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Committee Secretary
Standing Committee on Health and Ageing
House of Representatives
Parliament House
CANBERRA ACT 2600

SUBMISSION NO. 50
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6th June 2005

Dear Secretary

Re: Inquiry into Health Funding

I am pleased to attach a submission I have prepared for the above inquiry. I trust that this is still possible for you to consider given that your published time for receipt of submissions has passed.

I have no objection to this submission being published on the committee website.

My perspective on the funding and operation of the Pharmaceutical Benefits Scheme is not always in accord with many of my peers but I firmly believe there are savings to be made in government expenditure whilst at the same time improving the quality of service provided to the Australian community.

Pharmacists have traditionally been associated with being a retail trader for the past 100 years and this may have served the community well during that time. The stage has now been reached where a radical change in direction is needed if the highly qualified pharmacists graduating after a four year university degree course are able to use their knowledge for the benefit of the community and their fellow health professionals involved with public and primary health care.

I will be most interested in learning the outcome of the inquiry and wish you every success with your ultimate recommendations.

Yours sincerely

Rollo Manning.

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Submission
House of Representatives Standing Committee on Health and Ageing
Inquiry into Health Funding

1. **BACKGROUND**

The author is a pharmacist and public relations consultant who has been involved in the pharmaceutical industry for over 40 years. The experience gained through employment in the manufacturing and government sectors has given him the opportunity to look at the retail sector in a critical manner and develop views on how the supply of Pharmaceutical Benefits Scheme (PBS) items should be supplied to Australian consumers. The economics of retail pharmacy are familiar to the author following eight years as a sole proprietor of a retail pharmacy in Queanbeyan (NSW) between 1987 and 1995. On moving to the Northern Territory he was able to work in the area of Aboriginal health where the principles needed to develop an optimum service for a remote Aboriginal population (Tiwi Islands) gave the opportunity to ask questions about how pharmacy is practiced in the mainstream Australian setting.
This submission reflects the views formed on the supply of PBS to mainstream Australian consumers.

2. **TERMS OF REFERENCE AND DEFINITIONS**

The terms of reference for this inquiry are:
The Committee shall inquire into and report on how the Commonwealth government can take a leading role in improving the efficient and effective delivery of highest-quality health care to all Australians. The Committee shall have reference to the unique characteristics of the Australian health system, particularly its strong mix of public and private funding and service delivery.

The Committee shall give particular consideration to:

a) Examining the roles and responsibilities of the different levels of government (including local government) for health and related services;

b) Simplifying funding arrangements, and better defining roles and responsibilities, between the different levels of government, with a particular emphasis on hospitals;

c) Considering how and whether accountability to the Australian community for the quality and delivery of public hospitals and medical services can be improved;

d) How best to ensure that a strong private health sector can be sustained into the future, based on positive relationships between private health funds, private and public hospitals, medical practitioners, other health professionals and agencies in various levels of government; and

e) While accepting the continuation of the Commonwealth commitment to the 30 per cent and Senior's Private Health Insurance Rebates, and Lifetime Health Cover, identify innovative ways to make private health insurance a still more attractive option to Australians who can afford to take some responsibility for their own health cover.

This submission pays particular attention to:

"...the unique characteristics of the Australian health system, particularly its strong mix of public and private funding and service delivery, and
d) How best to ensure that a strong private health sector can be sustained into the future, based on positive relationships between private health funds, private and public hospitals, medical practitioners, other health professionals and agencies in various levels of government;..."

Definitions

In making this submission it is recognized that the following applies:
Health: Pharmacy - Pharmacies are an integral part of Australia's health care system. Communities depend on pharmacies to dispense restricted medicines and pharmaceuticals and to provide advice on their safe and proper use. The cost to the Commonwealth is running at $5 billion per annum and as such its administration falls within the pursuit of the TOR of this Committee.

State and Territory legislation aims to
Protect the community from harm by ensuring pharmacists dispense over-the-counter and prescription medicines safely and competently.

Commonwealth Government through the Pharmaceutical Benefits Scheme (PBS) seeks to ensure communities have timely, reliable and affordable access to necessary and cost-effective medicines.

3. OBJECTIVE OF THIS SUBMISSION

The objective of this submission is to bring to the attention of the Committee the fact that reform of the pharmacy industry is needed to achieve:

3.1. The most cost effective way of supplying Pharmaceutical Benefits to the Australian consumer
3.2. A means of ensuring the quality use of medicine
3.3. A means of evaluating the value of the PBS to the Nation
3.4. A means of ensuring that the cost involved in educating pharmacists through a four year university baccalaureate course is maximized in the primary and public health care industry.
3.5. Introducing to the Committee an alternative to the "retail pharmacy model".

4. NEED FOR REFORM

4.1. **Cost effectiveness** – a major review needs to be undertaken to determine whether there is overspending in the supply chain distributing PBS to the Australian community. Such a review would determine the cost benefit of having 5,000 retail pharmacies as the distribution points. Questions need to be asked as to why it is necessary to have, say, four pharmacies within 500 metres of each other supplying the same service or whether this is a duplication of effort resulting in the PBS supporting the business of four individual business entrepreneurs. The PBS must be viewed as part of the Nation's health and welfare support programs and not as a business support program for 5,000 small business operators.

4.2. **Ensuring quality use of medicine (QUM)** – the Pharmacy Guild would have the Nation believe that excellent services were being provided at a majority of pharmacies in Australia. It (the Guild) uses phrases[1] such as "*unarguably the best of its type in the world*" without any evidence to support this contention. The need for quality use of medicine is a serious matter and of critical importance to the Nation's health system success. It should not be reduced to being the content of emotional outbursts that simply support a small business lobby group that seeks greater profit for its members.
Research data is required to test this hypothesis *(best in the world)* as too often the research conducted is towards finding new opportunities for business success rather than better health outcomes for the consumers of pharmacy services. A further assumption which appears to be made by advocates for a better quality use of medicine is that every Australian wants to learn about their medicine.
This also needs to be tested as it is possible that a significant proportion of the population does not want to learn about their medicines and are quite happy to simply take it as directed and hope for good results. The degree of activity that is undertaken by the pharmacy profession and its partners in QUM programs such as the National Prescribing Service and the Consumer Health Forum assume that "forward" pharmacy is in the client's best interests. So it may be but is it working? – That is what needs to be researched and this could be done as a part of the review mentioned above under **"Cost effectiveness".**

4.3 Evaluating the value of the PBS should be a role for each agent that operates around the country of behalf of the government in distributing PBS medicines to consumers. Instead there are 5,000 private practicing pharmacists in a retail setting demanding to be paid for every activity undertaken at the request of the government. The data that is held on their pharmacy computers tells a far fuller picture of the costs of PBS to the Nation as a whole but this is not released publicly because the Pharmacy Guild views it as being

[1] Guild Media Release 27 May 2005 at www.guild.org.au

commercially in confidence. It is time that the government instructed its agents (Guild members) to make information available in a de-identified way that will allow a proper analysis of how much the consumer is spending over and above the $5 billion that the government is paying. It could well be that the PBS is costing $10 billion with the taxpayer meeting the full burden through government subsidy or own expenditure. Other matters that could be ascertained with access to pharmacy PCs is the degree to which the consumer is complying with doctor's recommendation and actually taking the medicines that are being prescribed. At present the pharmacy fills the prescription and then makes no attempt to follow up to see:

a) Whether this medicines was taken and if not why not?
b) Whether the consumer came back to have repeats filled as recognition of their willingness to comply with the doctor's directions.
c) Whether the vital signs of bodily function have been improved as a result of taking the medicine or whether the consumer should be going back to the doctor for a review.

Pharmacists are trained to do this sort of evaluation but there is little evidence of it being undertaken. The Nation deserves to know whether the $5-10 billion (actual expenditure unknown!) that is being spent on the PBS is actually working and to what degree. An open ended review of PBS should be charged with a reference to recommend a way whereby such evaluation could be conducted.

4.4 Maximising pharmacy education or reducing the expenditure on this until a review can be completed to ascertain the contribution pharmacists should be making to primary and public health. This Committee should want to ascertain the cost of education and the degree to which the community is benefiting from that education. There appears to be an additional institution yearly opening up a pharmacy course. Last year it was the University of Canberra – this year it is the Charles Darwin University in the Northern Territory. Is there really the need for this many pharmacy graduates or are they being trained for another vocation with "pharmacy" as a useful adjunct.
The shopkeeper mentality still exists among pharmacy graduates and an assessment should be done to determine whether there should be differing levels of expertise for being a business manager, a clinical pharmacist and a dispensing pharmacist. Savings could be made to this expenditure and at the same time produce a graduate more targeted to the needs of the community.

5. AN ALTERNATIVE TO THE RETAIL PHARMACY MODEL

The PBS is part of the Nation's health and welfare program but so long as it is viewed as a support program for small business operators it will never be able to exploit its full potential. Studies and evaluations should be ongoing to ensure it is targeted at those in the community who need it most. The expenditure of $5 billion a year must be used to remedy the ill health of people who do not have the resources to make lifestyle choices that will protect them from chronic diseases and an earlier life expectancy than the greater proportion of the population.
The fact that the Australian health system is elitist can be suggested and this then points to the disadvantaged groups as being the ones subject to the social determinants of ill health and thus in need of special attention.
The contribution pharmacy services make to the ill health of the disadvantaged is focused from a retail model that is inherently situated in a high traffic retail shopping area of a commercial precinct. These places are not always those frequented by people from a low socio-economic group. The ability of the government to address this situation is poor as shown by the following examples:

- The access of Aboriginal people, especially those living in remote communities where a "second class" PBS has been made available to improve access
- The frail aged living in facilities acquiring their pharmacy services in dose administration aids which are not recognized by the government and therefore not paid for as a part of dispensing PBS items
- The patients of medical centres where a full range of primary health care services are available but not a pharmacy
- The patients of multi purpose health services that are denied a pharmacy due to the location rules associated with dispensing of PBS prescriptions.

The Wilkinson review advocated that these health services should be able to have a "dispensary" for the supply of PBS.[2]

5.1 Aboriginal people - even though arrangements have been made to supply remote Aboriginal health clinics with PBS items at no cost through a retail pharmacy – it is a "second class" PBS for Aboriginal people and as such is distinctly racist in nature. A fee of $1.14 is paid to the retail pharmacy for every supply and there is no "value added" component of the transaction. The "mainstream" PBS provides the retail pharmacy with $4.70 for dispensing the medicine to the individual patient.
There is only one reason why this is allowed to continue unchallenged and that is because the Pharmacy Guild has hailed the process of supply under Section 100 of the National Health Act as a success. It may be a success in getting the goods to the clinic but after that the same unsafe practices exist in the supply on to the patient.
The only resolution to this is to allow Aboriginal health services to be able to obtain an Approval Number to supply PBS in the same manner as is done in mainstream society.

5.2 Aged care facilities – the supply of medicines for residents of aged care facilities and nursing homes is made from a retail pharmacy which specialises in the supply of medicines in a dose administration aid that allows the staff to hand out medicine accurately and in a timely manner. In this way it is meeting the standards for quality use of medicine. The problem comes when the supplying pharmacy is to claim for the cost of the medicine against the protocols for the PBS through the Section 85 arrangements for the mainstream population. The inability of the retail pharmacy to put in place a more efficient supply route with the PBS is indicative of the failure of the system to adapt to innovative practices for the special needs of the residents. An arrangement using Section 100 of the National Health Act would be more suited to this situation. This is the same as exists to Aboriginal Health Services. Remuneration would be based on the number of packs of a medicine supplied to a nursing home and State/Territory law would control the assurance of who it was supplied to. A fee could then be paid for the packing of the medicine into a dose administration aid.

5.3 Medical centres/Multi purpose health services- the location rules that prohibit an Approval Number being located within 1.5Km of another pharmacy is preventing patients who elect to visit a medical centre from having as ready access to a pharmacist as to any other health professional. The fact that doctors are denied the ready access to a pharmacist to liaise with and seek advice from when treating a patient is not in the best interest of the patient. The example of the Woodbridge Medical Centre[3] in Western Australia was the classic case at the time of the Wilkinson Review where because the nearest pharmacy was 825 metres from the centre, albeit over a busy highway – there could not be an Approval Number given for the Woodbridge Medical Centre Pharmacy. This is an example of regulation not moving with current trends in patient needs. The Centre has 14 doctors, nutritionist, pathology, radiology and other associated services. But it could not have a pharmacy. This has to be viewed as over regulation of a small business for the sake of its economic survival rather than concentrating attention on the needs of the patients to a health facility.

6. ALTERNATIVE MODEL FOR PHARMACY PRACTICE

The PBS is currently helping to pay the rent of Approved Pharmacies located in high cost rental real estate across the country. The Pharmacy Guild claims that 63% of the turnover of the average pharmacy comes from the PBS side of the business[4].

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[2] NCP Review of Pharmacy Regulation. February 2000. Page 76
[3] Rockingham Kwinana Division of General Practice.
[4] Pharmacy Guild submission to Productivity Commission June 2004

Given this, the present location in high rental accommodation has to be questioned if the purpose of the business is to dispense PBS medicines.
Removal of the ownership provisions will allow innovative options to be considered for the most cost efficient location of "dispensaries" to conduct a community service in the provision of prescription needs and scheduled medicines. The owners of the businesses could be existing medical centre operators, the health insurance industry, and a combine of existing pharmacy owners in a geographical area or the friendly society movement. The government would set the pace by calling for tenders for the supply of PBS in over serviced areas.
This submission contends that so long as the proprietor of the business is relying on the sale of more drugs for a better return on investment there will not be the opportunity for a proper evaluation of the PBS and its usefulness in improving health outcomes.
The retail pharmacy industry now is motivated to sell more drugs and this is evidenced at times when there is a campaign to collect unwanted medicines from people's homes – tonnes of unused medicine is collected that amounts to millions of dollars of wasted PBS dollars of taxpayers money. The Quality Use of Medicines program reports that:
Data supplied by the Pharmacy Guild and the Commonwealth Health Department suggested that between 150 and 200 million dollars worth of unwanted or unexpired pharmaceuticals are destroyed annually in Australia.[5]
The total collected in 1998-99 was 2581.42 tonnes of unwanted medicines[6].
A model that embraces the following principles should be examined as an alternative to the existing retail pharmacy structure:

1. Low rental accommodation
2. Located near to or adjoining existing medical/community health centre facilities
3. Concentrating effort on dispensing PBS and non-PBS medicines
4. Sale of restricted products requiring pharmacist advice in use
5. Providing timely consumer medicine information
6. Acting as a consultancy to all health professionals and community groups
7. Monitoring the compliance of clients to doctors recommendations re taking of medicines
8. Providing dose administration aids to all persons with chronic diseases and needing compliance for symptom control
9. Employing pharmacists with a desire for a professionally fulfilling role in primary health care
10. Assisting in implementing the National Medicines Policy principles
11. Conducting activities towards improved quality use of medicines.

Such a model of pharmacy practice would provide consumers with a choice. A discussion paper on this subject should be produced and circulated to all stakeholders in the PBS to ascertain the support for this notion. Assuming a positive response - pilot pharmacies should be established to test the model for consumer acceptance and to develop a business model that would ensure ongoing commercial viability.

RECOMMENDATIONS

1. Establish a total review of the PBS supply chain from manufacturer to consumer
2. Obtain information on the cost benefit of quality use of medicine programs
3. Canvas the evaluation of the PBS with respect to patient compliance to doctors recommended course of treatment
4. Establish a review of pharmacy education content with a view to alternative outcomes to meet the community need for knowledge.
5. Support the deregulation of a "license" or "approval" for a health service to have its own pharmacy operation.
6. Support the development of an alternative model to supply PBS which is more attuned to a health system than a small business support system.

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June 2005

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[5] Overseas Pharmaceutical Aid for Life (Opal)/Return Unwanted Medicines Pty Ltd [ID : 473]
[6] Ibid