The Pharmacy Guild of Australia

Submission

to

Senate Community Affairs Committee

in response to the

National Health Amendment (Pharmaceutical Benefits Scheme) Bill 2010

20 August 2010

Contact Officers :

Dr Michael Tatchell

Director Health Economics

Mr Stephen Armstrong

Manager, Economic Analysis & e-Health / Acting Director Health Economics

The Pharmacy Guild of Australia

National Secretariat

Level 2, 15 National Circuit, Barton, ACT 2600 Australia

PO Box 7036, Canberra Business Centre, ACT 2610 Australia

Telephone: + 61 2 6270 1888 · Facsimile: + 61 2 6270 1800

· Website: www.guild.org.au

About The Pharmacy Guild of Australia

The Pharmacy Guild of Australia ('the Guild') was established in 1928, and is registered under the federal Workplace Relations Act 1996 as an employers' organisation. The Guild's members are the owners of approximately 4,300 of the 5,050 community pharmacies in Australia. Approximately 15,000 pharmacists and 34,000 other employees work in Guild member pharmacies.

The Guild aims to promote, maintain and support community pharmacies as the most appropriate primary providers of health care to the community through optimum therapeutic use of medicines, medicines management and related services.

Executive Summary

- To the extent that the changes proposed in the National Health Amendment (Pharmaceutical Benefits Scheme) Bill 2010 ('the Bill') create an environment of relative certainty and stability and ensure the long-term sustainability and efficiency of the PBS, the Guild supports the Bill.

- The failure of the Bill to pass through Parliament in June 2010, and the subsequent timing of the Federal election and delay of the Senate Community Affairs Committee hearing, has created great uncertainty with regard to the start date for the major changes proposed by this Bill. The Guild is yet to give advice and support to its members concerning this legislation as it is unknown what changes may occur due to the Inquiry and subsequent parliamentary process. To allow for the necessary period for advice to be disseminated and for business adjustment for community pharmacy (and its 59,000 employees), for patients, for manufacturers, for wholesalers and for finance providers, the start date for the changes should be at least 90 days after legislation has been passed. The 1 October 2010 start date should therefore be delayed (**refer to Recommendation 1**).

- The Guild has concerns for the continuity of medicine supply to patients through community pharmacy at the time of the proposed 1 February 2011 and 1 April 2012 price reductions. These dates will see significant, unavoidable devaluation of existing pharmacy stock of the drugs affected. This devaluation of inventory at both wholesale and retail level may severely affect continuity of medicine supply via community pharmacy. A transition measure is required, as was recognised and agreed by government in relation to the 1 August 2008 PBS Reform price reductions (**refer to Recommendation 2**).

- It is important to recognise the contribution Community Pharmacy has already made to the future of the PBS through the $1 billion in savings that will be generated through the Fifth Community Pharmacy Agreement that was signed in May 2010. The unavoidable flow-on effects to Community Pharmacy of the changes proposed in the Bill are significant, and are in addition to $1 billion of savings that has already been provided directly out of Community Pharmacy incomes.

- Community Pharmacy cannot remain viable, in the long term, in an environment of constantly rising costs, flat remuneration, falling PBS prices and subsequent lower remuneration. The next Community Pharmacy Agreement (due in 2015) cannot be seen by government, as the previous five have been, as an opportunity to decrease remuneration and derive budgetary savings.
- Any changes to PBS pricing policies beyond those proposed by the Bill will place our world-best drug subsidy scheme at risk. The Guild will join others in the industry in vigorously opposing any further changes that may be considered in future.
- In line with the commitment provided under the Fifth Community Pharmacy Agreement, the Guild supports the sections of the Bill (Schedule 5) which enable the collection of under co-payment data, for epidemiological and statistical purposes.

Structure of this Submission

This submission contains three parts.

Part A contains two important recommendations for changes to the Bill.

Part B details the significant impact that the Bill, and related arrangements under the Fifth Community Pharmacy Agreement, will have on community pharmacies.

Part C contains comments on other changes proposed by the Bill (under co-payment data and Special Arrangements under Section 100 of the Act).

Part A: Proposed modifications to the Bill and associated regulations

Recommendation 1 – Delay start date in recognition of delay in passing Bill

RECOMMENDATION

To allow for a necessary period of information dissemination to the sector regarding the final legislation and for adjustment for community pharmacy, its 60,000 employees, patients, manufacturers, wholesalers and finance providers, the proposed start (currently 1 October 2010) should be delayed to allow a minimum of 90 days after the Bill is passed.

Further, a start date of 1 January or 1 February 2011 should be avoided given the busy pre-Christmas trading period and the fact that manufacturers do not service community pharmacy in January.

If the bill is passed in this calendar year, the 1 October start date should be rescheduled to not before 1 March 2011. All subsequent dates as part of the bill should be delayed by the same period of time.

Background to recommendation

The failure of the Bill to pass through Parliament in June 2010, and the subsequent timing of the Federal election and delay of the Senate Community Affairs Committee hearing, has created great uncertainty with regard to the start date for the major changes proposed by this Bill.

The proposed changes are likely to result in major changes in the way community pharmacies interact with their suppliers. Pharmaceutical manufacturers and wholesalers operate in a commercial environment that needs short term certainty to ensure stability of medicine supply to the end consumer. The Guild expects suppliers will respond to the changes by implementing significant changes to their trading arrangements with pharmacies. The uncertainty of this environment will make ordering more complex for community pharmacies in the transition period. If the proposed 1 October start date for the price disclosure changes is implemented without adequate lead time after the Bill is passed, there is a risk of confusion in the market which may jeopardise supply lines to patients. The Guild considers that at least two months lead time – excluding the months of December and January - is critical for its members to handle this period of change.

The months of December and January are very difficult for community pharmacies and their suppliers. December is the busiest month of the year and January is a month when management typically are absent on leave, and manufacturers do not provide normal services to pharmacies. These months are not suitable as a lead-up period to major changes on the PBS. If the Bill is passed in the 2010 calendar year, the current start date should be postponed until at least 1 March 2011 to allow for the necessary period of information dissemination and business adjustment, and to ensure no disruption for patients.

Recommendation 2 – Transition to lower prices on major price change dates

RECOMMENDATION

To protect patients by ensuring that the risk of any supply chain shock is minimised, the Guild recommends that the requirements set down in Section 3.1.3.3 of the Annex to the Fourth Community Pharmacy Agreement (see below) be applied in relation to the price reductions proposed by the Bill to take effect on:

- **1 February 2011; and**
- **1 April 2012**

Background to recommendation

On every occasion that a PBS price reduction occurs, community pharmacies suffer an immediate loss of value in relation to any stock that has been purchased at the higher price before the reduction and is not dispensed to a patient until after the reduction.

As an example, consider a product that, on 1 July, is priced at $40 and will have its price reduced by 25% (to $30) on 1 August. As this product is an innovator brand medicine, for which no trading terms are available, each pharmacy pays $40 per pack for the drug until 31 July. Community pharmacies have an obligation to the public to have stock available when presented with a prescription. For this reason, zero stock on hand of the drug is not possible – and certainly not advisable - even through active management of stock levels following an early notification of a PBS price reduction. After the end of trading on 31 July, the pharmacy may have 6 packs of this product remaining in stock. The next day, the PBS price – and the price that the pharmacy receives when the drug is dispensed - drops by $10. Assuming 6 packs in stock, this represents an immediate loss to the pharmacy of $60.

This example illustrates the impact on one form and strength, and one pack size, of one brand of one drug. When price reductions are scheduled for every form, strength, pack size and brand of over 100 drugs on the same date, as the Bill proposed will occur on 1 February 2011 and 1 April 2012, the effect is compounded to an extent that cannot be managed without risking supply to patients. In order to minimise the immediate loss, pharmacies will run down stock levels prior to the date of effect. Immediately following the date of effect, pharmacies will need to place large orders to replenish stocks. This will place a great strain on wholesalers and suppliers, who may not be able to meet the spike in demand and deliver this stock into pharmacy in a timely manner.

This is not a new issue. It was recognised by government in the lead-up to the August 2008 PBS Reform price reductions. As a result, the Fourth Community Pharmacy Agreement Annex, section 3.1.3.3, stated:

> *Pharmaceutical wholesalers and suppliers providing medicines direct to pharmacists will be required to supply products listed on F2T at the new price level two weeks before the 1 August 2008 price reductions. Pharmacists will continue to be reimbursed at the existing rate until the 1 August 2008 price reductions take effect.*

Unfortunately, this agreed position did not translate into any legislation or regulatory requirement for manufacturers. While the Department communicated this position to manufacturers in May and June 2008 – more than 12 months after the Agreement Annex was finalised - it was too late at that stage to legislate or regulate the change. The Guild understands that some manufacturers and wholesalers advised the Department that they would not comply with the Agreement negotiated date of 18 July. The information that the Department had regarding which manufacturers would honour the Agreement arrangements was not be passed on to the Guild. This was far from satisfactory and led the Guild to establish a website which detailed, for our members, which manufacturers had provided information to the Guild.

It was left to the Guild to attempt to ensure that manufacturers provided community pharmacies with some advance price reductions in order to limit the impact in relation to stock held on the 1 August 2008 transition date. While some manufacturers did co-operate, the impact on community pharmacies, both financially and administratively, far exceeded the level that would have been expected had the agreed position been translated into legislation or regulation.

Despite the acceptance of the issue in 2007 and 2008, the Department of Health and Ageing has expressed a view to the Guild that devaluation of stock does not occur. They believe that wholesalers and other suppliers pass on lower prices to community pharmacy before the date of effect on the PBS. While this occurs in some cases, it is not common practice and there is no guarantee whatsoever that it will occur when suppliers are faced with simultaneous price reductions on hundreds of product lines. Evidence of this can be seen from the lead-up to the PBS Reform price reductions in August 2008.

It important to note that the devaluation effect described here will equally be felt by pharmaceutical wholesalers if manufacturers do not pass on reduced prices to wholesalers before the date of effect on the PBS. Wholesalers have limited capability to re-order stock during each month from manufacturers. They also will be very conservative in inventory levels in month before price drops. The impact on wholesalers will exacerbate the potential for supply disruptions to general community.

Recommendations 1 and 2 above are solutions to serious transitional issues created by the changes proposed by the Bill. The Guild urges the Committee to accept these recommendations.

The following section of this submission details the significant impact that the Bill, and related arrangements under the Fifth Community Pharmacy Agreement, will have on community pharmacies.

Part B – Impact of the Bill on Community Pharmacy

Community Pharmacy in Australia

There are approximately 5,050 community pharmacies operating in Australia. These pharmacies employ over 55,000 highly skilled staff[i] (including 17,000 pharmacists), the majority of whom are women. In the year ended 30 June 2008, community pharmacies dispensed 249 million prescriptions[ii]. On average, each pharmacy serves 64,000 customers per year[iii].

According to the Australian Bureau of Statistics, around 3.9 million people aged 15 and over (almost one in four) asked a pharmacist for health-related advice at some point in the last 12 months[iv]. These free, convenient, no-appointment consultations with a qualified health professional ease the burden on the rest of the health system. According to the ABS, 97% of these people reported that the advice met their needs[v].

In addition to dispensing, and related medicine and health advice, community pharmacies and their staff provide services such as Home Medicines Reviews (HMRs), Dose Administration Aids (DAAs), methadone services, disease state management services, weight loss and smoking cessation programs, and a wide range of other initiatives which improve the health and wellbeing of Australians.

The PBS and Community Pharmacy

Dispensing of drugs listed on the Pharmaceutical Benefits Scheme (PBS) and Repatriation Pharmaceutical Benefits Scheme (PBS) makes up approximately 70 per cent of an average community pharmacy's sales. On average, each pharmacy dispenses almost 50,000 PBS prescriptions each year[vi]. From a patient perspective, community pharmacies are the gateway to the PBS. They play a dual role – firstly ensuring the safe, appropriate, quality use of PBS medicines and, secondly, ensuring the smooth and appropriate application of government subsidies and the safety net component of the PBS. Community pharmacies carry out these roles on behalf of government and the 11 million patients that use the PBS each year.

On approximately 80 per cent of PBS prescriptions[vii], the amount received by the pharmacy is fixed. For these prescriptions, the pharmacy cannot charge more than the patient co-payment, and cannot receive more than the government subsidy. This means that as business costs such as staff wages and rents increase, there is very limited scope for community pharmacies to increase prices to cover these cost increases.

Under the National Health Act, remuneration for PBS dispensing is negotiated between the Guild and the Minister for Health and Ageing. The Fifth Community Pharmacy Agreement (5CPA), which sets out remuneration arrangements for the next five years, was signed on 3 May 2010. It is important that the impact of the changes proposed by the Bill are seen in the context of the $1 billion in savings that have been given up by community pharmacies over the next five years as part of the 5CPA.

PBS Reforms

Australia's PBS is recognised around the world as one of the most efficient and effective universal drug subsidy schemes. Its aim is 'to provide timely, reliable and affordable access for the Australian community to necessary and cost effective medicines'[viii].

The major components of the PBS Reforms have only been in place for two years and it has been shown that they can ensure the ongoing affordability of the PBS. These reforms represent the most significant structural change to the PBS in its 62 year history. The full benefits of the reforms, in terms of government savings, will be seen in the period after major molecules come off patent in 2011, 2012 and 2013. Apart from some transition issues, most of the outcomes up to now have been predictable and very positive for government and tax payers.

When announced in 2006, the government forecast that the PBS Reforms would result in $3 billion in savings over ten years. Three subsequent reports – including one government report – have since shown that this was a gross underestimate of the impact.

The Guild commissioned a report by Illuminate Health Consulting, which was finalised in March 2009. This report has been provided to government through the Department of Health and Ageing and the office of the Minister for Health and Ageing. It concluded that the government savings from the PBS Reforms – without any further changes - would total **$7.4 billion** over the ten years to 2017-18. The major source of these savings was price disclosure. However, due to the main patent expiries not occurring until 2012 and later, the savings from disclosure were predicted to be more modest in early years but to grow to over $1 billion in the 12 months to June 2015.

Two further reports have since been released. The Centre for Strategic Economic Studies[ix] estimated that the reforms would deliver **$6.4 billion** in savings over the same ten year period, including $420 million in out-of-pocket savings to consumers. In February 2010, PriceWaterhouseCoopers[x] provided a report to the Department of Health and Ageing that contained a ten-year government savings estimate of **$5.8 billion**.

While the figures vary, all three reports show that the level of savings that will be generated from the existing PBS Reform measures will far exceed – and most likely double – the original government estimate. The impact of the Bill will be to increase these savings levels and bring the savings into earlier periods. This will inevitably increase the financial impact on community pharmacy, wholesalers and manufacturers.

Based on the estimates and projections in the 2010 Commonwealth Budget papers, the Guild estimates that expenditure on the PBS and Repatriation PBS (excluding the Highly Specialised Drugs program) will represent 0.58% of GDP in 2013-14. This is almost **10% lower** than the proportion of GDP represented by these schemes in 2003-04, ten years earlier (0.63%). The price disclosure arrangements ensure an ongoing stream of savings following patent expiries on major drugs, ensuring that this cost containment can be maintained in the long term, despite the challenges of an ageing population.

Fifth Community Pharmacy Agreement

The impact of the Bill on Community Pharmacy needs to be considered in the context of the Fifth Community Pharmacy Agreement ('5CPA'). The 5CPA was signed by the Minister for Health and Ageing and the National President of the Guild on 3 May 2010. The Agreement covers the period 1 July 2010 to 30 June 2015.

The initiatives in the 5CPA will result in $1 billion in savings over five years[xi]. These are separate to, and in addition to, the savings that would be generated through the proposed PBS pricing initiatives in the Bill. The 5CPA recognises that the $1 billion in savings provided by community pharmacy were "agreed by the parties in the context of extraordinary economic and budgetary circumstances"[xii].

The majority of the savings that will be achieved through the 5CPA are through direct reductions in remuneration for PBS dispensing. The savings measures include the cessation of a 40 cents per prescription payment for online claiming and a freeze in the dispensing fee at its 2009 level until 30 June 2012. Even before the flow-on impact of the changes proposed in the Bill are considered, these changes represent an unprecedented contribution from Community Pharmacy towards the ongoing sustainability of the PBS. The $1 billion in savings from the CPA equates to an average of approximately $200,000 in lost net profit per pharmacy.

The Memorandum of Understanding signed by the Government and Medicines Australia as the basis for the Bill was negotiated in parallel with the 5CPA. Its impact on community pharmacy was able to be taken into account, to some extent, in the 5CPA final outcome. However, it is important to note that the combination of the 5CPA reductions in remuneration and the pricing changes to take effect through the Bill will have a major impact on community pharmacy profitability and on the viability of some pharmacies. The following sections outline this impact.

Remuneration for PBS dispensing, under the 5CPA, has three components. These are:

i. Dispensing fee
ii. Markup
iii. Premium-free dispensing incentive

Dispensing Fee

Under the terms of the 5CPA, the dispensing fee will remain at its 2009 level ($6.42) until 30 June 2012. Following that, indexation will apply based on Wage Cost Index 9 (WCI9). This index is consistently well below the level of the Consumer Price Index (CPI) and other measures of inflation.

Access Economics, in a report for Catholic Health Australia, concluded that "WCI9 has been constructed to primarily be a slow growing index…WCI9 indexation does not adequately compensate for cost increases in sectors where wage rates are above the minimum wage and where there is little scope for productivity gains…productivity growth is particularly difficult to achieve and measure where labour is used to provide care services."[1xiii]

[1] Access Economics, Submission to the Review of the Conditional Adjustment Payment, 28 August 2008

The latest available value of WCI9 is 1.7%, compared with 3.1% for the CPI as at June quarter 2010. Due to the inadequacies of the artificial WCI9 index the dispensing fee will not keep pace with increases in professional and business costs borne by community pharmacies, even following the resumption of indexation in 2012-13.

The Guild has long argued for an appropriately constructed, fair and transparent indexation measure, and will continue to do so. In light of the proposed changes in the Bill, this will become all the more relevant and necessary for the next Community Pharmacy Agreement.

Mark-up Component

The mark-up component of remuneration is linked to the PBS price of each drug. While there are no changes to the structure of remuneration under the 5CPA (compared to the previous agreement), the value of mark-up remuneration will be affected by the flow-on effect of PBS price decreases brought about by the Bill and the existing price disclosure policy. The Guild estimates that Community Pharmacy's average markup amount per prescription will be between 10% and 20% lower in 2014-15 than in 2009-10, even allowing for growth in the higher-priced patented drugs sector. In real terms, the reduction in markup amount will be between 20% and 30%.

Overall Change in Agreement Funding

The Australian Government Budget 2010-11 papers, which includes the estimated impact of the changes proposed by the Bill, stated that the funding provided by the 5CPA (including wholesaler funding) will be $3.3 billion in the final year (2014-15)[xiv]. This represents an increase of just 2.6% per year from the 2009-10 funding level of $2.9 billion. Based on the middle of the Reserve Bank of Australia's inflation target range (2 to 3%), this is a 0.1% per year increase in real terms. Within this flat funding envelope, community pharmacy must absorb cost increases from projected prescription volume growth (approximately 2.3% per year) and normal business cost inflation (see next section). **This cannot be sustained in the longer term.**

Expenses Growth – the Small Business Context

It is important to understand that none of the elements of remuneration (dispensing fee, mark-up or premium-free incentive) reflect profit for community pharmacies. From their remuneration, community pharmacies must cover all of the normal business costs – staff wages, superannuation, rents, interest on borrowings and overdrafts, capital costs of regular shop refits, power, accounting, and many more – and derive an adequate income to compensate for the considerable professional, managerial and business risk aspects of ownership.

Like most small businesses, community pharmacies have experienced very high cost inflation over recent years, and the signs are that this will only accelerate in future. Unlike almost all other small businesses, community pharmacies are in the position of being unable to pass on cost increases to consumers through higher prices. This is because, for 80 per cent of PBS prescriptions, the price is determined and fixed by the PBS schedule. In fact, due to the existing PBS Reforms, and the further reforms proposed by the Bill, these prices will be consistently *falling* in future years.

The table below outlines this growth over the last ten year period, and compares this to consumer price inflation and Wage Cost Index 9, the measure of indexation applied to the dispensing fee.

	1997-98	2007-08	Average annual growth	Average annual real growth
Consumer Price Index ***Source:*** ***Australian Bureau of Statistics***	120.3	161.4	3.0%	0.0%
Wage Cost Index 9 (indexation measure for dispensing fee) **Source:** ***Guild estimate, as WCI9 is not publicly released by Treasury or Finance***	100.0	121.1	1.9%	-1.0%
Community Pharmacy – wages and superannuation per average staff hour (excl. proprietors) ***Source: Guild Digest***	$16.28	$29.17	**6.0%**	**2.9%**
Community Pharmacy - average Rent per square metre ***Source: Guild Digest***	$308.90	$592.94	**6.7%**	**3.6%**

Based on trend growth over the last ten years, community pharmacy can expect direct staff costs, to rise by **34%** over the next five years. This is without employing additional staff or employing staff for longer hours, and before considering the impact of an increased superannuation guarantee.

Rental expenses can be expected to rise even faster, at **38%** growth in rent paid per square metre.

Staff and rent costs are the major costs for pharmacy, but other expenses also continue to rise at a pace higher than the rate of inflation.

Over the same period, the dispensing fee – which is the main source of PBS remuneration - is expected to rise by little more than **6%**. Mark-up – then next largest component of remuneration, is expected to **decrease**.

There are additional cost pressures that will be placed on community pharmacies in current and future years. The sources of these include, but are not limited to:

- the new Pharmacy Industry Award 2010, which significantly increases wages costs for most pharmacies. The greatest impact is on pharmacies that operate extended hours.

- the proposal to increase the superannuation guarantee from 9 per cent to 12 per cent by 2019. This will increase each pharmacy's superannuation bill by one-third, or by approximately $10,000 per year for the average pharmacy. It is important to note that very few community pharmacies are owned under a company structure, so there will not be no offset available from the proposed reduction in the company tax rate.

- the changes to paid parental leave, to begin 1 January 2011. The Guild has welcomed this legislation, however we believe that the paymaster function should be fully held by the Family Assistance Office, with no requirement for employees to administer payments. Due to the large number of females employed by community pharmacies, the scheme will add a considerable extra administrative and compliance burden.

- forecast increases in interest rates. Interest rates for small businesses are already much higher than they were, relative to home loan rates, before the Global Financial Crisis. Most economists predict interest rates will rise by a further two per cent or more in coming years.

Summary of Community Pharmacy Impact

With dispensing fee increases lagging well behind costs, and a reduction in the markup component of remuneration, the next five years will be a very difficult period of adjustment for Community Pharmacy. Community pharmacies cannot remain viable, in the long term, in an environment of constantly rising costs, flat remuneration and falling PBS prices.

To cope with this commercial environment, community pharmacies will require certainty and stability. To the extent that the changes proposed in the National Health Amendment (Pharmaceutical Benefits Scheme) Bill 2010 ('the Bill') create an environment of relative certainty and stability, and ensure the long-term sustainability of the PBS, the Guild supports the Bill. The existing PBS Reforms, when combined with these further reforms, create a framework for drug pricing that will ensure the future of the PBS for the Australian community. Savings from these measures should be reallocated to allow for the listing of new drugs as they become available and are deemed cost-effective through the existing Pharmaceutical Benefits Advisory Committee processes.

These Reforms represent a once in 60 year transformation of PBS pricing arrangements. Any changes beyond those proposed by the Bill will place our world-best drug subsidy scheme at risk. The Guild will join others in the industry in vigorously opposing any further changes that may be considered in future.

As recognised by the 5CPA, Community Pharmacy has agreed to $1 billion in savings over the next five years "in the context of extraordinary economic and budgetary circumstances". Unlike the previous five Agreements, the next Community Pharmacy Agreement cannot be seen by government as an opportunity to decrease remuneration and derive budgetary savings. The combination of the medium and long term impact of the PBS Reforms, the further changes proposed in the Bill, and persistent cost pressures, will not allow this view to continue.

Part C – Other Issues

Under Co-payment Data

The Guild supports the sections of the Bill (Schedule 5) which enable the collection of under co-payment data, for epidemiological and statistical purposes. This initiative is a result of a commitment provided by the Guild under the Fifth Community Pharmacy Agreement, following a study conducted during the Fourth Community Pharmacy Agreement.

Changes to Section 100 and Special Arrangements

The Guild supports the changes to Special Arrangements proposed in Schedule 6, which are designed to simplify and streamline the process for creation and listing of drugs under Section 100 of the Act. While these legislative changes are supported, the Guild will closely monitor the use of these revised arrangements, should the proposed changes take effect. It is important to allow flexibility in the listing arrangements, however the structure of any new Section 100 programs must take into account the commercial realities of those supplying the drugs to patients, such as community pharmacies, and the requirements of those in the supply chain, such as pharmaceutical wholesalers. Remuneration arrangements must also reflect these commercial realities.

Examples of previous failures to recognise commercial realities when constructing Section 100 programs can be found in the Highly Specialised Drugs Program. Drugs listed under the Section 100 Highly Specialised Drugs program do not have a wholesaler markup included in the price received by the dispensing pharmacy. This often means that pharmacies are forced to supply these drugs at a loss. This issue, and several others, have been raised with government and documented as part of the Section 100 review conducted under the Fourth Community Pharmacy Agreement[xv].

References

[i] The Pharmacy Guild of Australia, *2009 Guild Digest*
[ii] The Pharmacy Guild of Australia, *2009 Guild Digest*
[iii] The Pharmacy Guild of Australia, *2009 Guild Digest*
[iv] Australian Bureau of Statistics, *Health Services: Patient Experiences in Australia, 2009*
[v] Australian Bureau of Statistics, *Health Services: Patient Experiences in Australia, 2009*
[vi] Guild estimate based on Medicare Australia data
[vii] Guild estimate based on Medicare Australia data
[viii] Medicare Australia website, www.medicareaustralia.gov.au
[ix] *The Impact of PBS Reforms on PBS Expenditure and Savings*, Centre for Strategic Economic Studies, Victoria University 2009
[x] *The Impacts of Pharmaceutical Benefits Scheme Reform*, Department of Health and Ageing, February 2010
[xi] *Fifth Community Pharmacy Agreement*, clause 1.2(e)
[xii] *Fifth Community Pharmacy Agreement*, clause 1.2(e)
[xiii] *Submission to the Review of the Conditional Adjustment Payment*, Access Economics, 28 August 2008
[xiv] *2010-11 Budget Paper No. 2 > Part 2 Expenses Measures*, Commonwealth of Australia 2010
[xv] *Review of the Existing Supply and Remuneration Arrangements for Drugs Listed under Section 100 of the National Health Act 1953*, Australian Healthcare Associates, February 2010