Professional Pharmacists Australia

Questions raised by the ANAO Audit into the Fifth Community Pharmacy Agreement

Joint Committee of Public Accounts and Audit

July 2015

Professional Pharmacists Australia

Level 1, 163 Eastern Road
South Melbourne
VIC 3205

Committee Secretary
Joint Committee of Public Accounts and Audit
PO Box 6021
Parliament House
Canberra ACT 2600

Via email: jcpaa@aph.gov.au

Pharmacists Raise Questions That Need Answers

Professional Pharmacists Australia welcomes the Joint Committee of Public Accounts and Audit decision to conduct an inquiry into the Australian National Audit Office (ANAO) report into the performance of the Fifth Community Pharmacy Agreement.

After reading the ANAO findings many community pharmacists feel that the profession, consumers and the Government has been let down by a lack of proper oversight into the administration of the public funds allocated to 5CPA.

The report has identified serious issues regarding the expenditure of public money which leads to serious questions as to whether funds allocated in the agreement were utilised to meet the objectives of 5CPA.

Community pharmacists believe strongly that the future of pharmacy needs to be patient-focussed, open and transparent. These pharmacists have reviewed the ANAO report and in this document, raise questions that demand answers.

Professional Pharmacists Australia would welcome the opportunity to discuss our submission with the committee.

Yours sincerely,

Chris Walton
Professional Pharmacists Australia, CEO
contact@professionalpharmacists.com.au

13 July 2015

Pharmacists Raise Questions That Need Answers

The Australian National Audit Office (ANAO) has undertaken a detailed audit of the development, negotiations and administration of the Fifth Community Pharmacy Agreement, shining a light on critical areas of concern for the 20,000 employed pharmacists that work in the sector, the millions in the community that rely on the sector and the taxpayers that fund the sector.

The ANAO's audit has found that the Department of Health and the Pharmacy Guild of Australia (the Guild) negotiated the $15.6 billion[1] Fifth Community Pharmacy Agreement, behind closed doors away from public scrutiny and with signs of significant irregularities.

The ANAO has found issues, almost wherever it looked: multiplicity of roles and potential conflicts of interest; evidence of rorting; a Department that reported not keeping records of negotiations and failing to enact the Government's reform agenda to shift the sector from a focus on cost of medicines to one that focused on patient outcomes; public money reallocated from patient-focused programs to administration; no effective monitoring of the third-party performance particularly in Aboriginal and Torres Strait Islander services and rural and regional services; overcharging for a dispensing incentive; data requirements that weren't fulfilled; and electronic systems not sorted out.

After reading the ANAO's findings, many community pharmacists feel that their profession, consumers and even the Government, has been betrayed by systems they had worked to and trusted. They feel their personal reputations have been damaged by the activities of those who represent pharmacy owners and the senior bureaucrats in the Department of Health.

Community pharmacists believe strongly that the future of pharmacy needs to be patient-focussed, open and transparent. These pharmacists have reviewed the ANAO report and in this document, raise questions that demand answers.

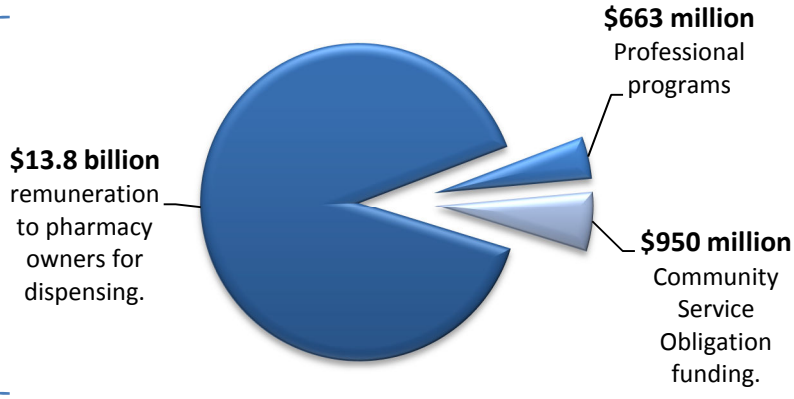
The ANAO report has identified serious issues regarding the structure and process of administering the community pharmacy agreement.

It is clear the ANAO did not audit the Pharmacy Guild and there are many unanswered questions about the money they were administering.

1 Page 15, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.

The Fifth Community Pharmacy Agreement at a Glance

The Fifth Community Pharmacy Agreement (5CPA) was a **$15.6 billion** Government investment in community pharmacy services from 1 July 2010 – 30 June 2015.



5CPA was negotiated by the Department of Health and the Pharmacy Guild of Australia, which represents 3,200 pharmacy owners.

None of the 20,000 employed community pharmacists or more than 20 million consumers, who use community pharmacy services, had a say in what was in the five year agreement.

In 5CPA the Guild received $31 million to administer $300 million of programs.

The Guild had many roles in 5CPA.

The Guild is an industry association for pharmacy owners, that makes representations to government and public inquiries, and conducts public campaigns;

The Guild is a publicly funded administrator, at times acting as the Department of Health's agent;

The Guild is a recipient of Commonwealth grants relating to 5CPA professional programs;

The Guild is an owner of business enterprises that sell products and services to pharmacies on a commercial basis—with some products and services relating to 5CPA programs and activities; and

The Guild is an advisor to Health, through its co-membership of the overarching 5CPA governance body and under its contracts with the department.

Government investment in community pharmacy agreements

▪ 1CPA	(1990 – 1995)	$ 3.3 billion
▪ 2CPA	(1995 – 2000)	$ 5.4 billion
▪ 3CPA	(2000 – 2005)	$ 8.0 billion
▪ 4CPA	(2005 – 2010)	$12.2 billion
▪ 5CPA	(2010 – 2015)	$15.6 billion

[2]

Medicine Misadventure?

1.2 billion

The cost of medicine misadventure in Australia each year.

1.5 million

Australians suffer adverse effect of medicines each year.

230,000

Hospital admissions from medicine misadventure each year.

Home Medicine Reviews (funded for $52 million) were capped during 5CPA.

The ANAO audit of the Fifth Community Pharmacy Agreement focused on the relevant departments roles, and specifically did not audit the Pharmacy Guild of Australia.

However, the Auditor-General does have the power to audit any third-party responsible for expending public funds.

2 Page 15, footnote 1, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.

Questions

Section 1: Questions about how 5CPA was formed

1.1 Why did the Department not enact the Government's 5CPA's objectives to improve patient health outcomes?

The Australian National Audit Office (ANAO) reports that as far back as 2008 the Department of Health recognised that the Fifth Community Pharmacy Agreement (5CPA) was "an opportunity" to shift pharmacy remuneration arrangements from financial incentives for volume-driven sales of medicines, and to "improve health outcomes through better utilisation of the professional skills of pharmacists".[3]

In fact, these ideas and supporting research, were presented, discussed and adopted by the Government in 2009, when it concluded that "the cost of pharmacy remuneration was driven by factors unrelated to health outcomes for patients, or services provided to patients; and retail pharmacies had limited incentive to improve the quality use of medicines, or other professional services to consumers".[4]

The Government further ratified its goals for 5CPA, by setting nine negotiating objectives[5]. Two of the nine objectives focussed on pharmacy remuneration reform. The first addressed the Government's objective to achieve better quality care and patient access through investment in more effective health services by pharmacies and pharmacists, and the second identified the need to improve medication-related services to patients.[6]

History - and now the ANAO audit - reports that those goals were not pursued by the Department of Health as it negotiated 5CPA with the Pharmacy Guild of Australia (the Guild). In 5CPA, there was no change from the previous model of pharmacy remuneration, no shift to greater focus on health outcomes, and incentives for volume-driven sales of medicines remained in place.

Given the Department reported to the ANAO that it did not keep records of its negotiations with the Guild for 5CPA, it is very difficult for the public to determine exactly why and when the Government's negotiating objectives were abandoned. The only clue may be in one update reported by the ANAO, when on 14 December 2009 the Department advised the Government that the Guild had opposed any changes to the structure of pharmacy remuneration.[7]

Regardless of what pressure was applied to Health's 5CPA negotiators behind closed doors, it is clear that Australians did not get the community pharmacy services its Government had wanted it to have.

Questions

1.1.1 Why did the Department not enact the Government's objectives for 5CPA?

1.1.2 Why is the Department and the Guild continuing to engage in a process that does not address medication-related harm?

1.1.3 Why did the Department report that it did not keep records of 5CPA negotiations and only provide selective updates to the Government?

3 Page 62, 2.7, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
4 Page 61, 2.5, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
5 Page 86, 2.85, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
6 Page 86, 2.87, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
7 Page 87, 2.88, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.

1.2 Why was there no proper consultation with consumers?

The ANAO reports that the Department of Health engaged the Consumer Health Forum (CHF) to provide consumer input to the 5CPA in December 2009.

The CHF submitted to Health a draft project plan for the proposed community consultation on 12 January 2010. However, the ANAO reports that the main elements of the 5CPA were agreed in principle on 24 December 2009, through an exchange of letters between the Minister for Health and the Pharmacy Guild.[8]

Questions

1.2.1 How can the "main elements" of the CPA be determined without proper community consultation?

1.2.2 Why was the CHF's plan for community consultation bypassed?

1.2.3 How could 5CPA be negotiated in isolation from the community (20+ million people) that it is designed to serve?

1.2.4 Why did the Minister and the Guild exchange letters and bypass community consultation on 5CPA, when it provides the framework for community pharmacy services for five years and outlays $15.6 billion of government funding?

1.3 Why was there no proper consultation with professional bodies?

The ANAO reports that during its investigations, several professional organisations raised their serious concerns regarding the absence of "processes for developing and negotiating the 5CPA" including that there was no "opportunity for effective engagement".[9]

Questions

1.3.1 Why were professional organisations, engaged in the sector, excluded from 5CPA negotiations?

1.3.2 How could 5CPA be negotiated in isolation from the health sector (doctors, specialists, health care providers) and the employed pharmacists (20,000) that work and interact with the community and pharmacy services every day?

1.3.3 Why was 5CPA negotiated only by one group, in pharmacy owners (3,200 owners represented by the Guild) and the Department of Health?

1.3.4 Why wouldn't the Department consult with a broad range of stakeholders to ensure it was getting the best result for the community?

[8] Page 81, 2.68, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
[9] Page 83, 2.72, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.

1.4 Why did the Department report to the ANAO that it did not keep records of its 5CPA negotiations with the Guild?

The ANAO reports that the Department reported "extensive engagement" of Health's senior executive with senior representatives from the Pharmacy Guild in the negotiation of 5CPA. This included dozens of meetings, emails, face to face meetings, telephone and teleconference meetings.[10]

However, the Department reported to the ANAO that it kept no "formal record" of its meetings and discussions in negotiating 5CPA with the Guild[11]. This raises significant questions, particularly given the Department did not enact the Government's platform to shift pharmacy remuneration to deliver better community health outcomes in 5CPA, the multiple roles that the Guild performed in 5CPA and the need to properly administer and account for large amounts of taxpayer funds.

Questions

1.4.1 Why did the Department say it didn't record negotiations of 5CPA, a complex $15.6 billion, five-year agreement?

1.4.2 Why didn't the Department's own processes detect and ensure 5CPA negotiations were recorded?

1.4.3 How could the Department, assess that it was getting best value-for-money if there were no records of 5CPA negotiations?

1.5 Why was there no risk management plan?

The ANAO reports that the Department did not prepare a risk management plan for 5CPA, even though the community pharmacy agreement is recognised for its complexity (the ANAO found 5CPA included over 300 contracts) and high value.[12]

Question

1.5.1 Why was there no risk management plan for 5CPA?

1.6 Why did the Guild seek $277 million compensation in 5CPA?

The ANAO reports that during 5CPA negotiations the Guild identified potential savings of $1 billion but then sought an additional $277 million in "compensation for the effects of revised Price Disclosure arrangements.[13]

Health advised that this quantum of compensation was based on its forecast of price disclosure reforms delivering $1816.8 million, which comprised:

[10] Page 84, 2.75, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
[11] Page 84, 2.75, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
[12] Page 85, 2.8, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
13 Page 87, 2.89, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.

- A reduction in wholesale and pharmacy mark-ups of $299.7 million. The Guild agreed that retail pharmacy would accept $68.7 million reduction in remuneration and sought $231 million in compensation.
- A reduction in the ex-manufacturer prices of $1517.1 million. The ANAO reports that the Guild said this would reduce discounts received by pharmacies by $396 million and sought compensation of $46 million.[14]

The compensation requested by the Guild of $277 million is the sum of $231 million and $46 million.

The Guild advised the ANAO that Health had provided the $396 million figure **based on departmental modelling.**[15] However, at a Senate Committee hearing in 2013, Health described its knowledge and understanding of the components of pharmacy remuneration as a "black box".

The ANAO report included this direct quote of the Committee:

> *There is a single bucket out of which community pharmacy remuneration is paid and negotiated and agreed… Part of the challenge that any government department has is that in the funding model for those things is that we pay a rolled-up price to the retail end of pharmacy for a drug... **So what actually happens down the supply chain is completely a black box. We do not know what the business models are. We do not know what the cost structures are… We rely on the Guild to represent the cost structures of their members...**[16]*

Questions

1.7.1 Why was the Guild asking for $277 million in "compensation" for the effects of price disclosure?

1.7.2 What modelling was being used to determine these forecasts?

1.7.3 Given the large sum of taxpayers' money, why isn't there better governance of it?

14 Page 87, footnote 155, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
15 Page 87, footnote 155, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
16 Page 127, footnote 225, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.

Section 2: Questions about the influence of the Pharmacy Guild

2.1 Why does the Guild have so many roles in 5CPA?

The ANAO reports that in forming the 5CPA, the Guild was the sole negotiator of the agreement with the Department of Health and then during 5CPA it was variously:

- **An industry association** and advocate acting on behalf of retail pharmacy owners, making representations to government and public inquiries, and conducting public campaigns;
- **A publicly funded administrator** under the 5CPA, at times acting as the Department of Health's agent;
- **A recipient of Commonwealth grants** relating to certain 5CPA professional programs;
- **An owner of business enterprises** that sell products and services to pharmacies on a commercial basis—with some products and services relating to 5CPA programs and activities; and
- **An advisor to Health**, through its co-membership of the overarching 5CPA governance body and under its contracts with the department.[17]

Additionally, the Guild advised the ANAO that it represents the owners of approximately 77 per cent (4,201 pharmacies) of the 5,457 retail pharmacies currently approved to supply PBS items".[18]

Questions

2.1.1 Given the number of roles the Guild has, what advice did Health obtain and what precautions were in place to prevent conflicts of interest?

2.1.2 Is it financially prudent for the Government to allow the Guild to perform this number and range of roles, without testing the market through the use of tender processes?

2.1.3 Is it possible for the Guild to perform the number and range of roles it does in 5CPA, without being conflicted?

2.1.4 Why isn't there greater transparency regarding the roles the Guild performs and the monies expended by the Guild on behalf of taxpayers?

2.1.5 Should the audit be completed by investigating the Guild's roles and the money it received in 5CPA?

2.2 How much money did the Guild receive in 5CPA?

The ANAO examined each 5CPA contract to ascertain the administrative and program funding provided under the agreement.[19]

17 Page 53, 1.41, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
18 Page 15, footnote 3, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
19 Page 180, 5.59, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.

Even though Health provided significant contracts to the Guild in its various capacities as an administrator of public funds, recipient of Commonwealth grants, enterprise owner and industry association, the ANAO found that "there is no mention of funding or the quantum of funding for the Pharmacy Guild in the 5CPA".[20]

The ANAO found this to be a "notable omission in an overarching agreement which establishes the framework for third-party administration of Commonwealth funded programs and services".[21]

The ANAO estimated that over the life of 5CPA, Departmental contracts provided for the Guild to receive $31.2 million for administrative services and $300.6 million for payments to recipients under 5CPA professional programs. In addition, Health entered into eight contracts with Fred IT Group, a Guild entity, for IT contracts of up to $22.3 million.[22]

However, beyond direct contracts, the ANAO has revealed that the Guild did receive additional funds through reallocation and indirect sources, as a result of 5CPA. It is worth noting that it is very difficult to determine exactly how much money the Guild received from indirect sources related to 5CPA. This is not transparent in 5CPA reporting, and as such, warrants further investigation.

The Guild did receive indirect funds via the Quality Care Pharmacy Program. QCPP is an accreditation program owned and managed by the Guild and a prerequisite for pharmacies wishing to access funding under the Professional Pharmacy Incentives scheme ($344 million). Pharmacies seeking accreditation were required to pay an annual membership fee and a biennial assessment fee to QCPP, which based on membership fees in 2014, would plausibly generate a per annum income for **the Guild of over $10 million** (a detailed outline of this calculation and Government funding for this program over the last fifteen years can be found in Sections 4.2 – 4.6). This is not identified in 5CPA.

Additionally, the ANAO noted that the lack of transparency and delineation in financial reporting made it difficult at times to determine how the Guild had spent program funding. The ANAO outlined that when a Government entity contracts a third-party (as in the case of the Guild) to administer Commonwealth programs and services, the arrangements should "distinguish between payments for administrative services and funding provided to make program payments.[23]

In the case of several programs before 1 March 2014, the ANAO noted that the Guild provided no delineation between how much money it spent on administration and how much it paid to recipients under 5CPA programs. Examples of this can be seen with the Research and Development program ($9 million), Aboriginal and Torres Strait Islander programs ($11 million), Quality Use of Medicines framework to support Aboriginal Health Services (QUMAX) ($7.88 million) and the Aboriginal pharmacy workforce ($2.54 million).[24] In each case, the Guild does not provide detail of how much was spent on administration or the programs themselves.

Questions

2.2.1 Why is it so hard to determine how much money the Guild received from 5CPA?

2.2.2 How can administrative funding be reallocated from program funding and provided to the Guild without the Government's approval? What processes are in place to prevent this from occurring again?

2.2.3 Should the ANAO audit the Guild's financial interactions with 5CPA?

20 Page 181, 5.61, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
21 Page 181, 5.61, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
22 Page 180, 5.60, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
23 Page 182, 5.65, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
24 Page 242, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.

2.2.4 In regard to the eight contracts with Fred IT, who identified what was needed in these contracts? Who created the specifications?

2.2.5 Given much of the funding received by the Guild was public money, why weren't standard delineation and transparent reporting processes followed?

2.2.6 How can the Department, Government or taxpayers, or indeed pharmacists, determine how much money was spent on administration and how much was spent on programs?

2.3 Why was the Guild allowed to self-report its own performance?

In submitting progress reports to Health on its administration of programs, Health reported to the ANAO that payments were generally made upon acceptance of each report.

The ANAO concluded that, in effect the Guild **"self-reported its performance against the program aims, activities and timeframes".**[25] The Guild advised the ANAO that the **"self-reporting arrangements were developed by the department".**[26]

Questions

2.3.1 What are the limitations and risks with self-reporting?

2.3.2 Given the Guild was administering public money, what were its officers' reporting and compliance obligations under the Financial Management and Accountability Act? Would self-reporting identify breaches?

2.4 Why is Pharmacy Guild data absent in reporting?

The Guild did not provide information on its staffing levels in reporting as required by all key entities involved in 5CPA. This non-compliance did not result in any penalty, as Health increased the Guild's direct budget from $29.3 million to $31.2 million across 5CPA.[27]

Questions

2.4.1 Given the Guild received $31.2 million of public money for the administration of 5CPA programs and services, why did it not report its staffing levels as required?

2.4.2 How can Health, the Government or the public, assess that the Guild has used public funding in a judicious and prudent manner?

2.4.3 What mechanisms need to be put in place to ensure the Guild complies with reporting requirements in the future?

25 Page 185, 5.76, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
26 Page 185, 5.76, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
27 Page 56, Table 1.6, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.

2.5 What are the risks when "outsiders" handle public money?

The ANAO reports that the purpose of the Australian Government's financial management framework is to promote and ensure the proper use of public resources.[28]

The ANAO reports that Section 12 of the *Financial Management and Accountability Act* (FMA Act) sets out the special requirements and obligations for agencies that enter into agreements for the "receipt, custody or payment of public money by 'outsiders' (third parties such as the Guild).[29]

The Department reported to the ANAO that prior to 1 March 2014, it did not have any FMA section 12 agreements in place to cover its arrangements with the Guild[30]. Health advised the ANAO:

> *"Health confirms that the Department does not consider that 5CPA funds, when paid to the Guild…are 'public money' for the purpose of the Financial Management and Accountability Act 1997, nor does the Guild act as an agent for the Department in this regard.*[31]

However, the ANAO reports that in the absence of a Section 12 agreement, as explained in the FMA Act, an 'outsider' is deemed to be **anyone who performs financial tasks in relation to public money and who is not doing so under an authorised section 12 agreement, is deemed to be an "allocated official" of the relevant agency and therefore subject to all the provisions of the FMA Act and FMA Regulations.**[32]

In the absence of a Section 12 agreement, and without understanding that Guild officers were defined as allocated officials under the FMA Act, these officials may not have been aware of their obligations regarding the handling of public money.[33] **It is relevant to note that penalties for contravening these obligations extend to seven years' imprisonment**.

The ANAO sought advice from the Australian Government Solicitor on the "outsider" issues, which can be summarised as:

- *11 of the 23 Schedules to the Deed were agreements or arrangements for the receipt, custody or payment of public money by the Pharmacy Guild; and*
- *In respect to the affected arrangements, the Pharmacy Guild's officers were performing tasks or procedures relating to the commitment, spending, management or control of public money.*[34]

Health recognised the obligations of this advice and in March 2014 entered into new contract arrangements with the Guild that complied with Section 12 of the FMA Act. However, the lack of reporting and effective record management makes it almost impossible for the Department, Government or public to determine if there were breaches to these obligations made by the Guild's officers between 1 July 2010 and 28 February 2014, let alone any pursuit of such cases through legal proceedings.

In forming the new contract from 1 March 2014, the departmental delegate was advised that a number of the 5CPA professional programs were "grant-like" and that the Guild was expected to comply with the Australian Government's grants administration framework.

However, the ANAO found that the contract did not identify which programs were "grant-like" and therefore subject to the grants framework.

28 Page 186, 5.78, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
29 Page 186, 5.79, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
30 Page 186, 5.80, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
31 Page 187, 5.81, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
32 Page 186, footnote 328, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
33 Page 193, 5.102, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
34 Page 188, 5.85, Footnote 331, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.

In addition, the contract did not specify what compliance with the grants framework meant, or the specific framework obligations applying to the Pharmacy Guild.[35]

The ANAO has recommended that Health consult with the Department of Finance to ensure adherence to the requirements where the Guild is the sole recipient of payments for professional pharmacy programs. The ANAO noted that the 5CPA Schedules do not indicate that program monies become funds of the Guild for its own purposes.[36]

Questions

2.5.1 Given that the Guild's 'allocated officials' did need to comply with the FMA Act from 1 July 2010 to 28 February 2014, does there need to be an audit into the Guild's administration of public funds in this period, to determine if public money was handled appropriately?

2.5.2 Is there evidence that the grants were used for the purpose they were intended? If there was malfeasance, how would we know?

2.6 Why did Health outsource programs to the Pharmacy Guild and did it get value for money?

The ANAO report found that prior to March 1 2014, the Department of Human Services was allocated a departmental budget of $16.4 million to administer programs worth $583 million over five years. The cost of this administration represented three per cent of the value of the actual programs.

In contrast, the ANAO found that prior to March 1 2014, Health entered into 62 contracts with the Guild, providing it with $29 million to provide advisory services and administer programs worth $67 million over five years.[37] **The Guild's administration represented 43 per cent of the value of the actual programs.**

On 1 March 2014, the Department transferred all programs previously administered by itself and Human Services to the Guild. This resulted in the Guild administering $259 million worth of programs under a single "Contract for Services".[38]

The ANAO reports that on 1 March 2014 Health provided the Guild with additional administrative funding of $1.8 million, and made provision for the Guild to make use of an additional $7.2 million in unexpended funds for administrative purposes, a total of $9 million.[39] This occurred near a time when Home Medicine Reviews had been ceased, before later being capped.

Health advised the ANAO that there were no competitive tender process for this new contract because there was "extreme urgency" to mitigate unforeseen "budgetary problems" and that in such circumstances the Department was able to make such changes.

35 Page 193, 5.104, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
36 Page 194, 5.106, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
37 Page 162, 5.20, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
38 Page 178, 5.57, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
39 Page 163, 5.21, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.

Questions

2.6.1 Why did the Department not conduct a competitive tender process when it outsourced $259 million worth of Government programs on 1 March 2014?

2.6.2 Given the scale of this contract's value ($259 million), is "urgency" related to "budgetary problems" a sufficiently strong enough reason to justify a lack of competitive tender?

2.6.3 Without a competitive tender process, how did the Department assess that it was receiving best value and effective services for its investment, given the Guild had previously worked at an administration rate of 43 per cent of program value?

2.6.4 Why did Health give the Guild to access an extra $9 million? What was that for? Where did it come from?

2.7 Why did Health reallocate program funding to a Guild communications strategy?

The 5CPA provided flexibility for Health to re-allocate funding between professional programs.

However, Health re-allocated $5.8 million from program funding designed to reach pharmacists, to a Guild communications strategy "to promote and increase uptake and understanding of the programs and initiatives".[40]

The ANAO however found that re-allocation was not reported by Health to the Government. The ANAO reports that "as a communication strategy is not a professional program, it would have been appropriate for Health to seek Ministerial (Government) approval to reallocate $5.8 million from professional programs for this purpose.[41]

Additionally the ANAO raises the concern that the minutes of the Agreement Consultative Committee did not reflect any risk mitigation strategy regarding to the linking of a Government co-branded website directly to the Guild's non-government website that was used for campaign and advocacy activities.[42]

Questions

2.7.1 Why did Health re-allocate professional program funds to a communications strategy without Government approval?

2.7.2 What measures and structures are in place to ensure this could not occur again?

2.7.3 What was the communication program's value? What was the money spent on?

40 Page 183, 5.68, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
41 Page 183, 5.70, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
42 Page 192, 5.99, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.

Section 3: Questions about the programs in 5CPA

The ANAO reports that the Government provided $663 million across seven areas, to support the pharmacy network[43] and achieve objective 2 of 5CPA, which was to ensure programs were "patient-focused and targeted areas of need in the community".[44]

Professional programs in 5CPA (in order of materiality) included:

- **Pharmacy Practice Incentives and Accreditation** ($344 million)
- **Medication Management programs** ($163.9 million)
- **Rural Support programs** ($107 million)
- **Aboriginal and Torres Strait Islander programs** ($28.9 million)
- **Medication Continuance** ($1 million) and
- **Other Programs** to support patient services ($8 million).

3.1 Why were program funds used to cover administrative costs?

The ANAO's investigated how program funds were allocated in 5CPA, finding that:

• **26 per cent of 5CPA program funding ($163.9 million)** was provided to fund medication management programs, which were patient-focussed services that clearly target an area of community need.

• **Approximately 52 percent of program funding ($344 million)** related to pharmacy accreditation, which focused on effective business operations and staff management in addition to the delivery of patient-focused professional services.[45]

Questions

3.1.1 How can 52 per cent of funding designed to support Objective 2 of 5CPA "to ensure that programs are patient-focused and target areas of need in the community" be allocated to business administration and accreditation?

3.1.2 How can the Guild, as a group representing pharmacy owners, be involved in the negotiation of programs aimed at being patient-focused but end up being used to support pharmacy business owners?

3.1.3 What checks and balances are in place to guard against similar practices in the future?

43 Page 136, 4.15, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
44 Page 2, Part 1: Introduction, 1. Context, 1.2.d.ii., Fifth Community Pharmacy Agreement.
45 Page 154, 4.66, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.

3.2 What are the questions around the Pharmacy Practice Incentive scheme and the Quality Care Pharmacy Program?

The Pharmacy Practice Incentives and Accreditation (PPA) program accounted for $344 million (52 per cent) of all professional program funding under 5CPA, and was designed to provide incentive payments to pharmacies that were quality-accredited in any of six priority areas. Similar programs had existed in both 3CPA and 4CPA.

The stated goal of the Pharmacy Practice Incentives scheme was to ensure that "patients receive the highest quality of care, information, advice and services through a robust quality framework".[46]

For pharmacy owners to qualify for these incentive payments, they had to first become accredited under the Quality Care Pharmacy Program (QCPP). The ANAO reports that the QCPP is the sole approved accreditation program, and is owned and operated by the Guild.[47]

To become accredited with QCPP, pharmacies have to pay the Guild an annual QCPP membership (in 2014 Guild members paid $1966.80, non-Guild members $2390.74[48]), plus a biennial assessment fee ($880[49]) and the cost of purchasing the QCPP manual (not known).[50] The income the Guild received directly from pharmacy owners for QCPP accreditation was not investigated by the ANAO as part of its audit into the 5CPA.

However, given these stated fees, and that the Department reporting in its 2013-14 annual report that 93 per cent of pharmacies participated in one or more components of the PPI program[51], a conservative estimate would place income to the Guild from QCPP fees at over $10 million per annum. This is backed-up by the Guild's own declaration in June 2012 that membership fees from QCPP were responsible for $8 million per annum in income[52], and QCPP fees have risen since then.

Responding to ANAO questions on the QCCP fees, Health advised that "All matters relating to the operation and fees relating to QCPP are a matter for the Guild, independent of Government of the Department.[53]

At the same time in December 2011, Health entered into a direct contract with the Guild that provided funding of up to $2.7 million, primarily for:

- Further development of the QCPP database;
- Maintenance and expansion of the QCPP database server and ongoing server costs;
- Assessment, data entry and quality checking of PPI data and the QCPP assessment checklist[54].

Health has also entered into separate contracts totalling $3.9 million with the Guild for PPI administration and development more generally.[55]

Questions

4.2.1 Given that the QCPP is the only current accreditation program, is this effectively a government-sanctioned monopoly?

46 Page 137, 4.17, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
47 Page 138, 4.19, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
48 http://www.qcpp.com/accreditation/costs, accessed 21 March 2015.
49 http://www.qcpp.com/accreditation/costs, accessed 21 March 2015.
50 Page 138, footnote 239, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
51 Page 141, 4.27, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
51 http://www.qcpp.com/accreditation/costs, accessed 21 March 2015.
52 Slide 11, Matthews, A., and Reid, P., The Pharmacy Guild of Australia and Community Pharmacy Association of Thailand – working together, June 2012.
53 Page 138, Footnote 239, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
54 Page 138, 4.20, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
55 Page 139, 4.21, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.

4.2.2 Given that this funding is public money, how can questions relating to funding be no longer a matter for the Government or Department?

4.2.3 How much money does the Guild derive from 5CPA in indirect funding?

4.2.4 How does the Government know that QCPP is the best mechanism to ensure quality assurance of professional services at a reasonable price?

3.3 What is the content of the Quality Care Pharmacy Program?

Given the goal of Pharmacy Practice Incentives scheme is to 'ensure that patients receive the highest quality of care, information, advice and services through a robust quality framework'[56], and pharmacies are required to complete the Quality Care Pharmacy Program to become eligible for PPI funding, the ANAO investigated the content of QCPP.

The ANAO found that 15 of the 18 elements (83 per cent) of QCPP related to "a retail pharmacy's business and professional operations", with only three elements relating to "professional pharmacy services".[57] There were six elements on managing, recruiting, handling and dismissing staff, as well as single elements on ordering of stock, customer service, IT, safety, operating an effective business and advertising and promotions (see Appendix 9 of the ANAO report for a full list of elements).

Questions

4.3.1 How does QCPP, with 15 of its 18 elements focused on running a business, improve patients' use of medicines?

4.3.2 How does QCPP achieve the Pharmacy Practice Incentive goal, to "ensure that patients receive the highest quality of care, information and advice…"?

3.4 What is the history of funding and support of pharmacy accreditation?

The ANAO reports that the accreditation program has received significant and successive Government funding since its introduction in 1998.

In 3CPA the Guild was paid $7.5 million to administer the program and $50 million to "incentivise" uptake. This consisted of pharmacies being paid $7,500 for accreditation and $2500 for registration/re-accreditation.[58] The evaluation report of the program in 3CPA, called for its structure and content to be revised to "reframe the standards so that the business components support professional service delivery".[59] It is worth noting that even at this early stage (2005) almost 4,300 pharmacies were accredited[60], which would necessitate annual membership payments and biennial assessment fees being paid to the Guild.

56 Page 137, footnote 237, Programme Specific Guidelines, ANAO Report No. 25 2014-15, Admin. Fifth Community Pharmacy Agreement.
57 Page 139, 4.22, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
57 Page 143, 4.32, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
58 Page 138, Blue breakout box, Australian Government funding to promote QCPP, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
59 Page 36, Recommendation 16, Australian College of Pharmacy Practice, Final Report of the Evaluation of the Quality Care Pharmacy Program, February 2005. Accessed 21 March 2015, http://www.guild.org.au/docs/default-source/public-documents/services-and-programs/research-and-development/Third-Agreement-R-and-D/92001-01/final-report---part-1.pdf?sfvrsn=0
60 Page xxv, ibid.

In 4CPA the QCPP was funded to $75.8 million, with pharmacies paid $3,000 to $5,000 a year to offset the costs of gaining and maintaining accreditation, and the Guild received $10.3 million to administer the Practice Change Incentive Program component of the QCPP.[61]
Key among the findings of the Communio evaluation (commissioned by Health) of the program in 4CPA was that accreditation made no difference to consumers choosing a pharmacy, and 35 per cent of pharmacies indicated that incentive payments were the "major" reason they participated.[62]

In 5CPA QCPP and the Pharmacy Practice Incentive scheme saw funding rise more than four-fold from the previous agreement, to $344 million, while the Guild received a further $5.6 million for administration.

These figures do not include the annual QCPP membership fees the Guild has collected from pharmacies over at least 15 years. In seeking to determine how much revenue QCPP membership fees raise for the Guild, Section 4.2 of this report provides an estimate based on 2014 fees and pharmacy participation, placing per annum revenue at over $10 million.

Question

4.4.1 Why have such significant sums of money, which rose steeply in 5CPA, been provided for a business accreditation program over so many years?

3.5 What impact does the Quality Care Pharmacy Standard have on competition?

The Health Department reported to the ANAO that while the QCPP is the sole approved accreditation program for community pharmacy, "other national pharmacy accreditation bodies would be approved, QCPP is the only one in existence".[63]

It is worth noting that in 2011 Health determined that any accreditation program in community pharmacy would need to carry the Standards Australia accreditation: AS 85000:2011: Quality Care Pharmacy Standard, which was based on QCPP.

Therefore, any new accreditation provider wishing to enter the pharmacy accreditation market would need to make a significant investment, and in effect mirror QCPP.

Questions

4.5.1 Would the need to achieve AS 85000:2011 Quality Care Pharmacy Standard act as a barrier for entry for new competitors in pharmacy accreditation provision?

1.5.2 Given the significant funding provided to QCPP and its 90 per cent penetration of the community pharmacy accreditation market, how feasible is it that another pharmacy-based accreditation provider will readily enter this market?

1.5.3 Why hasn't the Government put out a tender for Quality Assurance to test the market with other professions and their accrediting bodies?

61 Page 138, Blue breakout box, Australian Government funding to promote QCPP, ANAO Report No. 25 2014-15, Administration of the
62 Page 53, Findings, Communio, Evaluation of the Quality Care Pharmacy Program: Quality Maintenance Allowance and Change Management Programs, 22 June 2010, accessed 21 March 2015
http://www.health.gov.au/internet/main/publishing.nsf/Content/F520A0D5EDEA0172CA257BF0001D7B4D/$File/QCPP%20Report.pdf
63 Page 138, 4.19, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.

3.6 What do pharmacies have to do to become eligible for PPI payments?

To be eligible for Pharmacy Practice Incentive scheme payments the ANAO reports that pharmacies must agree to publicly display and comply with the Community Pharmacy Service Charter[64] (a single A4 page that must be displayed in the pharmacy) and the Customer Service Statement[65] (a single A4 page that must be filled in and displayed in the pharmacy), register for at least one PPI priority area and be accredited (QCPP).

The ANAO notes that Health contracted the Guild to produce the Community Pharmacy Service Charter and the Customer Service Statement template.[66]

Question

4.6.1 How does displaying two A4 notices and completing the business-focused QCPP improve community health outcomes and patients' use of medicines?

3.7 What funding does QCPP give pharmacies access to?

Once accredited, pharmacies can register for any number of the six priority areas identified under the Pharmacy Practice Incentive scheme.

In the case of two priority areas, Dose Administration Aids and Clinical Interventions, the ANAO found that **payments are made quarterly on the basis of the number of patient services "self-reported" by the pharmacy and the pharmacy's prescription volume**[67] (discussed in more detail in Section 4.7 of this report).

However, the ANAO found that payments to pharmacies for the four remaining areas are not based on actual patient services delivered, but are made as an annual amount based on the pharmacy being accredited.[68]

The payments to pharmacies for these categories are: Staged Supply (Start-up upfront $1720, annual $1000), Primary Health Care (First year $3900, annual $850), Community Services Support (First year $3900, annual $850) and Working With Others (First year $3900, annual $850).[69]

This provision of funding – without needing to provide a single service to a single patient – seems to directly contravene the Pharmacy Practice Incentives guidelines that say that payments can be made for "demonstrated delivery of quality services to patients…that improve their quality use of medicines".[70]

Questions

4.7.1 What are the risks of pharmacies self-reporting the number of patient services they provide?

64 Community Pharmacy Service Charter, acc. 21 March 2014, http://5cpa.com.au/resources/community-pharmacy-service-charter/
65 Community Pharmacy Service Charter, acc. 21 March 2014, http://5cpa.com.au/resources/community-pharmacy-service-charter/
66 Page 137, footnote 238, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
67 Page 139, 4.25, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
68 Page 140, 4.26, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
69 Page 140, Table 4.1 Pharmacy Practice Incentives payments 2010-14, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
70 Page 139, 4.23, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
70 Page 143, 4.32, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.

4.7.2 What are the problems with pharmacies receiving an annual payment with no requirement to provide or report on patient services they provide?

3.8 What were the problems with the Clinical Interventions program?

The ANAO reports the concerns of professional bodies that there are not sufficient reporting guidelines regarding the Clinical Interventions program (worth $97 million).

The ANAO reports that pharmacies were only required to report the **number of interventions**, not the type of interventions and as such, there is little way to evaluate the effectiveness of the program.

Professional bodies also reported that pharmacists had been told to "make-up" interventions to achieve KPIs set by pharmacy owners[71] (to generate revenue).

The ANAO recognised the potential for abuse of Clinical Interventions and identified that this was an area that warranted the attention before the next CPA.

Questions

4.8.1 What measures are in place to tighten reporting and evaluation of the Clinical Interventions program?

4.8.2 How many clinical interventions were recorded by each pharmacy in Australia?

4.8.3 Were pharmacies with high rates of clinical interventions investigated?

3.9 What were the issues with Medication Management programs?

Medication misadventure in Australia costs approximately $1.2 billion each year and approximately 1.5 million Australians suffer an adverse event from medicines every year.[72]

There are two different kinds of medication management programs funded under 5CPA, in-home medication management reviews ($52.1 million) and in-pharmacy medication reviews ($29.6 million MedsCheck and Diabetes MedsCheck $12.2 million).[73]

The ANAO reports that Home Medicine Reviews involve a pharmacist working with the patient's GP and their effectiveness in improving health outcomes has been shown in a number of independent studies.[74] In contrast, in-pharmacy reviews do not require specialist postgraduate training, do not consult with a GP and there is no requirement to provide a written report.

In-pharmacy reviews were a new service introduced in 5CPA; however Health could not provide the ANAO with evidence of effectiveness and no cost-effectiveness analysis; however was cited by the ANAO as saying that "the Guild has said it works".[75]

71 Page 142, 4.29 and 4.31, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
72 Page 143, 4.32, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
73 Page 143, 4.33, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
74 Page 144, footnote 251, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
75 Page 144, 4.35, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.

Questions

4.9.1 Can Health make available all data on the effectiveness and evaluation of MedsChecks?

4.9.2 How many MedsCheck and Diabetes MedsCheck were recorded for each pharmacy in Australia?

4.9.3 Why was the funding to Home Medicine Reviews cut, given the evidence of their success?

4.9.4 Could lessons from HMRs be applied to ensure in-pharmacy reviews have the same success?

3.10 What were there problems with the Programs Reference Group and the Agreement Consultative Committee?

The ANAO reports that peak bodies represented on the Programs Reference Group (PRG) report that the PRG was not provided with key information relating to funding for professional programs under the 5CPA.[76]

Peak bodies on the PRG report that "a complete lack of transparency surrounds the funding allocated to individual professional programs (total 5CPA funding $663 million)", adding that "repeated requests" for the rationale of funding allocations have "gone unanswered".

While the Agreement Consultative Committee (equal membership of the Department and the Guild) is required to seek advice from the PRG on policy dimensions of professional programs and their evaluation, peak bodies on the PRG reported the ACC made decisions in "isolation" and "allocated budgets within the 5CPA without regard to the financial impact across the whole health system".[77]

Peak bodies represented on the PRG also reported to the ANAO deficiencies in program design, patient/public benefits and evaluation and monitoring outcomes.[78] Additionally, they reported changes to HMRs, RMMRs and Medchecks occurred with the exclusion of the PRG. This is despite the PRG being developed specifically to review issues such as these.[79]

The Health Department reported to the ANAO that the PRG is the only mechanism for stakeholder consultation in regard to the 5CPA programs. And that "due to the difficulty" the Department had faced in obtaining the Guild's consent to raise issues with the PRG, "it has been necessary for the Department to engage stakeholders through a variety of other forums".[80]

Questions

4.10.1 Why was the PRG stifled?

4.10.2 Why did the Pharmacy Guild not give consent to raise issues with the PRG?

4.10.3 What are the risks of having the Pharmacy Guild administer a program it negotiates and delivers and has veto over others being consulted regarding the program?

76 Page 159, 5.12, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
77 Page 160-1, 5.15, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
78 Page 160, 5.13, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
79 Page 160, 5.15, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
80 Page 161, 5.17, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.

Section 4: Questions about reporting and administration in 5CPA

4.1 Why was there a miscalculation of savings through use of incorrect indexation?

One of the key objectives of the 5CPA negotiations was to achieve savings to contribute to the structural repair of the Commonwealth Budget. There had been particularly high cost growth under the 4CPA (growth averaged some 9.4 per cent per year) that was due, in part; to a $1.1 billion transitional structural adjustment package (financial assistance) to assist pharmacies adjust to the introduction of Price Disclosure in 2007.

The Department of Health's analysis indicated that the structural adjustment package had more than compensated pharmacy for the flow-on costs of price reductions under Price Disclosure; with funding for pharmacies under the 4CPA estimated to be approximately 8 per cent higher than would have been the case had there been no pricing reform.
The structural adjustment package was also intended to be time limited, and the 4CPA was amended to allow the elements of the package to continue until 30 June 2011 (the end of the first year of the 5CPA).[81]

Additionally, the ANAO reports that Department costings relating to the indexation freeze on dispensing, provided to Ministers in April 2010 was not based on forecast indexation rates that Finance released to agencies in March 2010. By not applying the correct indexation rates for this period, the ANAO estimated that the Department overestimated savings by $38.7 million.[82] The ANAO estimated that savings relating to the dispensing freeze for the entire 5CPA were $84.4 million.

Overall, the ANAO estimated that a more accurate estimate of net savings from proposed 5CPA measures was approximately $397 million, rather than $610 million, as reported in Budget papers.

Question

5.1.1 What processes are in place to ensure such errors would not be possible again in the future?

4.2 What is wrong with the forecasting used for pharmacy remuneration?

This CPA (and previous iterations) have be renowned for the absence of all forms of data around the operation of the agreement.

An example of this can be seen in the Health Department's reporting to the ANAO that the 5CPA costing model (PhRANCIS) "forecasts the total cost of pharmaceutical benefits, including pharmacy remuneration, which is paid jointly by government and by patients".[83] In order to identify the cost to government, the total costs forecast by PhRANCIS "were manually adjusted to exclude patient contributions".[84]

81 Page 73, 2.38, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
82 Page 76, 2.50, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
83 Page 66, 2.19, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
84 Page 66, 2.19, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.

In further discussion of 5CPA costs and the treatment of patient contributions, the ANAO analysed Health's final costing for pharmacy remuneration of $13 771.6 million—as incorporated in the 5CPA—and observed that it included the value of patient co-payments (approximately $2.2 billion).

Health advised the ANAO that patient contributions have always been included when remuneration is reported in community pharmacy agreements, and the 5CPA included 'the total remuneration that it delivers'. The Health Department acknowledged that this "could create some confusion about the cost to Government versus the value provided from both Government and patients to pharmacy under the Agreement.[85]

The ANAO reports that the Commonwealth 'will deliver' funding of $15.4 billion, including some $13.8 billion in pharmacy remuneration.

In effect, pharmacy remuneration includes $11.6 billion to be paid by Government and $2.2 billion to be paid by patients. Further, while Health considered that the 5CPA should include the total amount that it delivers, additional pharmacy remuneration of at least $2.6 billion for unsubsidised PBS medicines (priced under the patient co-payment and paid by patients) are not mentioned in the 5CPA[86].

Question

5.2.1 Why doesn't the forecasting model for 5CPA, include the total amount the agreement delivers?

4.3 What is the impact of lack of effective program management?

Given the complex array of programs and activities in the CPA, the ANAO has recommended that the Department develop more appropriate reporting and record keeping processes in regards to its oversight of the goods, services and outputs of delivered programs.

The absence of reporting and record keeping probity in the Department is concerning.

However, the greater concern is that the Pharmacy Guild reported to the ANAO that on several occasions it took "in excess of six months" to receive feedback on reporting deliverables and the time lag had meant "that any recommendations are unable to be implemented, resulting in unnecessary delays and potentially impacting on program outcomes"[87].

Questions

5.3.1. What was the mechanism for making improvements to program delivery during the 5CPA?

5.3.2 Are there structures in place to ensure future improvements can be made?

5.3.3 Does this problem mean that no improvements were made during 5CPA?

85 Page 68, 2.25, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
86 Page 70, 2.31, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
87 Page 169, 5.43, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.

4.4 What are the impacts of problems with reporting and transparency?

The ANAO identifies that "an objective of the 5CPA is to: ensure transparency and accountability in the expenditure of the Funds".[88]

The ANAO reported that it was not possible to establish from Health's annual report the actual cost of pharmacy remuneration under the 5CPA, as the cost of components were merged with the cost of pharmaceutical benefits.[89]

The ANAO recommended that to improve transparency and the quality of program performance reporting, the Department should report annually on the actual cost of each major component of any future community pharmacy agreement.[90]

The ANAO identified that Health had not reported on KPIs or deliverables for any components of the 5CPA and that this made it difficult for stakeholders, including Parliament, to form an overall view of what the 5CPA had actually delivered.[91]

The ANAO identified that the KPIs set up for measuring programs in 5CPA, did not align with the aims of 5CPA, had changed or had been removed.[92] It also identified that pharmacy remuneration – the single largest cost of all CPAs has not been publicly reported since the 1CPA commenced[93].

The report revealed that PBS costs have increased 7.9 per cent per annum since 1991, while script volume has increased 3.6 per cent per annum. At the same time, the last survey of pharmacy costs was in 1991.[94]

Health reported that it does not require Human Services to record the registration numbers of pharmacy owners, so the number of pharmacists that own pharmacies is not known.[95] At the same time, Health reported that the number of customers per pharmacy has increased 33% over the last 20 years.[96]

The ANAO also identified that Health did not assess the pharmacy remuneration or Community Service Obligations funding of pharmacies. The CSO generally ensures delivery of PBS medicines to retail pharmacies within 24 hours, and alleviates the burden of maintaining significant levels of PBS stock. While the 5CPA provides $949.5 million for the CSO Funding Pool, the department has not assessed and does not plan to assess whether the CSO has made any significant difference to the timeliness of PBS deliveries to pharmacies, or whether it has led to any significant reduction in pharmacies' stock holding levels as originally advised to the Government.[97]

The ANAO reported further that Health's 5CPA evaluation framework does not make provision for reviews of the agreement's two major financial components—pharmacy remuneration ($13.8 billion) and Community Service Obligation (CSO) payments to pharmaceutical wholesalers ($950 million). Pharmacy remuneration, which lies at the heart of the 5CPA and previous community pharmacy agreements—accounting for some 90 per cent of funding delivered under the current agreement—has not been fully reviewed since 1989.[98]

88 Page 195, 6.1, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
89 Page 198, 6.10, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
90 Page 198, 6.10, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
91 Page 201, 618-19, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
92 Page 204, 6.22-3, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
93 Page 207, 6.29, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
94 Page 210. 6.30-31, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
95 Page 212, 6.39, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
96 Page 213, 6.43, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
97 Page 200, 6.69-73, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.
98 Page 200, 6.69-73, ANAO Report No. 25 2014-15, Administration of the Fifth Community Pharmacy Agreement.

Questions

5.4.1 Is the complexity and lack of KPIs in the previous agreement an attempt to make the arrangements difficult to assess?

5.4.2 Are the Community Service Obligations value for money?

5.4.3 How could you not review these critical arrangements since 1989?

Professional Pharmacists Australia

Level 1, 163 Eastern Road,

South Melbourne

VIC 3205

Telephone: 1 300 273 762

Website: www.professionalpharmacists.com.au

Email: contact@professionalpharmacists.com.au