



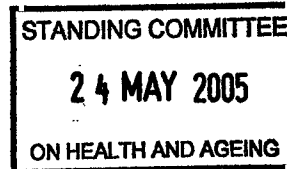
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The PHARMACY GUILD of AUSTRALIA
NATIONAL SECRETARIAT

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19 May 2005

Mr James Catchpole
Committee Secretary
Standing Committee on Health and Ageing
Parliament House
CANBERRA ACT 2600



Dear Mr Catchpole

Commonwealth Parliamentary Inquiry into Health Funding

Thank you for the opportunity to provide a submission to the Inquiry by the House of Representatives Health and Ageing Committee into how the Australian Government can improve the efficient and effective delivery of high quality health care to all Australians.

Outlined in the attached submission are some of the areas in which The Pharmacy Guild of Australia believes community pharmacy could be engaged to achieve improved coordination and delivery of quality health care services in Australia.

Also attached are two papers authored by M-TAG Pty Ltd in 1999. M-TAG's research, jointly commissioned by the Pharmacy Guild of Australia and Eli Lilly Australia, examined the arrangements for the financing and delivery of pharmaceuticals in Australia. The first paper (Issues Paper 4) examines the economics of the Government's involvement in financing pharmaceutical services and whether this intervention is desirable on efficiency and equity grounds. The second paper (Issues Paper 5) investigates whether or not pharmaceuticals are a cost effective health care intervention. The findings in both papers remain as relevant today as they were when first published in 1999 and I believe touch on the issues being examined by Standing Committee on Health and Ageing in its present inquiry.

I trust that our submission is useful in assisting the Committee with its Inquiry into health funding and that our proposals will be reflected in your final recommendations. We look forward to hearing from you as to the outcome of the Inquiry.

If you require further information or any clarification, please do not hesitate to contact me.

Yours sincerely

Stephen Greenwood
Executive Director

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Commonwealth Parliamentary Inquiry into Health Funding

Introduction

The Pharmacy Guild of Australia is an employers' organisation servicing the needs of independent community pharmacies. It exists for the protection and betterment of its members and to maintain community pharmacies as the most appropriate primary providers of health care to the community through optimum therapeutic use of drugs, drug management and related services.

The Government has highlighted that Australia must face up to the impacts of an ageing population and increasing healthcare technology costs. How this issue is addressed, and in particular how we will ensure maximum workforce productivity with the least strain on national budgets, is of enormous strategic importance. Overlaid on this is a question that is being asked with increasing concern by all health professions: how will we skill and motivate the talented people who are needed to deliver the health services that are fundamental to ensuring life-long productivity and minimal drain on the coffers of Government?

Meeting this challenge will require Government and the health professions to determine:

- the most efficient way to use increasingly scarce human and financial resources in healthcare, given relative declines in the supply of most health professionals compared to anticipated demand;
- how to achieve least-cost service delivery in those areas of healthcare that are more problematic; for example delivery of care to the disadvantaged;
- how to manage a growing demand for chronic care, on top of the ever-present demand for acute care;
- how to establish a healthy workforce platform that will ensure that participation and productivity are maximised as the population ages.

The Pharmacy Guild of Australia believes that community pharmacy is able to do a lot more to help in meeting the challenge. The challenge should be about harnessing the unique characteristics of pharmacy to create economically efficient and medically effective solutions.

Pharmacy has four special characteristics.

- pharmacists are highly skilled in medicines, in front-line counselling, and provide an increasing range of professional services including medication management, monitoring and referral;
- pharmacy offers an efficient, easy-to-access 'main-street' presence, only part of the cost of which is met from health budgets due to the subsidisation effects of more generalised retailing;

- community pharmacy involves not only the application of professional skills, but also substantial retail investment, to provide the platform that permits low cost and flexible advice provision. This characteristic does however impose on the profession a commercial pressure in deciding where and how to invest scarce time and funds;
- pharmacists as business-people possess a pragmatic discipline, coupled with administrative reliability that may be sometimes lacking in other parts of the health system.

Pharmacists can deploy their capital and abilities in many different ways, depending on the needs of the Government and the community, if given the opportunity and the incentive to do so. Over the last decade they have demonstrated their commitment to partnering with the Australian Government to pursue its objectives in achieving better health outcomes for the community.

The intent of community pharmacy over the last 14 years has been to build the capacity of community pharmacy to deliver increasingly sophisticated services, as part of the national healthcare network. Through the last three Community Pharmacy Agreements, the Australian Government and community pharmacy have demonstrated that we can create a productive partnership.

Our vision has three aspects.

1. A total health system perspective

Whilst the PBS is central to the relationship between the Government and community pharmacy, it is important to note that the core health challenge is to maintain total workforce productivity at a sustainable cost. Pharmacy does, and can do, much more than dispense. As well, the beneficial impact of pharmacy services goes well beyond the PBS to other parts of the health system.

2. Pragmatism and practicality

Voluntary investment of effort and resources, under increasing pressure in the coming years, will be required and incentives are also needed to ensure that all opportunities are taken up.

3. Recognition of the shared interest

Whilst there will never be a complete symmetry of goals between a Government trying to keep a lid on its spending, and a pharmacy sector reliant on Government to pay for services to the community, ultimately both depend upon ensuring an efficient and effective health service, if they are to achieve either set of ends.

1. Pharmacy's Proven Commitment

Community pharmacy has committed a substantial redirection of energy and capital across Australia, involving 10,000 individual pharmacists and around 30,000 staff, operating in 4,925 premises in every significant town or suburb in Australia. The results of that

commitment are tangible and substantial. We believe that we have invested and delivered more consistently than any other part of the health network.

Pharmacists are unique in the health system, given that part of their role involves running substantial businesses. Retailing is central to a pharmacist's capacity to provide a low transactions cost platform to deliver healthcare services. Whilst this may not be well recognised, pharmacists have deployed far more capital in pursuit of their agreed objectives with Government than other front-line healthcare professionals.

1.1 Provision of a quality, personalised pharmacy service

More than 90 per cent of community pharmacies are Quality Care accredited. This is a notable (and we suggest unmatched in healthcare) achievement, which provides the Government and community with the assurance of reliable delivery of product and service. It demonstrates the capacity of community pharmacists to follow through on their commitments.

Pharmacy has also proven itself willing to embrace technological changes such as BMMS/MediConnect/HealthConnect as well as the operational changes involved in taking on the new systems.

1.2 Increased access to community pharmacies for persons in rural and remote regions of Australia

Also perhaps unique among the professions (health or otherwise) is that pharmacy service delivery in rural and remote communities, and services for Aboriginal communities, have increased during the last five years. The new Rural Pharmacy Maintenance Allowance has proven to be an equitable and affective program which helps to maintain essential pharmacy services in rural communities.

The Section 100 program for providing pharmaceutical supplies and services to Aboriginal and Torres Strait Islander communities has for the most part been a great success. More pharmacies are needed to take up the Section 100 support allowances and initiatives have been introduced to achieve this over the remainder of the Agreement.

1.3 Continued development of an effective, efficient and well-distributed community pharmacy services

The Guild has stressed that cost-effective healthcare requires close networking among different health professions. This is particularly so in relation to the rapidly increasing demand for care of the chronically ill for both young and old. In the last 4 years community pharmacy has taken enormous strides in partnership with the Government to realise this aim.

Many of the current programs require a coordinated approach with a range of other health care providers. This is certainly the case with the Home Medicines Review Program and the numerous Research and Development trials examining new collaborative services. Community Pharmacy has taken proactive steps to increase inter-professional collaboration by providing funds to the Divisions of General Practice to employ facilitators in the Divisions.

The Home Medicines Review (HMR) Program has progressed well following its launch in 2002. With support from the Australian Divisions of General Practice and the Medication Management Review (MMR) facilitators located in each Division, the HMR program is now becoming part of everyday practice for GPs and pharmacies, and is extremely well received by the community. However refinement of Medication Reviews in Aged Care Homes scheme needs to be further progressed as set out in a proposal presented by the Guild and the Pharmaceutical Society to Government. The delivery of a holistic quality use of medicines service for the Aged Care Home is a challenge for the future.

We have worked closely with doctors to develop the Home Medicines Review Program as well as refinements to the Residential Medication Review Program. Community pharmacists are comfortable with collaboration with all health and allied health professions, to achieve cost-effective outcomes. Inter-professional collaboration in the provision of health care services should feature strongly in the development of further programs and services to assist in meeting the challenges we all face in healthcare and productivity.

2. What Pharmacy Needs, To Do Its Part

There is a network of almost five thousand community pharmacies spread throughout urban, regional and rural Australia, staffed at all times by a pharmacist who is able not only to dispense and give advice about medicines but also to assist in the delivery of health services in a variety of other ways. Pharmacists want to apply their energies and investment as health professionals. However with over \$10 billion of private capital tied up in community pharmacies, pharmacists are both health professionals, and serious business owners with debts and employees, and their own interests to think about. Therefore, implementation of programs will depend upon individual business people deciding to direct their scarce energy and capital into the particular paths. Both the Government and community pharmacists work within tight economic and other constraints. Neither is able to commit to support the other in ways that fail to recognise these practical realities.

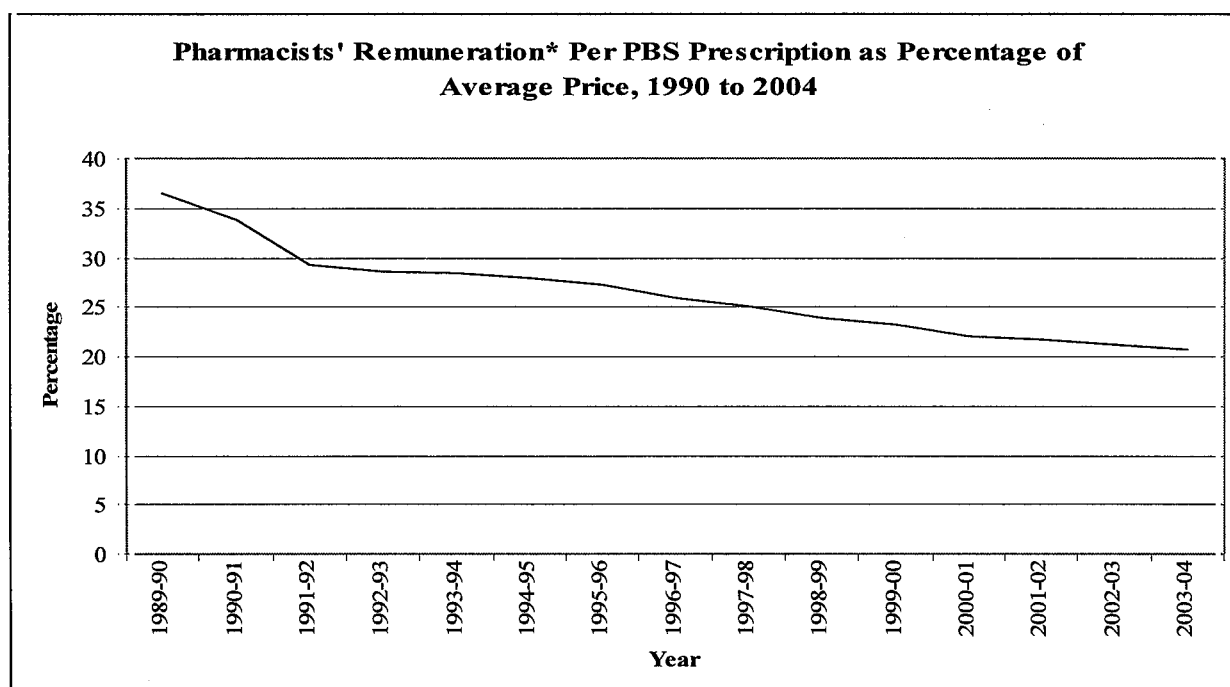
On average an Australian goes into a community pharmacy 14 times per year, which means that there is at least 14 opportunities each year to provide low cost access to advice or other health interventions. Many pharmacy-delivered services are provided at no cost to the Government or the public – drug recalls are an obvious example, as are pseudoephedrine monitoring and needle exchange. With regard to drug recalls, community pharmacies successfully managed the recent Pan Pharmaceuticals debacle and the more recent Vioxx recall. It is difficult to assess how, or at what cost, this type of risk mitigation could be delivered without the willing contribution of individual pharmacists or the availability of their extensive network.

Attention to the following factors is required to tap into pharmacy's primary health care potential to deliver better health outcomes for all Australians.

2.1 Remuneration that Supports the Desired Behaviour

“What gets rewarded is what gets done” is a behavioural fact. In a free market, adequacy of financial reward is a prime determinant of what is supplied. Pharmacy, like other health professions, is suffering increasing skill shortages. For community pharmacy to make possible delivery of low transaction-cost and efficient services, the reward from both services and retailing has to be adequate to justify maintenance of a retail presence (whether funded by retail spending or healthcare fee for service).

While the cost of the PBS has continued to increase, pharmacists’ share of total spending on the Scheme has steadily fallen and now amounts to around 20 percent of the total (compared with more than 30 percent in 1990). This trend is shown clearly in the following graph which charts the steady downward movement in remuneration per PBS prescription as a percentage of average price during the past 15 years.



* excludes allowance for wholesaler surcharges, discounts and rebates

We expect that continuation or extension of the Community Pharmacy initiatives and introduction of new cost effective programs/services will generate further PBS savings, as will the role pharmacists play in administering the Government's entitlement checking initiatives (IME and possibly CEV in the future). Better management of medication will minimise the costs of the PBS and maximise the contribution that these people can make to Australian society. Information technology, information exchange and medication management provided through community pharmacies will optimise this.

There needs to be a remuneration structure that will ensure that community pharmacists are able and motivated to deliver the health services that will control the total cost of healthcare.

2.2 *Expanding Quality Programs*

Funding of quality professional pharmacy services and programs recognises that systematic quality improvement is a key to reliable delivery of value to the community, and to the Government. During the past five years community pharmacy has built up a range of value added services that form a critical component of primary health care services in Australia. These are:

- the Quality Care Pharmacy Program;
- the Medicines Information for Consumers Program; and
- Medication Reviews both in the home and in aged care homes, supported by the MMR Facilitators Program.

Independent evaluations of these programs are currently nearing completion. The Guild has proposals for further building on the base that has been established through the mutual investment that has been made in quality services. We believe these enhanced programs will pay even more substantial dividends in cost savings and healthcare outcomes than the initial investments.

2.3 *New Opportunities to Improve Health Outcomes*

Over the last few years, the Guild has explored opportunities for additional pharmacy services and programs that would ensure quality use of medicines, improve the health of the community, and reduce overall health care costs. In many instances the program/service has been the subject of research, through the Research and Development program.

All of these new services are collaborative and appropriate for delivery by community pharmacists. Most should deliver savings within the healthcare budgets, and many will go to reduce the total cost of medicines. All will result in improved health outcomes. The Guild is not seeking to provide services that are traditionally within the domain of general medical practice. Examples of new services are as follows:

- i. Provision of Dose Administration Aids to patients, particularly the elderly and people with disabilities in the community, and those in residential care facilities. DAAs prevent wastage, reduce medication errors, improve health outcomes and assist those people in need to live in the community and not in high-cost residential care. They also help to prevent patient confusion and improve patient compliance with medicines.
- ii. Actively identifying medication related problems (ie clinical interventions) associated with prescription medicines. Such intervention has been shown to dramatically reduce medication misadventure, hospitalisation and death.
- iii. Maintenance of quality medication use post hospital discharge, by involving community pharmacy in the provision of continuity of care services aimed at improving medication management for people as they move from hospital back to the community or between different institutions.

- iv. A diabetes screening and referral service in community pharmacies to assist in the early identification of people who may have diabetes, and then to assist diabetic patients to manage their medications and disease state.

Other areas for which there is research evidence in support of a greater pharmacy role include:

- provision of medication assistance for people with asthma;
- innovative services to people with diabetes registered under the National Diabetes Services Scheme (NDSS);
- wound care services, particularly in Aged Care Homes;
- improved dissemination of public health information to the public;
- greater assistance and management for people with incontinence, together with other health professionals, through advice, referral and provision of products and services;
- provision of services, management and advice to persons with drug addiction problems to enable them to continue to live and function in the community and to help move them away from a drug addiction culture and environment; and
- expansion of support services to Aboriginal and Torres Strait Islander communities.

These proposals all demonstrate the value of carefully structured research into the opportunities that are available for innovation in pharmacy. This mechanism will ensure that as evidence, support and capacity to deliver new professional services arises, an efficient process is in place to facilitate effective implementation.

2.4 Improving Services to Residents/Patients in Private Hospitals and Aged Care Facilities

The Guild is concerned about the provision of pharmacy services to residents/patients in private hospitals and aged care facilities. With this in mind the Guild has consulted across Australia with pharmacists servicing private hospitals and aged care facilities. It is now clear that more than a review of PBS regulations is required.

Many of the problems currently encountered by pharmacists servicing such institutions stem from the fact that the normal PBS supply arrangements that apply in community pharmacies are unsuitable for these institutional settings.

Innovative solutions could deliver efficiencies and generate savings. These relate to:

- using the medication chart as the prescription;
- allowing 28 day supply as well as continued use of original packs;
- facilitating greater usage of dose administration aids;
- introducing quality use of medicine payments in association with medication reviews; and
- enabling payment for medication reviews in private hospitals.

Recommendations

The Pharmacy Guild of Australia recommends that:

- the Government considers applying the concept of cost effectiveness measure used by PBAC to fund pharmacists to provide some of the evidence-based health services. An analysis of decisions by the Pharmaceutical Benefits Advisory Council (PBAC) on the cost-effectiveness of new drugs shows that interventions below \$37,000 - \$69,000 per life year have been funded by the Australian Government.¹ If a similar ceiling or an acceptable ratio can be selected, health programs by pharmacists working in consultation with GPs could be similarly assessed in order to determine the cost-effectiveness.
- the Government considers a more innovative approach to funding options and provides funding to health service providers where they can demonstrate that they can deliver certain health services according to agreed standards and costs.
- private health insurance companies be encouraged to explore possibility of private health fund payments for disease state management programs delivered by community pharmacists in consultation with GPs that result in improved quality of life. Examples could include smoking cessation, management of asthma, diabetes and obesity.

Conclusion

In healthcare, savings and productivity often arise in a myriad of distributed, small transactions which avoid the need for later more complex interventions. From giving advice about a scraped knee to helping a pensioner with a complex regimen of prescription medicines, the community pharmacist provides health care services that are vital to every community. As health care costs continue to rise, it is vital to recognise that community pharmacy can contribute to containing health care spending by providing services which enhance the benefits of prescribed medications, as well as optimising drug regimens.

Community pharmacy continues to be ready to be used as a cost effective component in an expanded cooperative role with other health professionals. Together we can address vital Government priorities including particular disease states, prevention, identification, referral and management. With available expertise and main street accessibility, community pharmacies represent exceptional value for Australia's health care system.

The Guild looks forward to discussing further opportunities for pharmacists to provide value-added professional services to the Australian community.

¹ George B, Harris A, Mitchell A. Cost effectiveness analysis and the consistency of decision making: Evidence from pharmaceutical reimbursement in Australia 1991-1996; 1999