 year plan, rather than the administrative and logistical tasks required for dispensing medication. This is about making better use of pharmacists' clinical skills and providing care and support to patients closer to their homes.

Evidence from a range of hub and spoke settings in the UK, of varying scales and sizes, show that an average pharmacy can remove around 50-60% of total dispensing volumes and release more than four hours of pharmacist time per day by moving to a hub and spoke model. There are of course other additional benefits including improved patient safety, with some pharmacies virtually eradicating near misses, stock savings and efficiencies and a reduction in resource costs per item of 81%.



Another misconception that remains is that, despite the legislation change, hub and spoke is costly and only an option for the largest pharmacy groups, leaving smaller independent pharmacies with no choice but to continue to try and provide both dispensing and services in store or to outsource dispensing to a larger group. In reality there are a range of viable options for pharmacies of all sizes when it comes to hub and spoke.

This guide outlines the business model options available as a result of the legislation changes and takes a look at each of them in detail.

Three new business models for Hub and Spoke

The new hub and spoke legislation change provides a real opportunity for community pharmacy. But with opportunity comes complexity. This guide explores and demystifies a range of hub and spoke models, with an option for all UK pharmacies. It will support community pharmacies to choose the right hub and spoke model for their business, provide an overview on how to set up a hub for operational success and how to ensure it meets legal and regulatory standards.

Pharmacies that form part of the same legal entity can already operate their own hub but the legislation change provides the opportunity for pharmacies to take advantage of three new hub and spoke business models:

IntraGroup

The IntraGroup Model

This model is available for pharmacy groups, which are under common ownership or control, which have previously operated through multiple legal entities. They can now operate a hub and dispense to all pharmacies within the group regardless of legal entity.

ManagedService

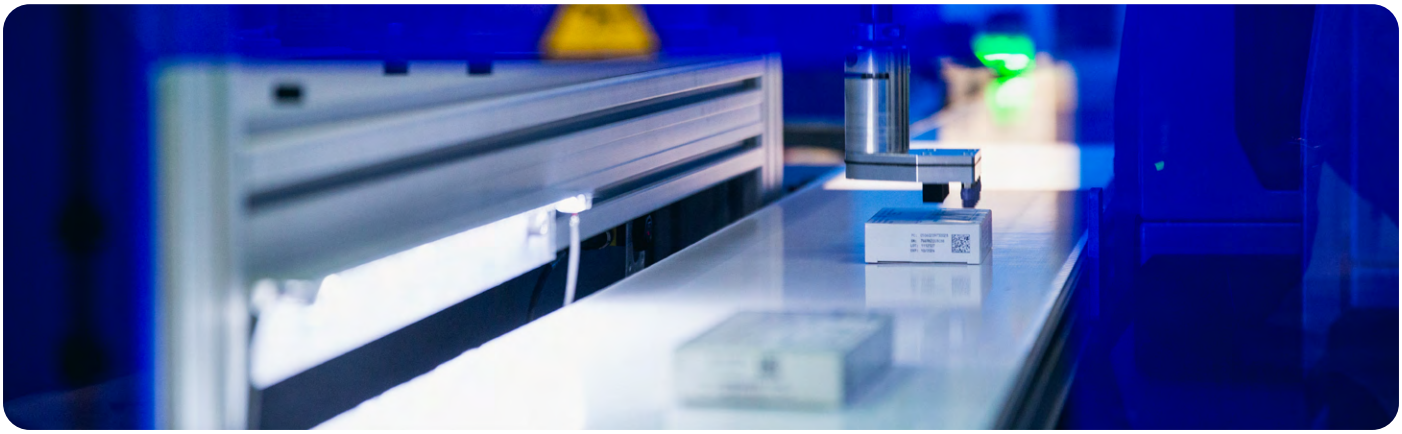
The ManagedService Model

Pharmacies with existing hubs or looking to establish a hub facility can now offer assembly services to other pharmacies outside of their own legal entity for a fee.

JointVenture
Co-operative

The JointVenture Co-operative Model

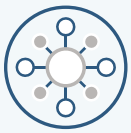
Pharmacies can co-operate together and establish a joint ownership co-operative hub to offer an assembly service to their own pharmacies and/or to other pharmacies.



Three new business models for Hub and Spoke

Understanding the key differences between these models is essential in enabling pharmacies to identify the most suitable structure for their business.

The grid below gives a high-level comparative analysis of each model.

 IntraGroup	 ManagedService	 JointVenture Co-operative
LEGAL COMPLEXITY		
Low	Medium	High
IMPLEMENTATION SPEED		
Fast	Medium	Slow
RISK DISTRIBUTION		
Contained within group	Clearly delineated by contract	Shared according to ownership
CAPITAL INVESTMENT		
Moderate	Higher for hub, lower for spoke	Higher for hub, lower for spoke
BEST SUITED FOR...		
Multi-entity pharmacy groups or pharmacy groups with directors in common.	Existing hubs or future hubs with high volume of single independent branches in region.	Single pharmacies or small groups interested in regional pharmacy collaborations

The following pages detail each model and its requirements in more detail →

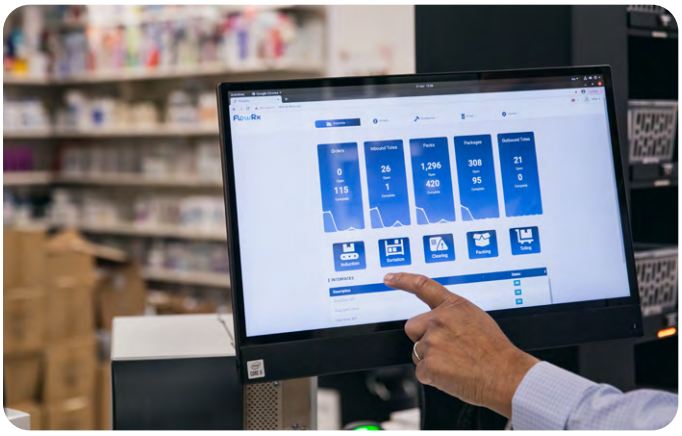
Close up on IntraGroup Model

IntraGroup

The IntraGroup hub and spoke model enables pharmacy groups which operate through multiple legal entities, or under common ownership or control, to centralise dispensing operations or extend existing centralised assembly operations to all branches. These groups were excluded from undertaking hub and spoke assembly under the old legislation so could not unlock any of the benefits.

The legal requirements to set up an IntraGroup hub and spoke assembly model will be relatively straightforward. Depending on the detail, it is likely that a "light touch" written agreement should suffice. A good hub and spoke automation supplier should be able to provide you with a template agreement that can be tweaked to meet specific circumstances. This agreement should include a statement of the hub's responsibilities and a statement of the spoke's responsibilities, any internal pricing mechanisms, apportionment of risk and liabilities and data processing provisions. The document would be required by regulatory authorities such as the GPhC.

As a result of the common ownership models, implementation of this model would also be simple and would allow pharmacy groups to streamline assembly operations quickly across the entire pharmacy network with minimal risk.



Below are examples of some specific scenarios where an IntraGroup model would be appropriate.

Example one

Pharmacy group A has 39 branches, 30 of these branches operate under one legal entity and pharmacy group A has already set up a pharmacy hub which it has been using for these 30 pharmacies for a number of years. The remaining nine pharmacies operate under one or more different legal entities, so up until now they have been unable to use the group's hub facility and dispensing has remained in branch for these stores. Under the IntraGroup model the existing hub facility can now provide assembly services for the other nine pharmacies within the group.

Example two

Pharmacy group B has 10 pharmacy branches within one legal entity. Pharmacy group C has 15 pharmacy branches in one legal entity. A director at pharmacy group B is also one of the directors at pharmacy group C. Because pharmacy group B and pharmacy group C have an area of commonality (a shared director) an IntraGroup model is appropriate and a hub can be established to provide an assembly service to the pharmacy branches in pharmacy group B and pharmacy group C.

Example three

A new pharmacy group (pharmacy group D) successfully purchased a number of branches divested from a larger chain two years ago. They know they will benefit from a hub and spoke model but up until now they have not been able to implement hub and spoke as they have 45 pharmacy branches operating under 30 different legal entities. They can now create a hub to serve all 45 branches.

Close up on ManagedService Model

ManagedService

The ManagedService hub is one of the more talked about models of hub and spoke. While there were concerns raised during the consultation process about market monopolies and competition, a ManagedService hub and spoke model could potentially be offered by a host of different pharmacies rather than just a small handful. It's also not the only option for independent pharmacies, but it does have its place and could be well-suited for some pharmacies, dependent on their individual circumstances.

This model of hub and spoke requires a lot of thought from both the pharmacy offering a managed service hub and those spoke pharmacies which are considering using one. A legally binding formal agreement will need to be in place for this arms-length arrangement. Like the IntraGroup arrangement, it will need to cover things like roles and responsibilities, risk and liability apportionment as well as the financial agreement and costing model. There are also other more complex issues to consider under this agreement.

For example, rules around non-solicitation or poaching of spoke patients by the hub, which is likely to be one of the biggest concerns for spoke pharmacies. To mitigate against this risk, any agreement will need to include an indemnity that states if the hub markets to the spokes patient base then there will be a financial penalty for that. But this alone isn't enough, a hub pharmacy will need to establish trust and confidence with the spoke pharmacy before any arrangement is agreed.

Other elements to consider are the range of medicinal products the hub will dispense on the spoke's behalf and consideration of minimum dispensing volumes. Hubs are only viable for repeat prescriptions so it makes sense to use that as a starting point. However, given the legal complexities involved, controlled drugs should be dispensed at the spoke pharmacy rather than the hub. At this stage there has been no clear guidance regarding controlled drugs in relation to hub and spoke. No specific legislative amendments have been made in relation to controlled drugs so sticking to current regulations and on-site dispensing is the best way forward for controlled drugs. The only time it is appropriate to process controlled drugs at a hub is when it is for a care home or homecare patient and the hub is the pharmacy on record for those items.

For hub pharmacies looking to provide a managed service hub, it's worth having a template SOP that you can provide to the spoke which details the agreed processes around the assembly services provided to that spoke. This will cover regulatory requirements and can be attached to the legally binding agreement between both parties. A good hub and spoke provider will be able to provide you with a template hub SOP which can then be tweaked accordingly.

From a provider's perspective it is worth considering this model if you already have a hub, or are looking to set one up, and if you have a high volume of single independent branches in the region. Pharmacies with existing hub capabilities can offer assembly services for a fee, creating new revenue streams while helping smaller operations access efficiency benefits.

For an independent pharmacy this model could suit you if you have a local hub that provides this service and no other independent pharmacies in your region which you would want to set up a JointVenture Co-operative hub with. The ManagedService model is considered one of the more straightforward models to implement with clearly defined provider-client relationships and standardised service offerings.

Close up on JointVenture Co-operative

JointVenture Co-operative

This is perhaps the least well-known and least considered of all hub and spoke models. It will take trust and co-operation but with the right partners involved it has the power to be a huge success and great opportunity for smaller independent pharmacies that are looking to grow.

The concept of the JointVenture Co-operative involves pharmacies within the same local area co-operating together to establish a joint ownership co-operative hub to provide assembly services to their own pharmacies. These shareholder pharmacies would purchase the hub hardware and software with a view to undertaking the assembly services for their own pharmacy businesses. This would essentially be covered by an IntraGroup hub agreement but it would be a little more complex as the hub pharmacy and the spoke pharmacies would not be part of the same group. This would be separate businesses joining together to create a new joint venture.

Given the complexities involved, a good starting point for pharmacies who want to create this model, and who have identified one or more joint venture collaborators to set up a hub with, is a generic shareholders questionnaire. The aim of the questionnaire would be to elicit appropriate responses from the various shareholders to inform the drafting of a bespoke shareholders agreement for the legal entity that owns and operates the hub. The questionnaire should seek responses in relation to things like share structures and rights, number of directors, finances, governance and more. A good hub and spoke provider will be able to provide a shareholders' questionnaire and support you with establishing a JointVenture Co-operative agreement.

There is also the option for a JointVenture Co-operative hub to market and perform its assembly services for other pharmacy businesses that are not shareholders in the co-operative. This could be done under an arms-length ManagedServices model and be covered by the ManagedServices agreement mentioned previously.

This is the most complex of all the hub business models but an experienced hub and spoke provider will be able to support pharmacies who are interested in exploring and setting up such a model. There will be a lot to think about and consider, some of which we have covered in the previous models, but some of which will be new territory given the unique nature of this model.

Important elements to consider for this model include the hub charging policy for the spoke shareholders and any commercial rate/hub charging policy for non-shareholder spoke pharmacies. The mechanism for agreeing to potential changes to shareholding in the hub, which might for example be based on changes to prescription item volumes will also need to be agreed up front as well as shareholder exit provisions.

While it is the most complex of the three business models, it will allow local pharmacies to collaborate effectively and enable them to achieve economies of scale through co-operation while maintaining their individual market identities. Should they wish, it could also allow them to create new revenue streams by offering their hub services to non-shareholder spokes. While offering significant strategic advantages, this model requires careful legal structuring and clear agreements on governance, profit distribution, and operational responsibilities. It is the model which pharmacies are likely to require the most support for, so it's important to choose a hub and spoke solution provider with the necessary expertise and experience to support you with this.

FAQs

The three business models for hub and spoke outlined in this document give an overview of some of the areas pharmacies need to be thinking about if they are looking at moving to hub and spoke. There are also a number of other elements to consider which are relevant to all models.

1: What is the correct delineation of duties between the hub and the spoke in general?

- Hub pharmacy: prescription assembly, labelling, accuracy check.
- Spoke pharmacy: clinical check, final supply, patient counselling.
- Identification of Responsible Pharmacist duties on both ends.

2: What will the responsible pharmacist remain legally accountable for?

Hub responsible pharmacist: prescription assembly, labelling, accuracy check.

Spoke responsible pharmacist: clinical check, final supply, patient counselling.

3: Will the data controller/processor responsibilities change?

No they won't change but there should be terms in the agreements regarding the secure transfer of patient identifiable data and there should be a data processing schedule. Fundamentally the spoke is going to be the controller of patient data and the hub will be the processor.

4: What are the requirements around labelling and dispensing?

- The spoke remains responsible for the final supply.
- Label must include correct patient details, dispensing pharmacy, and directions.
- Dispensing labels will need to include the spoke's name and address, not the hub's.
- The supply date on the label will be when the hub sends the assembled, labelled and accuracy checked medicine to the spoke.

The spoke will be required to take responsibility for the final supply, ensuring the assembled labelled, accuracy checked medicines match the prescription. If something is incorrectly labelled, that's an assembly error by the hub but it may well be that the spoke will pick that up as part of the final supply at the branch. Labelling errors should be minimal if the hub is using a solution that requires barcode verification.

5: How would the financial contract work between the hub and spoke to ensure services provided are paid for fairly and the spoke can claim?

The best option would be a monthly data file transfer sent by the hub to the spoke with descriptions of what had been received, assembled, labelled and checked which the spoke could use to reference against. There would then be a validation process and a period of time where discrepancies could be identified and resolved before payment was made.

6: Are the hub and spoke both subject to inspection by the GPhC and CQC? And do they both need to retain records of supply, errors, near misses etc?

Both will be subject to inspection by the GPhC and any pharmacy providing clinical services is subject to inspection by the CQC. In terms of retaining records the hub and the spoke pharmacy would each need to look at their roles/responsibilities under their agreement and record any errors/near misses accordingly.

NHS Terms of Service for Hub and Spoke Dispensing

Any hub and spoke model would need to meet the NHS terms of service for hub and spoke. They apply to owners of NHS spoke pharmacies/contractors when the hub pharmacy is owned by a different legal entity. The new terms of service state that contractors may not subcontract 'core dispensing activities' via hub and spoke unless certain conditions are met.

The contractor (spoke) must:

1. Take reasonable steps to ensure that the owner of the hub pharmacy is a fit and proper person to carry out the core dispensing functions on their behalf and do this before entering into the hub and spoke arrangements.

2. Give notice to their Integrated Care Board (ICB) of the hub and spoke arrangements, using the NHS England-approved written notification form, at least 28 days before the hub and spoke arrangements are intended to commence. If there is no objection from the ICB within those 28 days the contractor is able to go ahead with hub and spoke operations.

3. Written arrangements with the hub owner need to contain specific information including:

a. A provision that the hub will assemble or part-assemble patients' prescribed medicines, and these will be dispensed/supplied at or from the spoke.

b. A data sharing agreement between the parties, setting out the prescription data that will be shared between the spoke and hub.

c. An exit clause so that the spoke can discontinue the hub and spoke arrangements at the request of the ICB (in addition to any patient safety or commercial grounds either the spoke or the hub may have for discontinuing the arrangements).

d. Provision that the hub may not further sub-contract any of the core dispensing functions that they perform on behalf of the spoke.

e. Confirmation that the spoke has a business continuity plan containing provisions specific to the hub and spoke arrangements that allow them to continue provision to patients/resume provision to patients following any temporary or permanent discontinuation/disruption of service provision by the hub.

f. A requirement for the hub to co-operate in any investigations by the spoke, commissioner, or regulatory body in relation to any issue or incident arising from the sub-contracted functions.

Hub and Spoke success stories

For pharmacy businesses still not sure on hub and spoke – here is what a range of pharmacies (from groups of three up to groups of 140+) who have already implemented hub and spoke had to say about the model of dispensing.

67%
of respondents said they had decided to move to a hub and spoke dispensing model for their repeat original packs to create capacity in store to deliver more clinical services.

33%
said they had moved to a hub model to create capacity but to also save money, reduce the risk of medication errors and optimise staffing levels.

67% of respondents said their hub assembled more than 50% of their total volumes. 17% said the hub assembled around 50% of their total volumes.

100%
of respondents agreed that their hub and spoke model had saved pharmacists time on dispensing in store.

50% said pharmacists had saved around 4 hours per day per store

17% said pharmacists had saved more than 4 hours per day per store

33% said pharmacists had saved just under 4 hours per day per store

83% of those responding said it had also saved technicians or dispensers time in store.

67% of those who answered said they had been able to make stock savings as a result of hub and spoke.

100%
of those responding said hub and spoke had allowed their business to drive more revenue from either NHS or private services.

100%
of those who answered said the hub and spoke model had improved patient safety within their group.

67% also said they had seen savings in terms of their workforce.

67% said the average turnaround time for an order to be delivered back to the store from the hub was next day, 33% said it was 48 hours.

33% of respondents said moving to a hub and spoke model had allowed them to grow the size of their group.

83% said their staff's reaction to hub and spoke had initially been uncertain but was now positive. 17% said their staff's reaction had been positive from the outset.

100% of those asked said they would recommend a hub and spoke model to other pharmacy groups.

100% of respondents said it had been generally straightforward to onboard pharmacies to the hub and spoke model.

**Based on a survey of hub and spoke customers (all with the same legal entity) by hub and spoke specialists Centred Solutions.*

Conclusion

The introduction of new legislation enabling hub and spoke dispensing between pharmacies belonging to different legal entities marks a pivotal moment for UK community pharmacy.

This change finally opens the door for all operators, from large multi-entity groups to small independents, to access the efficiencies, clinical capacity gains, and patient safety improvements that hub and spoke can deliver.

As explored in this guide, there is no single "right" way to implement hub and spoke. The three new viable business models brought about by the legislation change (IntraGroup, ManagedService, and JointVenture Co-operative) each offer distinct advantages, operational considerations, and levels of complexity. The right choice depends on factors such as ownership structure, capital availability, local market dynamics and appetite for collaboration.

Across all models, the primary aim remains the same: freeing up pharmacist and pharmacy team time to focus on clinical services, patient support, and the wider ambitions of the NHS 10-Year-Plan. Evidence from early adopters shows this can mean saving multiple hours of pharmacist time per day, reducing stockholding, lowering error rates, and creating new revenue streams all while improving patient outcomes.

Hub and spoke is not a one-size-fits-all solution, nor is it simply a cost-cutting exercise. It is a strategic enabler, one that with the right planning, agreements, and operational set-up, can transform how pharmacies deliver care. It is important to choose a hub and spoke provider with the right level of expertise.

The experiences and success stories shared in this guide demonstrate that, when implemented well, hub and spoke is both practical and powerful.

The opportunity is here. The framework is in place. The next step is to identify the model that fits your business, partner with the right provider and begin the journey towards a more efficient, patient-focused future for community pharmacy.

This guide was produced by Centred Solutions, experts in hub and spoke for UK pharmacy.

Legal advice and guidance was sought in the production of this document but it is intended as a starting guide only. We would always encourage pharmacies to take independent legal advice so they can be provided with advice relevant to their own personal circumstances.

More information can be found at **www.centredsolutions.co.uk** or by emailing **enquiries@centredsolutions.co.uk**

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