



The Pharmacy
Guild of Australia

JUNE 2014

COMMUNITY PHARMACY

A TRUSTED PUBLIC-PRIVATE PARTNERSHIP DELIVERING
ACCESSIBLE HIGH QUALITY HEALTHCARE FOR ALL AUSTRALIANS

SUBMISSION IN RESPONSE TO THE
COMPETITION POLICY REVIEW ISSUES PAPER

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EXECUTIVE SUMMARY

As the national peak pharmacy organisation representing community pharmacy, the Pharmacy Guild of Australia (the Guild) welcomes the opportunity to make this submission to the review of Australia's competition laws and policy.

Community pharmacies provide health and medicines services that are valued by all Australians.

The public's high regard for the pharmacist profession is reflected in its strong ongoing support of community pharmacy, including in last year's 'Pharmacy under Threat' campaign, which was launched in response to the introduction of Simplified Price Disclosure. That campaign obtained over 1.2 million signatures in a number of weeks, and was the largest petition ever tabled before the House of Representatives.¹

A 2014 survey for the Guild by the BBS Communications Group also found that 77% of respondents visit the same pharmacy on each occasion, highlighting that consumers highly value their local pharmacy, and the service and advice their pharmacists provide. The continuing high levels of trust and satisfaction in the current community pharmacy network has also been demonstrated in many other independent surveys.

Community pharmacy is essential to the professional provision of medicines to the public in a timely, convenient, affordable and equitable manner. Local community pharmacies also play an essential role in public and preventative health.

A core pillar of Australia's National Medicines Policy; timely access to medicines is achieved through Australia's network of 5,300-plus pharmacies, which are well-distributed throughout metropolitan, suburban, rural and remote regions. Despite Australia having one of the lowest population densities in the world, this extensive network of community pharmacies provides Australians with convenient, reliable and high quality access to the medicines they need, regardless of where they live. Community pharmacies are the most frequently accessed of all healthcare providers, with approximately 300 million patient visits per year².

These impressive outcomes are underpinned by the regulatory arrangements under a variety of Commonwealth, State and Territory laws.

The 1993 Review of National Competition Policy established a framework for the review and assessment of all legislation that restricted competition. The ensuing review of pharmacy regulation in 2000 (the Wilkinson Review) found that the laws regulating and supporting the community pharmacy sector were justified on public interest grounds.

Since then, history has demonstrated that:

- community pharmacy is still consistently seen by the Australian public as a trusted and valued part of our nation's health care system;

¹ http://www.aph.gov.au/About_Parliament/House_of_Representatives/Powers_practice_and_procedure/00_-_Infosheets/Infosheet_11_-_Petitions

² Guild Digest 2013

- each State and Territory in Australia, as part of the National Registration and Accreditation Scheme, has reviewed its legislation, including in relation to pharmacy ownership, and decided to retain the arrangements regulating the ownership of pharmacies;
- the community continues to benefit from the increasing number and quality of services and care delivered by community pharmacy;
- PBS reforms have been progressively introduced since 2007 resulting in significant savings for taxpayers through reduced expenditure on the Pharmaceutical Benefits Scheme (PBS), putting pressure on pharmacy profitability with an increase in insolvencies – this is not a sector characterised by super-normal profits;
- competition within the community pharmacy sector has increased, as has the number of community pharmacies;
- this increasing competition is driving price differentiation as well as innovation in the pharmacy sector, particularly in relation to patient-centred health care;
- the unique and vital nature of the medicines supply chain has been further recognised through the introduction of a Community Service Obligation (CSO) arrangement in 2006; and
- the importance of the community pharmacy sector to the health and welfare of the Australian public continues to expand, driven in part by the increasing burden of chronic disease within our ageing population.

If the pharmacy sector was deregulated, a 'corporate' model of pharmacy focussed on 'high volumes and low margins' to maximise profitability and drive shareholder returns would become increasingly prevalent, at the expense of more service and patient-focussed traditional community pharmacies. This has been observed in other retail sectors in Australia, and in the delivery of pharmacy services in other parts of the world where deregulation has occurred.

This model is particularly unsuited to the professional practice of pharmacy because the need to absolutely minimise costs inevitably puts pressure on less profitable parts of pharmacy businesses, in particular, the emphasis on providing high levels of patient care and ensuring that patients continue to have equitable and timely access to the full range of scheduled medicines.

Such outcomes would put at risk the core pillars of the National Medicines Policy, namely ensuring timely access and quality use of medicines. This would be particularly the case in rural and regional Australia.

Any reduction in the range of professional services, support and advice, and the accessibility of scheduled medicines would translate to a decline in the quality of care, resulting in poorer health outcomes for patients and a transfer of health costs to other areas of health and aged care system.

Other risks of a corporate pharmacy model include:

- the loss of the increasingly patient-centric innovative approach being adopted by many community pharmacies;
- a potential deterioration in professional standards; and
- an undermining of the future delivery, through the community pharmacy network, of an even broader range of cost-effective health services.

The Guild contends that the public benefits of the considerable contribution that community pharmacies make to the health and wellbeing of Australians mean that it is clearly in the public interest to maintain the current levels of pharmacy regulation. The community pharmacy model is competitive and continues to maintain the trust and support of the Australian public through its consistent delivery of high-quality, cost-effective health outcomes. A further review of the community pharmacy model is unnecessary and would simply cause uncertainty for pharmacy businesses, their staff and patients for no public benefit.

PART 1 BACKGROUND

The Pharmacy Guild of Australia is the national peak pharmacy organisation representing community pharmacy. It strives to promote, maintain and support community pharmacies as the most accessible primary providers of health care to the community, through optimum therapeutic use of medicines, medicines management and related services.

Competition Policy Review

The Guild welcomes the opportunity to provide input into the review of Australia's competition laws and policy (the Competition Policy Review or the Harper Review), and in particular, the 'Issues Paper' released on 14 April 2014 (the Issues Paper).

Scope of Review

The Terms of Reference require the Harper Review to consider and advise on appropriate changes to legislation in relation to, among other things, the following matters:

'4.5. identify opportunities for removing unnecessary and inefficient barriers to entry and competition...

4.6. consider ways to ensure Australians can access goods and services at internationally competitive prices...'

Issues Paper

In relation to these two matters the Issues Paper identifies the pharmacy sector as an area in which there are regulatory restrictions on the sale or provision of services:

'2.16 Beyond occupational-based restrictions, restrictions may be imposed on the provision of the service itself, principally through a supply-based constraint (for example...pharmacy advice/dispensing services). The supply constraint can sometimes be quota-based...

2.17 Other regulatory restrictions on the provision of retail services, such as those relating to...the intensity of competition within a geographic boundary, can have implications for competitive outcomes and consumer welfare'.

Against this background, the Issues Paper asks the following questions:

'Are there occupational-based restrictions, or restrictions on when and how services can be provided, that have an unduly adverse impact on competition? Can the objectives of these restrictions be achieved in a manner more conducive to competition?'

The Guild makes the following response to the matters raised in the Issues Paper.

The practice of community pharmacy

The practice of community pharmacy includes not only the dispensing of medicines but also the provision of information and services that encourage the quality use of medicines – one of the core pillars of the National Medicines Policy.

Community pharmacists are medicine experts, providing professional advice and counselling on medications, including their use and effects, as well as general health care. Their services are highly accessible, and in many cases are offered to consumers free of charge and without the need to make an appointment. Regardless of where they live, all Australians have the same access to PBS medicines (within 24 hours) at no financial disadvantage.

This has led to one of the best systems of community pharmacy in the world as a result of the manner by which it delivers medicines to the public in a safe, convenient, affordable and equitable manner.

Pharmacists are accountable for every piece of advice and service provided in their pharmacies. Their continuing registration and approval to dispense medication under the PBS depends on a pharmacist always being present in the pharmacy and abiding by the rules of the State and Territories pharmacy registering authorities and the codes and guidelines of the Pharmacy Board of Australia.

Pharmacists develop strong relationships with their patients, sometimes over generations, as many people enjoy the benefits of patronising a single pharmacy. The stronger the pharmacist-patient relationship, the better the health outcomes that can be expected.

Regulatory arrangements in the pharmacy sector

The pharmacy sector is regulated through a range of Commonwealth, State and Territory laws that restrict:

- who may sell and dispense certain types of medicines;
- who may practise pharmacy;
- who may conduct a pharmacy business
- the supply of medicines under the PBS; and
- where a pharmacy may be located.

Restrictions on selling and dispensing Scheduled Medicines

The *Therapeutic Goods Act 1989* (Cth) (**TG Act**) provides a framework for the States and Territories to adopt a uniform approach to control the availability and accessibility, and ensure the safe handling, of medicines in Australia. This framework is currently set out in the *Poisons Standard 2012* (Cth) (**Poisons Standard**), made pursuant to the TG Act.

In the Poisons Standard, medicines for human use are classified for control purposes into four schedules:

- Schedule 2: Pharmacy Medicine;³
- Schedule 3: Pharmacist Only Medicine;⁴
- Schedule 4: Prescription Only Medicine;⁵ and
- Schedule 8: Controlled Drug.⁶

Medicines which are included within any of the above schedules are referred to as 'scheduled' medicines, and the sale and dispensing of those medicines is restricted to certain persons, including pharmacists, by State and Territory Acts and Regulations.

Other medicines are referred to as 'unscheduled' medicines, and are available for sale generally (e.g. in supermarkets).

Restrictions on practising pharmacy

To practise pharmacy, an individual must be registered by the Pharmacy Board of Australia as a pharmacist. To be registered as a pharmacist, a person must satisfy certain legislative criteria, including, for example, having certain educational qualifications as well as practical experience and competencies.

Limiting who can conduct a pharmacy business

Legislation in all States and Territories prohibits a person from owning, conducting or having a proprietary interest in a pharmacy business unless the person is:

- a registered pharmacist;
- a company whose directors and shareholders are registered pharmacists (or in some cases close relatives of those pharmacists);
- a friendly society; or
- a person otherwise approved by the relevant legislative authority.

These legislative provisions are administered by the State and Territory pharmacy premises registering authorities, whose mandate is to protect the public.

³ Substances, the safe use of which may require advice from a pharmacist and which should be available from a pharmacy or, where a pharmacy service is not available, from a licensed person.

⁴ Substances, the safe use of which requires professional advice but which should be available to the public from a pharmacist without a prescription.

⁵ Substances, the use or supply of which should be by or on the order of persons permitted by State or Territory legislation to prescribe and should be available from a pharmacist on prescription.

⁶ Substances which should be available for use but require restriction of manufacture, supply, distribution, possession and use to reduce abuse, misuse and physical or psychological dependence.

Supply of medicines under the Pharmaceutical Benefits scheme (PBS)

The PBS is established by Part VII of the *National Health Act 1953* (Cth) (the **National Health Act**). The stated objectives of the PBS are to provide 'reliable, timely and affordable access to cost-effective, sustainable and high quality medicines and pharmaceutical services'.⁷ The PBS provides a universal pharmaceutical subsidy for medicines listed on the scheme, and extra assistance to those most in need, via differential concessional co-payments and safety net arrangements.

Remuneration to pharmacists for dispensing PBS medicines is determined pursuant to an agreement between the Commonwealth Government and the Guild, known as the Community Pharmacy Agreement.⁸ By law, pharmacists cannot alter the prices of any PBS items for which the Commonwealth Government contributes a subsidy. The determination of fees is given effect by the Pharmaceutical Benefits Remuneration Tribunal (PBRT).

Limiting where pharmacies can be located

The National Health Act prohibits the supply of PBS medicines unless the supply is by an approved pharmacist at or from premises in respect of which the pharmacist is approved.

Pharmacists wishing to supply PBS medicines at particular premises must be approved by the Secretary of the Department of Health or a delegate. Recommendations for approval of applications are made by the Australian Community Pharmacy Authority (the ACPA). In making a recommendation, the ACPA must comply with a determination commonly referred to as the 'location rules' (the Location Rules).⁹ The Location Rules set requirements on the location of new pharmacies approved to supply PBS medicines and the relocation of current approvals. The Location Rules work to ensure that there is a sustainable network of community pharmacies that have the flexibility to respond to local communities' needs for pharmacy services, and promote the continued development of an effective, efficient and well-distributed network of pharmacies. The even distribution of pharmacies facilitates access for consumers who cannot travel to major shopping precincts.

Previous reviews of regulatory arrangements in the pharmacy sector

The Wilkinson Review

The regulatory arrangements in the pharmacy sector have previously undergone a comprehensive review and found to be in the public interest.

⁷ Australian Government, *2013 -14 Health and Ageing Portfolio Budget Statements* (Section 2 – Department Outcomes – Access to Pharmaceutical Services).

⁸ Currently the Fifth Community Pharmacy Agreement (2010 - 2015) applies.

⁹ *National Health (Australian Community Pharmacy Authority Rules) Determination 2011* (Cth).

The then Prime Minister announced an inquiry into a national competition policy for Australia in 1992. The result of that inquiry, the Hilmer Report, was released in 1993. It recommended that all laws restricting competition be reviewed.¹⁰ In 1995 Australia's governments, acting on the recommendations in the Hilmer Report, agreed to the National Competition Policy (the **Competition Principles Agreement**). A guiding principle in the agreement was that legislation should not restrict competition unless it can be demonstrated that:

- the benefits of the restriction to the community as a whole outweighed the costs; and
- the objectives of the legislation could only be achieved by restricting competition.¹¹

As part of the Competition Principles Agreement, governments were required to develop a timetable for review of legislation that restricted competition, and where appropriate, to reform all existing legislation that restricted competition by 2000.¹²

Following that agreement, the National Competition Policy Review of Pharmacy (the **Wilkinson Review**) was commissioned to examine State and Territory legislation relating to pharmacy ownership and registration of pharmacists, together with the Location Rules. The objectives of the Wilkinson Review included the following:

- clarify the objectives of the various State and Territory pharmacy Acts and the Location Rules; and
- assess and balance the costs and benefits of the restrictions on competition arising from that legislation, and assess whether the objectives of the legislation can be achieved only by restricting competition.

The Commonwealth Government's submission to the Wilkinson Review was supportive of the continuation of the regulatory arrangements in the pharmacy sector:

*'...the Commonwealth is committed to the retention of arrangements whereby the ownership and control of pharmacies is restricted to pharmacists.'*¹³

The final report of the Wilkinson Review, released in February 2000, found that there was a net benefit to the Australian community in restricting who may own and operate community pharmacies:

*'While there are serious restrictions on competition, the current limitations on who may own and operate a pharmacy are seen as a net benefit to the Australian community as a whole. Pharmacist proprietorship of pharmacies adds reasonable value to the professional quality and performance of that network, over and above any questions of how integral the ownership of pharmacies by pharmacists is to the long-term future of the community pharmacy industry as Australians are accustomed to it.'*¹⁴

¹⁰ National Competition Policy Review (25 August 1993) (p xxx).

¹¹ COAG, *Competition Principles Agreement* (11 April 1995) (s 5.1(1)).

¹² COAG, *Competition Principles Agreement* (11 April 1995) (s 5.1(3)).

¹³ Commonwealth Government, *Submission to the National Competition Review of Pharmacy Legislation* ([151]).

¹⁴ National Competition Policy Review of Pharmacy (the Wilkinson Review), *Final Report – Overview and Recommendations* (p 6).

The Wilkinson Review recommended that:

1. Legislative restrictions on who may own and operate community pharmacies be retained.
2. The ownership and control of community pharmacies continue to be confined to registered pharmacists (maintaining existing restrictions).¹⁵

The Council of Australian Governments (**COAG**) Working Group was supportive of these recommendations, and proposed that they be accepted.¹⁶ The recommendations of the Wilkinson Review were also considered in the context of the Third Community Pharmacy Agreement between the Commonwealth Government and the Guild, which commenced on 1 July 2000.¹⁷

Various extracts from the Wilkinson Review are included in this submission. Although the Wilkinson Review was completed 14 years ago, its findings and recommendations remain relevant, and have perhaps even greater resonance given the difficult commercial environment in which community pharmacy operates today.

National Registration and Accreditation Scheme

In 2006, COAG agreed that a single national registration scheme for health professionals, including pharmacists, would be established (the 'National Registration and Accreditation Scheme' or the **NRAS**). The resulting agreement, the 'Intergovernmental Agreement for a National Registration and Accreditation Scheme for Health Professions', preserved the licensing of pharmacy premises and pharmacy ownership restrictions as the responsibility of the States and Territories.¹⁸

Prior to the commencement of the NRAS on 1 July 2010, each State and Territory was required to make amendments to its jurisdictional legislation consequential on the adoption of the NRAS, including in relation to the pharmacy ownership and related restrictions. After due consideration, every Australian State and Territory without exception recommitted to the current community pharmacy model.

¹⁵ National Competition Policy Review of Pharmacy (the Wilkinson Review), *Final Report – Overview and Recommendations* (p 6).

¹⁶ COAG Working Group, *Media Release – Response to the National Competition Policy Review of Pharmacy* (2 August 2002).

¹⁷ Third Community Pharmacy Agreement (cl 4.2, 21.1, 27.1 and 49.2).

¹⁸ This was expressly stated in clause 1.33: COAG, *Intergovernmental Agreement for a National Registration and Accreditation Scheme for Health Professions* (26 March 2008).

PART 2

BENEFITS OF THE COMMUNITY PHARMACY MODEL

Community pharmacy – helping to achieve the aims of the National Medicines Policy

The National Medicines Policy is a cooperative endeavour between all levels of Government in Australia, health educators, health practitioners and other healthcare providers and suppliers, the medicines industry, healthcare consumers and the media. The overall aim of the National Medicines Policy is to meet medication and related service needs, so that optimal health outcomes and economic objectives are achieved.

The community pharmacy model is a fundamental part of the health care sector in Australia, and is critically important in ensuring that the National Medicines Policy is fully implemented.

The National Medicines Policy has four central objectives:

1. Timely access to medicines that Australians need, at a cost individuals and the community can afford.
2. Medicines meeting appropriate standards of quality, safety and efficacy.
3. Quality use of medicines.
4. Maintaining a responsible and viable medicines industry.

To achieve the aims of the National Medicines Policy, regulatory arrangements in the pharmacy sector must 'match' and support these 'four pillars'.

The community pharmacy sector, which is currently supported by the regulatory arrangements in the pharmacy sector, delivers medicines to the public in a safe, timely, convenient, affordable and equitable manner, consistent with the central objectives of the National Medicines Policy.

The considerable benefits of this model of pharmacy are set out in detail below.

Promoting local access to pharmacy services

A core pillar of the National Medicines Policy, timely access to medicines that Australians need, is achieved by Australia's 5000-plus pharmacies, which are well-distributed throughout metropolitan, suburban and rural regions. Despite Australia having one of the lowest population densities in the world, the extensive network of community pharmacies provides Australians with convenient, reliable and high quality access to the services and medicines. This preserves community pharmacies as the most accessible of all health professionals, with approximately 300 million patient visits per year¹⁹.

¹⁹ Guild Digest 2013

In a recent PricewaterhouseCoopers (PwC) research project conducted under the Fifth Community Pharmacy Agreement,²⁰ 98% of participants reported that they had no difficulty in accessing a community pharmacy.

The ease of access to pharmacies is reflected in the number of Australians who use pharmacies. In the 2011/12 financial year, pharmacies (together with General Practices), were the most utilised health services in Australia, with 94% of Australians aged 18 years or over reporting using pharmacies.²¹

The regulatory arrangements in the pharmacy sector are crucial to ensuring equality of access to pharmacy services. This was supported by the Commonwealth in its submission to the Wilkinson Review:

*'As the two government submissions to the Review suggested, community pharmacy is central to the delivery of quality health and welfare service to all Australians, regardless of their social background or where they live. The presumption, particularly in the Commonwealth's submission, is that pharmacist ownership of most community pharmacies is a key to a professional yet local pharmacy presence, and therefore to the equality of access to pharmacy services.'*²²

The Wilkinson Review recognised the benefit of the pharmacy sector arrangements in '[u]nderpinning the ease of Australians' access to community pharmacies wherever they live' (refer to **Item 4 in Appendix A**)²³.

In particular, a core pillar of the National Medicines Policy, to ensure timely access to medicines, is also a key objective of the Location Rules (the Rules), which strive to achieve an effective, efficient and well distributed community pharmacy network in Australia.²⁴

The Wilkinson Review²⁵ drew the conclusion that the rules:

- operated to keep pressures on growth in government expenditure on the PBS to a minimum;
- helped to maintain a stable and sustainable local pharmacy market and minimum market saturation;
- supported a stable distribution network for the PBS; and
- facilitated the placement of new and relocated pharmacies in localities where there is genuine need for pharmacy services, particularly regional, rural and remote areas, and for areas of new population growth in metropolitan areas.

²⁰ The research project surveyed 3,000 consumers in the community. Consumer Needs report. Cannings, Francis, Jessop, Brabant, Lee, Kent, Li & Billot, The Research & Development Program is funded by the Australian Government Department of Health and Ageing as part of the Fifth Community Pharmacy Agreement. Report due to be published 26/06/2014

²¹ Menzies Centre for Health Policy, *The Menzies-Nous Australian Health Survey 2012* (23 October 2012) (p 9).

²² National Competition Policy Review of Pharmacy (the Wilkinson Review), *Final Report – Part A* (p 36).

²³ National Competition Policy Review of Pharmacy (the Wilkinson Review), *Final Report – Part A* (p 36).

²⁴ Fifth Community Pharmacy Agreement, cl 1.2(d)(v).

²⁵ Wilkinson, W. National Competition Review of Pharmacy: Final Report, 2000.

Australia is far from alone in the way it has approached this issue. Many other countries set requirements on the establishment or location of community pharmacies. In Europe alone these countries include Austria, Belgium, Croatia, Denmark, Estonia, France, Finland, Greece, Italy, Latvia, Luxembourg, Malta, Portugal, Slovenia and Spain.²⁶ All of these countries have requirements based on distance, population, demographics or community need. All of them have introduced these rules to maintain a distribution of pharmacy locations that is in the best public interest. Several of these countries have introduced or strengthened their requirements within the last decade to address a maldistribution of pharmacies, considered not to be in the public interest, which had arisen under a less regulated environment. These countries include Estonia (in 2006), France (2007) and Portugal (2007).

The Rules in Australia have been revised at regular intervals since the Wilkinson Review, with the Third and Fourth Community Pharmacy Agreements introducing changes in the Rules aimed at enhancing competition amongst pharmacies. The most significant set of changes in their history were implemented in October 2011. These changes allowed for more flexibility and allowed for more growth in the total number of approved pharmacies. As a result, the number of community pharmacies approved under Section 90 of the *National Health Act* has grown from 5,005 in June 2008 to 5,088 in June 2010 and to 5,351 as at 30 June 2013.²⁷ This is an average annual increase of 1.7%.

Clearly the current set of Location Rules are not restricting growth in the number of pharmacies, where extra pharmacy services are needed.

The following pharmacy stories demonstrate the commitment of community pharmacy to ensuring local access to high quality, highly committed and dependable pharmacy services, including in rural areas.

Joanne Loftus – Northampton Pharmacy, Western Australia

My pharmacy is in a rural area, 55km from Geraldton.

A few months ago, I had a patient who had been released from Geraldton hospital on a Friday afternoon at 3pm. The powers that be did not give me prior warning that this patient was being released, with a prescription of hefty wad of palliative care schedule 8 analgesics, one of which we had never stocked.

Over the last few months, due to changes in health policy we are seeing more patients discharged without their medicines.

Unable to contact her discharge doctor to discuss this I managed to source the medicine from a pharmacy in Geraldton. I drove a 100km round trip after I finished work at 5pm to collect this medicine. I arrived back at the patient's house at 8pm at night – to a very grateful patient and husband. I then spent 30 minutes reviewing the use of this product, along with all the other analgesics she had been given. Both her and her husband were very grateful. The whole experience of her breast cancer diagnosis, treatment and now palliative care therapy was completely overwhelming to the patient. Sadly she passed away 5 days later, the family was so grateful of the effort and time I had put in.

²⁶ Pharmaceutical Group of the European Union, Pharmacy Ownership and Establishment fact sheet, 2010

²⁷ Department of Human Services Annual Report 2012-13, page 125.

Jason Harvey - Peoples Chemist, Broken Hill, NSW

Winner- Pharmacy of the Year- excellence in community engagement category- 2014

Broken Hill has a large Aboriginal population where diabetes is a very big problem. It's also one of the regions in NSW that have overweight population and also has one of the highest smoking rates. Chronic conditions are prevalent – heart disease, kidney disease, renal health. As part of our commitment to Indigenous health, we sub-contract a pharmacist through the local Aboriginal services to go into the Aboriginal communities, liaise with the staff and conduct Home Medicine Reviews (HMRs) for patients who normally wouldn't have those done. The pharmacist also goes to towns around Broken Hill every fortnight; they're predominantly Aboriginal communities hundreds of kilometres outside of Broken Hill. He offers pharmaceutical services and HMRs to communities that normally wouldn't get them.

Broken Hill is one of those communities that's hard to get specialists to visit so we have tried to create opportunities ourselves. In the future, we could look at expanding our services to bringing in optometrists, podiatrists and other specialists.

In a town like Broken Hill, success is achieved the old-fashioned way; through building and maintaining relationships. You have to constantly update your services to community needs. Be proactive, community minded and open to technology. Being a health professional in a small community, you are well known in the community. As most of our customers are older, they're generally regular customers so you get to build up a relationship with them.

Hannah Man, Pharmacist- Kimberley Pharmacy Services, Fitzroy Crossing, Western Australia

Kimberley Pharmacy Services is co-located within a remote hospital that provides primary health care services to the Fitzroy Valley town and surrounding communities under S100 Remote Area Aboriginal Health Services (RAAHS) arrangements. The pharmacy has a professional services focus and provides outpatient dispensing and general outreach services. The pharmacy also focuses on patient and healthcare provider education.

Meeting the needs of the community

The predominately Aboriginal population of the Fitzroy Valley has difficulty accessing pharmacy services due to their remote location and distance to the nearest pharmacy. The burden of chronic disease is significant. Kimberley Pharmacy Services supplies medicines under S100 (RAAHS) arrangements to all outpatients with appropriate education and follow up. Under the provisions of section 100 of the National Health Act 1953, patients of approved RAAHS can receive PBS medicines from the approved RAAHS. However, by having a pharmacist on site, the people of Fitzroy Crossing are receiving a crucial service; given the greater chronic disease burden for Aboriginal and Torres Strait Islanders, particularly in remote settings, and the reality that patients often have to manage quite complex medication regimes, the presence of a pharmacist is especially valued in these settings.

In addition, clinical reviews and medication reconciliation are conducted on all chronic disease clients every three months. Dose Administration Aid services are provided in a holistic and culturally appropriate manner. The primary aim is to improve patient engagement and access to pharmacy-based services as well as improving health outcomes through increased compliance and education. This in turn will enhance quality use of medicine principles.

Ensuring prompt access to all PBS medicines nationwide – the Community Service Obligation

Community pharmacy's core role of medicines supply and management is guaranteed by the Community Service Obligation (CSO). Under the CSO, established in 2006 in the Fourth Community Pharmacy Agreement, eligible pharmaceutical wholesalers, known as CSO Distributors, receive payments from the CSO Funding Pool for supplying PBS medicines to community pharmacies. To receive these Commonwealth funds, CSO Distributors must meet a range of 'Service Standards' and 'Compliance Requirements', including ensuring the delivery of all PBS medicines within 24 hours (from the regular order cut-off time) to any pharmacy in Australia.²⁸ The Guild views this as a contract with the Government to ensure that every molecule on the PBS – including those that are infrequently prescribed – is made available to the Australian public through community pharmacy.

The CSO serves to ensure that requirements are in place, in the public interest, to provide all Australians with equal access to all PBS medicines, through community pharmacy, in a timely, affordable and secure way. This access is consistent with the principles of the National Medicines Policy. Without the CSO this level of access would not be achievable due to the economics of medicines, and Australia's sparsely populated geography.

The CSO remains a fundamental component of Australia's current model of community pharmacy, supporting the role of the pharmacist in the front line of primary health. With it in place, pharmacists can depend on timely delivery of any medicines their patients need, irrespective of the geographical location of their communities. It is noteworthy that over a quarter of all Australian pharmacies are located further than 100 kilometres from the nearest capital city. Without the CSO and the well-distributed community pharmacy network, patients in remote and regional communities could be forced to go without essential medicine for extended periods.

The importance of ensuring timely and reliable access to medicines was acknowledged in a report prepared by Deloitte Access Economics in 2011, which analysed the exclusive distribution of PBS medicines:

*'Equity of access to medicines is not defined by affordability alone; rather, it also encapsulates the dimensions of timeliness and reliability. Whereas subsidisation by the Federal Government addresses the matter of affordability, the strength and reach of supply chains from manufacturer to consumer determine the reliability and timeliness of access. Australian pharmaceutical wholesalers/distributors are an important interface between the 150 local and international pharmaceutical manufacturers and the nation's 5,000 community pharmacies.'*²⁹

²⁸ Australian Government – Department of Health and Ageing, *Community Service Operation Funding Pool - Operational Guidelines* (July 2012).

²⁹ Deloitte Access Economics, *Economic analysis of exclusive distribution of PBS medicines* (June 2011) (p 5).

Dual nature of community pharmacy

Community pharmacy is as much about healthcare and advice as it is about the supply of pharmaceuticals. It is estimated that 3.9 million Australians ask their pharmacist for health-related advice each year.³⁰

In addition to the role of pharmacies in distributing scheduled medicines, community pharmacies also provide important services.³¹ These services differ from pharmacy to pharmacy in response to local needs, and to fill gaps in the health system. They include:

- Aboriginal and Torres Strait Islander Quality Use of Medicines (QUM) support
- Asthma management support
- Mother and Infant services
- Blood pressure monitoring
- Bone density testing
- Chemotherapy preparation
- Cholesterol testing
- Chronic Obstructive Pulmonary Disease (COPD) risk-assessment and self-management support
- Community health education/promotion (structured)
- Complementary health therapies
- Compounding services (extemporaneous dispensing)
- Continence support
- Diabetes risk assessment and self-management support (including Diabetes MedsCheck)
- Dose Administration Aids (i.e. Blister Packs)
- Health aids and equipment
- Home delivery services
- Home Medicines Reviews (HMRs)
- Immunisation services
- Medication reconciliation post-discharge from hospital
- MedsCheck and Diabetes MedsCheck
- Mental Health Support
- Minor Ailments support
- National Diabetes Services Scheme (NDSS) Access Point
- Needle and Syringe Program (NSP)
- Opioid Dependence Treatment (ODT) services
- Product recalls and safety alert information and co-ordination
- QUM support for residential aged care facilities

³⁰ Australian Bureau of Statistics, 4839.0.55.001 – Health Services: Patient Experiences in Australia, 2009

³¹ See Appendix C for detailed list of primary healthcare services

- Residential Medication Management Reviews (RMMRs)
- Return of unwanted medicines for destruction
- Sexual health services
- Sleep apnoea support
- Smoking cessation support
- Staged supply (eg. daily dispensing intervals at the request of a doctor)
- Vascular Disease Support
- Wound management support
- Weight management support

David Whittle, Bulimba Pharmacy, Queensland

Winner- Pharmacy of the Year- excellence in community engagement category- 2014

Harm minimisation programs

I graduated as a pharmacist in 1983 and the community service that gives me by far the most professional satisfaction is the opioid dependence treatment (ODT) service provided to about 30 clients out of our community pharmacy in Brisbane. I started looking after ODT clients about 20 years ago and over this time, have developed a technique for encouraging the best rehabilitation for these clients. I admit some clients can be very difficult at first but with encouragement, clearly defined supervision and treating them with respect, they will and do respond.

I also admit that taking on ODT clients is not for every pharmacist. I get great satisfaction from seeing these clients become emotionally and medically stabilised and get their lives back together and become productive members of the community.

The reduction in criminal and gross antisocial behaviour that results from this program is of great benefit to the community. We have many examples of the pride and joy that some of these clients share with us. We have past clients that drop in from time to time to thank us for looking after them, and tell us how well they are doing at work and that they are still drug-free after so many years. The challenges that we bear at first with some of these clients, only magnifies the satisfaction that I eventually get from seeing how far these clients progress over time. Two of my daughters are currently studying pharmacy and hopefully will be able to continue with this program in our pharmacy.

The Wilkinson Review observed:

*'Community pharmacies are somewhat unique in that they almost invariably combine the functions of professional and retail services within the same premises. Unlike most other professional groups, community pharmacists in particular do not have a private professional client relationship based on a fee for service. Instead, the client may simply walk off the street and seek "free" advice without an appointment. Rather than charge for this advice directly, the pharmacist derives his or her income from the medicines dispensed (including related fees and mark-up remuneration) and the other products sold in the pharmacy.'*³²

³² National Competition Policy Review of Pharmacy (the Wilkinson Review), *Final Report – Part A* (p 14).

Most of the services are low margin or loss-making, and in many cases are provided free of charge and without any direct remuneration. As they are uneconomic, it would be unlikely that they would be provided by an alternative, corporatised and profit-driven model. A partially corporatised model would focus on selling medicines as a commodity and would in turn take prescription income at the expense of community pharmacies. This would render these important services unviable for community pharmacies, and would leave the beneficiaries – who are often the most vulnerable or in-need members of society – without access to the care and support they require. Ultimately this would be detrimental to society, to health outcomes, to the cost of the health system and to the National Medicines Policy.

Dual nature of community pharmacy creating improved health care outcomes

The value and health outcomes being delivered by community pharmacists are well documented. More than 3.6 million pharmacist clinical interventions were recorded in 2013 alone as part of the 5th Community Pharmacy Agreement (5CPA) Pharmacy Practice Incentives (PPI) program³³. The research project and pilot that preceded the establishment of that program had found that approximately \$630 million of healthcare costs would be avoided by such interventions³⁴.

Approximately 216,000 Australians living in their own homes (and many more than this living in residential aged care facilities) are provided with a Dose Administration Aid (DAAs) each week³⁵. Dose administration aids have been found in multiple studies around the world to be highly effective in ensuring adherence to a prescribed medication regime and minimising medication misadventure. The provision of DAAs assists people to stay at home independently for longer periods (delaying entry into costly aged care) and also reduces hospital admissions from taking medications incorrectly.

³³ PPI program data

³⁴ Peterson, Tenni, Jackson, Bereznecki et al, *Documenting Clinical Interventions in Community Pharmacy: PROMISe III Final Report*, <http://www.guild.org.au/docs/default-source/public-documents/services-and-programs/research-and-development/Fourth-Agreement-R-and-D/2007-08-09/final-report-.pdf?sfvrsn=0>

³⁵ PPI program data

Alan Patterson - Magnetic Island Pharmacy, Queensland

Improved patient compliance:

Last year a member of our community presented very confused and not making much sense at all. I spoke with him and discovered he had recently been hospitalised. I knew he didn't take any prescription medications, so I started to think he may have had a stroke. I asked the client to return with his discharge summary and medications, suspecting he may have been duplicating something.

Upon his return I rang the other pharmacies the patient had medication dispensed from. There didn't seem to be duplication of generics or much history I could obtain. Looking at the hospital discharge summary I didn't notice anything unusual except lactulose was prescribed 40ml qid, which I thought was rather high. However, a little known use of this medication is for hepatic encephalopathy.

When speaking to hospital discharge pharmacist, she explained the role of lactulose in hepatic encephalopathy and the absolute importance of the patient being compliant. We realised the non-compliance of lactulose was causing the confusion as a result of toxic bodily gases accumulating (ammonia) and crossing the blood brain barrier. I was able to ensure compliance with lactulose and prevent a further hospital admission.

Pharmacy and the PBS

The PBS is a part of the Australian Government's National Medicines Policy, which strives to provide access to medicines at a cost individuals and the community can afford. By offering free advice and services pharmacists help to maintain the sustainability of the PBS and the wider health system. The benefit of the provision of professional services by pharmacists in helping to reduce health care costs was recognised by the Wilkinson Review:

*'In a professionally-controlled pharmacy environment, pharmacist interventions in the diagnosis and treatment of minor ailments and other conditions can result in savings to the health care system through reduced or avoided outlays. Pharmacist ownership, while probably not itself responsible for such interventions, can promote a culture in community pharmacy encouraging pharmacist and staff commitments to professional care and service.'*³⁶

The Guild, together with pharmacists in community pharmacies throughout Australia, is committed to working with governments to find ways in which health costs can be further reduced through the provision of enhanced professional services in a primary healthcare setting.

Consumers recognise the benefits of the dual nature of community pharmacy. Between 2012 and 2014 PricewaterhouseCoopers (PwC) conducted research which involved a survey of 3,000 consumers in the community.³⁷

³⁶ National Competition Policy Review of Pharmacy (the Wilkinson Review), *Final Report – Part A* (p 38).

³⁷ Consumer Needs report. Cannings, Francis, Jessop, Brabant, Lee, Kent, Li & Billot, The Research & Development Program is funded by the Australian Government Department of Health and Ageing as part of the Fifth Community Pharmacy Agreement. Report due to be published 26/06/2014

Participants indicated that in the future they would visit their community pharmacist in the first instance (ahead of a general practitioner) to seek information on over-the-counter medicines and complementary medicines³⁸ (79%) and for advice/ information on minor ailments or chronic conditions (51%).

Australian Bureau of Statistics data showed that of the 3.9 million Australians that asked for health advice each year, 79% reported that the advice met their needs completely³⁹. This practice by consumers and the availability of a pharmacist to provide the service through a community pharmacy supports the objectives of the current Government to reduce the number of unnecessary visits to a General Practitioner and the consequent costs to government and the community.

Quality use of medicines/professional services

The role of the community pharmacy in delivering these outcomes is critical to the successful implementation of the National Medicines Policy, and in particular the core objective of ensuring quality use of medicines.⁴⁰ To this end, the Guild's Quality Care Pharmacy Program (QCPP) is a quality assurance program for community pharmacy recognised as an Australian Standard⁴¹, and provides support and guidance on professional health services and pharmacy business operations. By increasing the number of accredited pharmacies in Australia, QCPP aims to ensure that community pharmacies provide quality professional services and customer care. Currently well over 90% of community pharmacies in Australia are either accredited or undergoing accreditation/re-accreditation under the QCPP.

Given that Australia has an ageing population, and is subject to the increasing burden of chronic disease, the importance of these additional health services provided by community pharmacy will only increase over time.

Pharmacists provide these professional services in the discharge of their professional obligations, in addition to, and often at the expense of, profit. This was recognised in the Wilkinson Review (refer to **Item 1 in Appendix A**).⁴²

This has also been recognised internationally. For example, in a 2009 case in the EU, the European Court of Justice found that:

'It is undeniable that an operator having the status of pharmacist pursues, like other persons, the objective of making a profit. However, as a pharmacist by profession, he is presumed to operate the pharmacy not with a purely economic objective, but also from a professional viewpoint. His private interest connected with the making of a profit is thus tempered by his training, by his professional experience and by the responsibility which he owes, given that any breach of the rules of law or professional conduct undermines not only the value of his investment but also his own professional existence.'

*Unlike pharmacists, non-pharmacists by definition lack training, experience and responsibility equivalent to those of pharmacists. Accordingly, they do not provide the same safeguards as pharmacists.'*⁴³

³⁸ Complementary medicines include vitamin, mineral, herbal, aromatherapy and homeopathic products.

³⁹ Australian Bureau of Statistics, 4839.0.55.001 - Health Services: Patient Experiences in Australia, 2009

⁴⁰ Australian Government – Department of Health and Ageing, *National Medicines Policy* (2000) (p 1).

⁴¹ Australian Standard 85000:2011

⁴² National Competition Policy Review of Pharmacy (the Wilkinson Review), *Final Report – Part A* (pp 41-2).

Pharmacists are key members of multi-disciplinary health care teams

Pharmacists regularly provide advice to other health care professionals in relation to medications for their patients.

The importance of this service was recognised by the Wilkinson Review:

"The main functions of pharmacy in contemporary Australian health care are to:

...

*Participate, as part of an increasingly multi-disciplinary primary health care team, in community health, preventive health and other public health services and programmes.*⁴⁴

Further relevant comments in the Wilkinson Review's final report are included in **Item 2** in **Appendix A**.

With appropriate government support, community pharmacies could play an increasingly significant and cost effective role in the provision of primary health care through its well distributed network. This infrastructure, comprising over 5,300 privately funded premises staffed by health professionals conveniently available and accessible to the public, is a cost-effective, ready-made resource for government to use in rolling out public health programs and primary healthcare services that would improve the overall efficiency of Australia's health care system. For example, the recently announced pharmacist immunisation research pilot program in Queensland illustrates how the resources of community pharmacy could be used to improve immunisation services and rates.

⁴³ *Commission of the European Communities v Italian Republic* (19 May 2009) at [61]-[62]. This case considered whether European Community law precluded provisions contained in Italian and German legislation which provided that only pharmacists may own and operate a pharmacy.

⁴⁴ National Competition Policy Review of Pharmacy (the Wilkinson Review), *Final Report – Part A* (p 14).

Georgie Dutry – Livingston Pharmacy, Western Australia

Fewer preventable adverse drug events and interactions; pharmacist interventions and referrals:

If I identify a problem that I cannot fix as a pharmacist I can get people seen straight away. These are the types of interventions pharmacists all over Australia do each and every day. We don't get paid for our advice, we give it freely all day every day. No other health professional is as accessible as the pharmacist. We are often the first "port of call" when people are sick. We can spend up to half an hour just discussing the problem and giving advice. In my opinion this saves the Government massively on health costs on problems that otherwise may not be picked up until the problem is worse and costs more in hospital admissions. In order to have our costs covered we rely on our dispensing fee. We spend much of our time picking up drug interactions, over-doses and explaining what the medication does and what side effects to expect.

For example, Mrs B presented with chronic leg infections from an operation on her ankle. Each time she was discharged from hospital and came to the pharmacy I sent her back to the doctor because the infection was still active. She was in and out of hospital for one year. I then referred her to another GP who diagnosed her with rheumatoid arthritis.

Mr D presented in the pharmacy with a cold. He was sweating so I asked him what his blood pressure was like before selling him cold and flu medication. He said he was only 40, fit and played basketball regularly so he doubted he had blood pressure problems. I took his blood pressure which was through the roof. I then called the local doctor who agreed to see him straight away. The doctor prescribed him blood pressure tablets immediately. The man returned several months later to tell me I saved his life because he needed open heart surgery and would not have known had I not intervened in his treatment.

Pharmacists are trusted and valued professionals

Pharmacists consistently rate very highly in opinion surveys ranking occupations.

In 2012 the Menzies Centre for Health Policy, as part of the 'Menzies-Nous Australian Health Survey 2012', asked Australians to rate the service offered by a range of health care providers. 85% of Australians rated the services provided by pharmacists as 'good-excellent', the highest rating of all health care providers.⁴⁵

Australians were also asked about their level of satisfaction with their most recent visit to a number of health care services. The highest level of satisfaction expressed by Australians was with pharmacists (89%),⁴⁶ whilst as recently as April 2014, a survey conducted by Roy Morgan Research found that pharmacists were ranked equal second for ethics and honesty out of thirty professions.⁴⁷ Since the survey commenced in 1988, pharmacists have not ranked below third.⁴⁸

⁴⁵ Menzies Centre for Health Policy, *The Menzies-Nous Australian Health Survey 2012* (23 October 2012) (p 9).

⁴⁶ Menzies Centre for Health Policy, *The Menzies-Nous Australian Health Survey 2012* (23 October 2012) (p 25).

⁴⁷ Roy Morgan Research, *Image of Professions Survey – 2014* (11 April 2014).

⁴⁸ <http://www.guild.org.au/docs/default-source/public-documents/issues-and-resources/Fact-Sheets/public-support-for-community-pharmacy.pdf?sfvrsn=0>

Finally, in the 2014 survey for the Guild by the BBS Communications Group, it was revealed that 77% of respondents visit the same pharmacy on each occasion, highlighting that consumers highly value their local pharmacy, and the service and advice their pharmacists provide.

A campaign launched in 2013 in response to the introduction of Simplified Price Disclosure obtained over 1.2 million signatures in just a few weeks, and was the largest petition ever tabled before the House of Representatives.⁴⁹ This reflects the public's support for community pharmacy.

Professional accountability

Pharmacists are professionally and ethically trained health professionals, accountable for every piece of advice and service provided within their pharmacies. Their continuing registration and approval to dispense medication under the PBS depends on them always being present in the pharmacy and abiding by the codes and guidelines of the Pharmacy Board of Australia, with penalties, up to and including de-registration applying if a pharmacist is found to be engaged in either unprofessional conduct or professional misconduct.⁵⁰

Pharmacists who have been found to have engaged in unprofessional conduct or professional misconduct may face sanctions up to and including deregistration. In cases of pharmacy ownership, deregistration would mean that the pharmacist would be ineligible to own a pharmacy business – a powerful incentive for pharmacy owners to operate in a manner that does not compromise patient care.

The benefit of '*[m]aintaining a direct line of accountability for professional services conducted in pharmacies*' is thus of critical importance and lies at the heart of pharmacy ownership regulations. This was recognised in the Wilkinson Review:

'A pharmacist who owns or has a proprietary interest in a pharmacy has a professional, as well as a commercial, interest in the safe and competent provision of pharmacy services and products by his or her business

...

As a pharmacist as well as a proprietor, the business owner is accountable directly to a regulatory authority for the safe and competent provision of those services, while non-pharmacist proprietors would not be able to be made readily accountable without a major and potentially costly readjustment of the regulatory infrastructure'.⁵¹

Further comments about professional accountability in the Wilkinson Review are included in **Item 3 in Appendix A.**⁵²

⁴⁹ http://www.aph.gov.au/About_Parliament/House_of_Representatives/Powers_practice_and_procedure/00_-_Infosheets/Infosheet_11_-_Petitions

⁵⁰ See generally Part 13 of the *Health Practitioner National Law*

⁵¹ National Competition Policy Review of Pharmacy (the Wilkinson Review), *Final Report – Part A* (p 47).

⁵² National Competition Policy Review of Pharmacy (the Wilkinson Review), *Final Report – Part A* (p 36).

Maintaining consumer access to medicines in emergency and natural disaster situations

Community pharmacy also plays a critical role in ensuring medicines and pharmacy services are available throughout emergencies or natural disasters such as fire or flood as well as pandemic emergencies, providing those affected with adequate care even when they are displaced from their homes.

Pharmacists ensure continuity of medicine supply to consumers in emergency situations, where consumers may have lost or do not have access to their medicines and/or prescriptions, may have lost or be unable to access relevant identification, may have limited or no access to their funds, and may be attending an unfamiliar pharmacy which does not have their details on record.

The role of the community pharmacy, pharmacist and pharmacy staff can be extended during emergency situations to provide minor ailment care and structured triage to health services. This is of particular importance in regional locations which may have limited services.

Josh Perry, Whittlesea AMCAL Pharmacy, Victoria- Black Saturday bushfires

The Black Saturday bushfires in early 2009 had a devastating impact on the local region. Although the pharmacy in Whittlesea escaped damage, a wind change caused the nearby town of Kinglake to become cut off and access to the town was restricted to select personnel, which included our pharmacy manager. The Whittlesea pharmacy played a crucial role in ensuring patients in Kinglake continued to receive medicines by making regular deliveries, up the mountain.

We donated a range of medical products such as eye wash, burn cream, dressings and paracetamol to GPs and members of the public. People were also able to collect free of charge from the pharmacy more routine items. We also dispensed people's prescription medication despite the fact that, due to the circumstances, they did not have their prescriptions. As a result we were not able claim these medicines through the PBS.

In the aftermath of the bushfire on the Sunday, the pharmacy remained open well beyond our usual opening time. We called extra staff to help meet demand and we also had other pharmacists in the local region offering to volunteer their time to work in the pharmacy. As well as dispensing medication, we treated mild burns and managed wounds.

In times of natural disasters, it is crucial the local community rallies to support each other. Had the pharmacy not gone the extra mile in extending trading hours, people would have had reduced access to vital medications which would have compounded an already terrible situation.

Darrell Massie, Perth, Western Australia

On the 22nd of March, 2010, Perth experienced one of the worst storms in its history, causing over \$1 billion of damage and prompting the Government to declare a natural disaster. The following is an edited account of the experiences of Lena, his pharmacist-in-charge on that day.

The first major thing that happened when the hail started was that the pharmacy lost power. Lena decided not to shut the pharmacy, thinking that people might need simple medical help in a storm like this. A woman who got caught in the hail ran to the pharmacy with cuts on her hand and her head. Lena proceeded to disinfect and dress her wounds the best she could in the dimness of the pharmacy.

Another patient, an elderly woman stopped at the pharmacy. Lena noticed that she was not her usual bubbly self, but on questioning she admitted to being dizzy but felt ok. Lena checked the blood pressure, and also noted the pulse rate of 35. She also noticed that her hands were cold, she was slightly breathless and appeared a little pale. Lena rang the nearest doctor – but the receptionist said that their roof had caved in due to the storm and they were closed. Lena then insisted that the patient attend the nearby hospital and accompanied her to explain the situation to the triage nurse. She was taken in immediately and she had a pacemaker put in overnight.

In Lena's words: "Pharmacy is not just a destination to get medications. From the little clinical interventions we make on a daily basis that reduce side effects experienced by patients, enabling them to continue their therapy, or preventing serious medication interactions, to outright saving people's lives. We are at the forefront of patient care, the ones with the most patient interaction and hence are in the best position to know our patients, to help our patients and to save our patients' lives."

Successful Public-Private-Partnership

The community pharmacy sector has approximately \$5 billion of privately funded assets⁵³, which are utilised for the public good in a successful private-public-partnership between community pharmacy and the Commonwealth Government. These privately funded assets are leveraged to efficiently manage the best pharmaceutical subsidy scheme in the world.

Evidence of benefits of community pharmacy

Over many years, various studies have supported the continuation of the current community pharmacy model:

- A 2011 report estimated that Australian pharmacies perform around half a million interventions per annum when dealing with non-prescription medicines, with around 20% of these interventions averting emergency medical attention or serious harm, and are potentially life-saving.⁵⁴

⁵³ Guild Digest 2013

⁵⁴ Williams, KA, Emmerton, LM, Taylor, R, Werner, J and Benrimoj, SI, '*Non-prescription medicines and Australian community pharmacy interventions: rates and clinical significance*', International Journal of Pharmacy Practice (2011) Volume 19(3), (pp 156-165).

- In a national census of people over the age of 50, 43% of participants reported using 5 or more medicines of any type within the previous 24 hours and 10% reported using 10 or more medicines. This highlights the importance of pharmacists carefully supervising medication use to avoid adverse drug reactions.⁵⁵
- In regards to satisfaction with health care services, Australians expressed a higher level of satisfaction with pharmacists (89%) than with any other health profession.⁵⁶
- The benefits of the existing community pharmacy network have been estimated to range between \$640 and \$1365 million per annum (such as for reduced level of hospitalisation and the savings from pharmacists treating minor ailments).⁵⁷ While these estimates were from 1999, it is highly likely that the benefits would be even larger today, due to such factors as the ageing of the population, more complex combinations of prescribed medicines, a greater range of available medicines, and more difficulty in accessing a timely appointment with a doctor.

⁵⁵ Morgan, TK, Williamson, M, Pirotta, M, Stewart, K, Myers, SP and Barnes, J, '*A national census of medicines use: a 24-hour snapshot of Australians aged 50 years and older*', Medical Journal of Australia (2012) Volume 196(1) (pp 50-53).

⁵⁶ Menzies Centre for Health Policy, *The Menzies-Nous Australian Health Survey 2012* (23 October 2012) (p 25).

⁵⁷ In preparing its submission to the Wilkinson Review, the Guild and the PSA commissioned KPMG Consulting to undertake some major research including: a nation-wide consumer survey on the value consumers place on pharmacist ownership of pharmacies; an econometric study of economies of scale in community pharmacy; a review of international experience with open ownership and an analysis of its application to Australia, taking into account differences in anti-trust legislation between countries.

PART 3

COMPETITION IN THE COMMUNITY PHARMACY SECTOR

In considering whether pharmacy regulations are in the public interest, the current commercial environment in the pharmacy sector should be taken into account.

In the years since the Wilkinson Review was completed in 2000 the following changes to the financial and competitive nature of the pharmacy sector have taken place:

- the profitability of the pharmacy sector has declined following PBS reforms, including Price Disclosure;
- costs for pharmacies have increased (particularly rental rates and wages);
- discount pharmacy chains have expanded, resulting in an increase in competition amongst pharmacies; and
- Friendly Society Pharmacies have increased in numbers, further increasing competition.

These changes have placed considerable pressure on margins in the pharmacy sector, as evidenced by significant staff reductions to enable pharmacies to remain viable, together with increasing numbers of pharmacies entering receivership.

Increased competition has also led to an unprecedented level of innovation in the community pharmacy sector, and a growth in the volume and range of health care services provided.

These factors demonstrate that:

- competition in the pharmacy sector is highly effective under the current regulatory arrangements; and
- reforms to the PBS are already delivering significant benefits to the Commonwealth thus ensuring the future sustainability of the PBS.

Declining profitability

The introduction of the Price Disclosure Policy in 2007 resulted in a significant decline in profitability for pharmacies, and reduced the growth of the pharmacy sector over the past five years.⁵⁸

In 2007 amendments were made to the *National Health Act* which introduced a Price Disclosure Policy for drugs on the 'F2 formulary'. Most generic 'off patent' drugs fall into this category. The aim of those provisions was to ensure that the price the Commonwealth Government pays for a generic drug more closely reflects the actual price at which that drug is supplied to pharmacies.⁵⁹ While this allowed for greater transparency around wholesale prices, its aim and effect is to incrementally reduce the price of PBS medicines over time.

⁵⁸ IBISWorld, *IBISWorld Industry Report G4271a – Pharmacies in Australia* (April 2014) (p 5).

⁵⁹ Explanatory Memorandum, *National Health Amendment (Pharmaceutical Benefits Scheme) Bill 2007* (Cth) (pp 1 - 2).

In 2010 a Department of Health and Ageing report estimated that, over the ten years between 1 July 2008 and 30 June 2018, the PBS reforms would result in savings of between \$3.6 billion and \$5.8 billion for Government and between \$0.6 billion and \$0.8 billion for patients.⁶⁰ Savings continue to significantly exceed projections, with the 2014-15 Commonwealth Budget estimating that savings from the reforms for the five years to 30 June 2018 will exceed \$11.3 billion.⁶¹

In the last three years the Treasury has reduced its pharmaceutical expenditure forecasts by a cumulative total of \$8.6 billion, including \$4.5 billion in the 2014-15 Budget forward estimates. In the 2012-13 financial year Government expenditure on the PBS fell by 4.5%,⁶² the first fall this century, with further falls expected in this financial year.⁶³

While the Guild has consistently supported these reforms since they were introduced in 2007, it should be recognised that Price Disclosure directly reduces pharmacy profitability. The Guild estimates that in 2014-15 alone Price Disclosure will reduce the net profit before tax of an average pharmacy by approximately \$90,000.

Further changes to Price Disclosure ('simplified Price Disclosure') will commence on 1 October 2014. These changes are intended to allow PBS prices to be adjusted to market prices more quickly.⁶⁴

Rising costs

Rising costs have compounded the effects of Price Disclosure. Pharmacy operating expenses, including pharmacy rents, have increased substantially since 2000, outstripping CPI.⁶⁵ The Guild's analysis indicates that pharmacies are charged more for their real estate requirements than other retail sectors, including newsagents, banks and fashion retailers.⁶⁶

Moreover, unlike these other businesses, the ability of pharmacists to pass these costs on to consumers is limited. Most of the revenue generated by pharmacies is attributable to dispensing of PBS medicines.⁶⁷ The price of PBS medicines is set by the Commonwealth Government and **cannot** be increased in line with increasing costs – in fact, they are subject to government policies (such as Price Disclosure) that are designed to deflate prices over time.

⁶⁰ Australian Government - Department of Health and Ageing, *Impacts of Pharmaceutical Benefits Reform* (February 2010) (p ii).

⁶¹ Australian Government – Department of Health, *2014-15 Health Portfolio Budget Statements* (May 2014) (p 73)

⁶² Australian Government - Department of Health, *Expenditure and Prescriptions twelve months to 30 June 2013* (p 1).

⁶³ IBISWorld, *IBISWorld Industry Report G4271a – Pharmacies in Australia* (April 2014) (p 8).

⁶⁴ IBISWorld, *IBISWorld Industry Report G4271a – Pharmacies in Australia* (April 2014) (p 4).

⁶⁵ The Pharmacy Guild of Australia, *2014 Pharmacy Rental Report – Price Disclosure Impact Edition* (p 6).

⁶⁶ The Pharmacy Guild of Australia, *2014 Pharmacy Rental Report – Price Disclosure Impact Edition* (p 14).

⁶⁷ PBS medicines comprise about 70% of most pharmacies' turnover.

Increasing competition

While the Wilkinson Review considered that pharmacy regulations did not fully promote competition in pharmacy services, significant changes in the pharmacy sector since 2000, including the growth of discount pharmacy chains, have resulted in intense competition,⁶⁸ and the creation of an extremely cost-competitive environment.⁶⁹ As IBISWorld recently reported:

*'Intensifying competition has adversely affected pharmacy profitability, particularly as the industry becomes increasingly polarised between the new discount pharmacies and traditional full-service models.'*⁷⁰

Below is the pictorial depiction of competition in the community pharmacy sector in Australia in 2014. It is important to note that:

- a pharmacy that belongs to one of these banner groups is still owned and controlled by individual pharmacists;
- there are also at least 2,000 other independent pharmacies that do not belong to these groups;
- the total number of individual community pharmacy owners in Australia is about 4,000; and
- most pharmacies use a banner group, management group or buying group to gain economies of scale in marketing, administration and buying power, but maintain their independence – this is the ideal blend of competition, efficiency, accessibility and quality health care.

⁶⁸ KordaMentha, *Pharmacy – A challenging and changing outlook* (February 2014) (pp 16 – 18); KordaMentha, *Retail pharmacy – ready to take its medicine?* (December 2011) (p 20); IBISWorld, *IBISWorld Industry Report G4271a – Pharmacies in Australia* (April 2014) (p 4)

⁶⁹ IBISWorld, *IBISWorld Industry Report G4271a – Pharmacies in Australia* (April 2014) (p 8).

⁷⁰ IBISWorld, *IBISWorld Industry Report G4271a – Pharmacies in Australia* (April 2014) (p 6).

The depiction of some of what competition looks like in pharmacy in Australia in 2014



Innovation – pharmacy and eHealth

Community pharmacies have led the way amongst Australian health care providers in the area of eHealth. This is demonstrated by the sector's continued willingness to adopt innovative technology and IT solutions to offer the highest possible standard of pharmacy and health care. Pharmacies have a long history of early and swift uptake of technological advances, including computerisation of records, broadband internet, electronic recording of interventions, electronic enablement of programs, electronic transfer of prescriptions, mobile technologies, online claiming and many more. These have created efficiencies through innovation and, unlike other healthcare sectors, the advances in technology have been implemented in a nationally consistent manner.

Medicine records are already maintained electronically as a fundamental requirement of community pharmacy's role. Of note, 99.6% of PBS claims are online, being sent securely and in real time to the Department of Human Services. In addition, through the Guild's 'GuildCare' suite of software, professional services are managed and recorded electronically, including the provision of customised health reports for patients (for example, in relation to blood pressure and weight recording). Other IT developments include the Electronic Transfer of Prescriptions, (from prescriber to the pharmacy of consumer's choice), the Guild's online pharmacy locator/services directory 'Find-a-Pharmacy' and involvement in the development of a National Medication Repository.⁷¹

Innovation – competition within the sector

Competition also continues to drive innovation within community pharmacy.

The most recent IBISWorld report in relation to the pharmacy industry commented that in response to increasing competition, a number of pharmacies have implemented new business models with an increased focus on:

- providing community health services, including drug information, clinical interventions and preventative care for patients with chronic conditions;
- marketing;
- retailing wellness and beauty products; and
- other strategy changes, including the use of social media and loyalty cards.⁷²

⁷¹ See 'Pharmacy Innovations in E-Health' at <http://www.guild.org.au/docs/default-source/public-documents/issues-and-resources/Fact-Sheets/pharmacy-innovations-in-ehealth.pdf?sfvrsn=0>

⁷² IBISWorld, *IBISWorld Industry Report G4271a – Pharmacies in Australia* (April 2014) (p 7).

Alice Tucker, Yeppoon, Queensland

Innovation and community engagement:

My husband and I own and operate the Cooeee Bay Pharmacy in Yeppoon, Central Queensland. In the past 3.5 years, we have built our pharmacy into a busy, welcoming and friendly health hub.

We have just developed and launched our very own pharmacy specific app that allows customers to request advice and products. The app allows patients to view our catalogue, list of services, and links to useful resources such as the Heart Foundation.

We have also worked very hard to broaden and extend our service to best suit the needs of our community. For example, I perform Home Medicine Reviews ~2 days/week, we have a naturopath, baby nurse and diabetes educator on staff. We believe very strongly in the valuable service pharmacy provides to the community and are extremely committed to reshaping the industry to be collaborative, patient centred and innovative.

Excellence Acknowledged – The Pharmacy of the Year Award

The Guild's Pharmacy of the Year awards provide excellent examples of the increasingly innovative and competitive community pharmacy sector. Each year, those awards recognise pharmacies who demonstrate excellence in specified categories, including business management and innovation in professional services. The 2014 winners in these fields are detailed in Appendix B.

Effect of recent changes in pharmacy viability

While community pharmacy has been, and endeavour to remain, innovative and progressive, the recent effects of declining profitability, rising costs and increasing competition include:

- significant reductions in the number of pharmacy staff employed by pharmacies; and
- increasing numbers of pharmacies becoming insolvent.⁷³

Staff reductions

In order to remain viable, many pharmacies are being forced to reduce staff numbers. A national survey undertaken by the Guild of pharmacies about their employment intentions over the next year, conducted in April 2014, reveals that nearly 9,000 pharmacy jobs will be lost, including over 2,000 pharmacists and over 4,000 pharmacy assistants, equating to more than 10% of professionally trained pharmacy staff.⁷⁴

⁷³ IBISWorld, *IBISWorld Industry Report G4271a – Pharmacies in Australia* (April 2014) (p 6).

⁷⁴ The Pharmacy Guild of Australia, *Employment Expectations Report* (April 2014) (p 1).

Insolvencies

In 2000 the Wilkinson Review, although acknowledging that competition between pharmacies for the consumer dollar did exist, commented that *'it is arguably competition sheltered by a background of government subsidy and wholesaler loan guarantees, which help to ensure that poor performers are unlikely to "go under" as a result of being outperformed'* [emphasis added].⁷⁵ In consultations between the Wilkinson Review and the Guild in 1999, the Guild advised that, to its knowledge, in recent years no pharmacist-owned pharmacy business had closed altogether due to financial difficulties.⁷⁶

This is no longer the case. The Guild estimates that over the last two years more than 100 pharmacies went into receivership, including some groups comprising more than 10 pharmacies each. This reflects the highly competitive and difficult operating environment in the pharmacy sector.

When Simplified Price Disclosure is introduced later this year it is expected that up to 40% of all pharmacies will become marginally viable or unviable if their operating expenses do not decrease.

Conclusions

The pharmacy sector is not characterised by super-normal profits. Competition between pharmacies and declining margins on PBS medicines have impacted substantially on pharmacy profitability, as evidenced by an increase in pharmacy insolvencies, a reduction in employment across the sector.

In a sector where competition is already effective, any possible gains from deregulation are likely to be extremely limited, and probably only temporary, while the impact of deregulation would ultimately be to permanently lose the substantial societal benefits of the current community pharmacy network. This is discussed further in the following section.

⁷⁵ National Competition Policy Review of Pharmacy (the Wilkinson Review), *Final Report – Part A* (p 31).

⁷⁶ National Competition Policy Review of Pharmacy (the Wilkinson Review), *Final Report – Part A* (foot note 36).

PART 4

CONSEQUENCES OF DEREGULATION

As a starting point, to determine whether the regulation of the pharmacy sector is in the public interest, consideration ought to be given to the counterfactual. Put another way, if the pharmacy sector was deregulated, would this result in a net public benefit, taking into account the purported benefits and the potential risks of deregulation?

This section addresses this question by exploring the following issues:

1. What would the pharmacy sector look like if it was deregulated?
2. What would pharmacy look like under an increasingly 'corporatised' model?
3. What are the purported benefits of a deregulated pharmacy sector?
4. Would the benefits of a deregulated pharmacy sector outweigh the costs?

A deregulated pharmacy sector

If the pharmacy sector were deregulated in the future it is likely that the following would occur:

- major retail chains (e.g. supermarkets and department stores) would rapidly enter the pharmacy market;
- larger pharmacy chains may grow their share of the pharmacy market;
- there would be a move from low to higher market share concentration;⁷⁷ and
- the existing network of community pharmacies would start to decline.

In the short to medium term, the corporate model of pharmacy would become increasingly prevalent, with independent community pharmacies playing a smaller role in the pharmacy sector and the sector generally providing fewer health services than it does in the current regulatory regime.

This is consistent with what has been observed in other sectors in Australia, and in the delivery of pharmacy services in other parts of the world.

Australian experience – other sectors

In the past decade in Australia, the major supermarket chains have entered, and now dominate, a number of markets, including petrol and liquor.

⁷⁷ The pharmacy sector is currently highly fragmented, with low market share concentration, mainly because of the restrictions on pharmacy ownership in each State and Territory: IBISWorld, *IBISWorld Industry Report G4271a – Pharmacies in Australia* (April 2014) (p 18).

For example, Australian petrol retailing has experienced significant changes, with supermarkets increasing their market share in the industry considerably.⁷⁸ Between 2002-03 and 2012-13 the major supermarkets' market share of the retail petrol industry has increased from 10% to 48%.⁷⁹ During this period, the two major Australian supermarkets have operated shopper docket discount schemes, ranging between four cents per litre discounts on petrol purchases and 45 cents per litre when a minimum amount is spent on groceries at their supermarkets. In 2012 the Australian Competition and Consumer Commission (ACCC) commenced an investigation into the effects of the shopper docket discounting schemes on competition and consumer welfare. That investigation raised competition concerns in relation to those schemes,⁸⁰ and resulted in undertakings being given to the ACCC by Coles and Woolworths that they would limit their shopper docket discounts.⁸¹ Woolworths was recently found by the Federal Court to have breached that undertaking.⁸²

The two major supermarkets, which together control 70% of the grocery industry⁸³, have also rapidly increased their share in the liquor retailing market over the past five years. Both supermarkets now dominate the liquor industry, and reportedly control 60% of that market. This figure is likely to increase in the future.⁸⁴

The recent action brought by the ACCC against Coles for alleged unconscionable conduct towards its suppliers raises concerns about the implications of the market dominance of the major supermarket chains in Australia.⁸⁵

The pattern of entry and market dominance of the supermarkets seen in these other industry sectors would likely occur in the pharmacy sector if it was deregulated. The major supermarkets in Australia have in the past expressed a strong desire to enter the pharmacy sector if regulatory arrangements were relaxed.⁸⁶

⁷⁸ Australian Competition and Consumer Commission, *Monitoring of the Australian petroleum industry – Report of the ACCC into the prices, costs and profits of unleaded petrol in Australia* (December 2013) (p 30).

⁷⁹ Australian Competition and Consumer Commission, *Monitoring of the Australian petroleum industry – Summary 2013* (p 44).

⁸⁰ Australian Competition and Consumer Commission, *Monitoring of the Australian petroleum industry - Report of the ACCC into the prices, costs and profits of unleaded petrol in Australia* (December 2013) (p xxiv).

⁸¹ Australian Competition and Consumer Commission, *Monitoring of the Australian petroleum industry - Report of the ACCC into the prices, costs and profits of unleaded petrol in Australia* (December 2013) (p 9).

⁸² *Australian Competition and Consumer Commission v Woolworths Limited* [2014] FCA 364 (Robertson J).

⁸³ Deloitte Access Economics- Analysis of the grocery industry- October 2012 34

⁸⁴ IBISWorld, *IBISWorld Industry Report C1214 – Wine Production in Australia* (April 2014) (pp 6 and 10).

⁸⁵ On 5 May 2014 the ACCC instituted proceedings in the Federal Court of Australia against Coles alleging that Coles engaged in unconscionable conduct in relation to its 'Active Retail Collaboration' program, in contravention of the Australian Consumer Law: Australian Competition and Consumer Commission, *ACCC takes action against Coles for alleged unconscionable conduct towards its suppliers* (5 May 2014).

⁸⁶ In 2003 Woolworths announced its plan to establish 100 in-store 'pharmacies without pharmacists' and one in-store pharmacy: The Sydney Morning Herald, *Woolworths to move on to chemists' turf* (26 August 2003).

In 2006 a subsidiary of Coles acquired Sydney Drug Stores Pty Ltd, which was in essence a move by the supermarket into the pharmacy sector. The Supreme Court of New South Wales found Coles had contravened State pharmacy legislation and ordered it to sell its interest in Sydney Drug Stores: *Attorney General for New South Wales v Now.com.au Pty Ltd* [2008] NSWSC 276.

Although it has been reported recently in the media that neither Coles nor Woolworths have plans to expand into pharmacies (Sydney Morning Herald, *Pharmacists next target of big two, say analysts* (28 September 2013)), in September 2013 Woolworths lodged a trade mark application for the mark 'Pharmacy-in-Supermarket' for pharmacy related goods and services.

Overseas experience – relaxation of regulatory arrangements

Overseas experience supports the view that relaxing regulatory arrangements will likely result in a market where large retail chains have significant market share, and independent community pharmacies play a smaller role.

A European comparative study of countries with a deregulated pharmacy sector (England, Ireland, the Netherlands, Norway and Sweden) and countries with a regulated pharmacy sector (Austria, Finland and Spain) found that in all five deregulated countries the removal of ownership restrictions resulted in the creation of pharmacy chains and vertical integration, with large international wholesale companies owning pharmacy chains, and those chains having significant markets shares.⁸⁷

Prior to the relaxation of regulatory arrangements in the pharmacy sector in Norway in 2001, the Norwegian government controlled the number, ownership and location of pharmacies. Specifically, the ownership and operation of pharmacies was restricted to pharmacists. These arrangements were relaxed in an effort to stimulate competition in the market. The effects of these reforms included a decrease in the number of independent pharmacies and the rapid transformation of the pharmacy sectors into oligopolies, requiring government intervention and re-regulation to impede the emergence of these monopolies.⁸⁸ It was reported in 2012 that 81% of Norwegian pharmacies were owned by one of the three large pharmacy chains.⁸⁹

Similarly, in the deregulated pharmacy sector in the United States large corporate pharmacy chains conduct a significant portion of the business of dispensing prescriptions.⁹⁰ In contrast, independent community pharmacies account for approximately only one third of total industry sales.⁹¹

The Australian pharmacy sector is perhaps even more vulnerable to the negative consequences of deregulation due to its low population density, particularly when compared with the United States and European countries.

What would pharmacy look like in an increasingly 'corporatised' model?

The corporate pharmacy model would see a fundamental change to the provision of pharmacy services to the Australian public from the primarily patient-centric model of the community pharmacy sector to a corporate pharmacy model with a shareholder-centric focus on maximising shareholder value.

⁸⁷ Vogler S, Arts D and Sandberger K, *Impact of pharmacy deregulation and regulation in European countries – Summary Report* (March 2012) (p 9).

⁸⁸ Anell A and Hjelmgren J, *Implementing competition in the pharmacy sector: lessons from Iceland and Norway*, Applied Health Economics and Health Policy (2002) Volume 1(3).

⁸⁹ Vogler S, Arts D and Sandberger K, *Impact of pharmacy deregulation and regulation in European countries – Summary Report* (March 2012) (p 7).

⁹⁰ In 2010 the market share (by medicines dispensed) of the five top pharmacy chains in the United States was: CVS (19%); Walgreen (16.5%); Medco Health Solutions (7.8%); Rite-Aid (7%); Wal-Mart (6.5%); Statista – The Statistics Portal, *Market share of the top US pharmacy chains in 2010*.

⁹¹ Chron, *Analysis of Pharmacy Industry*.

Key drivers – price, profit and shareholder value

The key drivers of the corporate model of pharmacy would include:

- price;
- profit; and
- maximising shareholder value.

Directors of publicly listed companies, including the large supermarket chains, have a duty to act in the best interests of shareholders by maximising profitability and dividends.

This shareholder focus would result in a corporatised pharmacy sector that is visibly different to the current community pharmacy model. Community pharmacy operates as an accessible primary provider of health care to the community, through optimum therapeutic use of medicine, and is fundamentally different from a large scale commoditised retail business, which can be expected to place a much greater emphasis on maximising volumes and margins with reduced personalised care and service to consumers.

The Commonwealth echoed this concern in its submission to the Wilkinson Review:

*'The Commonwealth's principal concern is that changes to the ownership of pharmacies could lead to a shift in the mode of delivery from traditional community based arrangements to arrangements more heavily focussed towards retail objectives.'*⁹²

The legislative structure is designed to provide a patient focussed service rather than one oriented to maximise profit and to prevent outcomes such as those reported in recent media⁹³, where it said that changes in the primary healthcare market – including GP superclinics – has seen more medical services co-located, prompting Medicare to warn that if referrals were kept in house, doctors might 'not act as an agent of their patient, but of a corporation whose main concern is profits'

The same warning would equally apply to other corporate entities wishing to enter the pharmacy sector.

Key risk of corporate pharmacy model – poorer health outcomes and increased health costs

The corporate pharmacy model is unsuitable because major retail chains favour a high volume/low margin approach. The pressure to decrease costs would result in a reduction in the less profitable professional services that community pharmacies currently provide, such as professional advice to consumers, changing the focus of pharmacy from health care to retail.

Provision of essential harm minimisation services

Harm minimisation services are more likely to be delivered under the current pharmacy model, as many pharmacists feel obliged to provide these services as part of being a health professional. These services often run at a cost to the pharmacy.

⁹² Commonwealth Government, *Submission to the National Competition Review of Pharmacy Legislation* ([151]).

⁹³ *The Australian*, 11 June 2014

Under a deregulated and increasingly corporatised community pharmacy model, particularly in relation to supermarkets, there is a significant risk these services would not be offered.

Opioid Dependence Treatment (ODT) services

Community pharmacy makes up 88 per cent of all ODT services.⁹⁴ They are a crucial component of Australia's harm minimisation policy in relation to the use of illicit drugs.

ODT services in community pharmacies are important in breaking inter-generational drug and alcohol dependency. The service enables pharmacists, as trained health professional, to engage with patients and their family (including children) which assists in 'normalising' the treatment process. Due to their accessibility, community pharmacies are able to manage the same patients over a long term period and help deal with issues such as compliance. In addition, when patients are due to leave the program, pharmacies can assist in managing anxiety, outline potential risks of relapse and explaining likely outcomes once the patient has exited the program.

Needle and Syringe Program (NSP)

Community pharmacy makes up approximately 72% of all NSP services providers.⁹⁵ These services reduce the transmission of blood borne viruses such as HIV/AIDS and hepatitis C. The major benefit of NSP is that it enables pharmacists to provide 'opportunistic comments' to patients accessing the service.

This potential is obviously not a viable option in relation to automatic dispensing services. This service can lead to patients seeking treatment and being enrolled into rehabilitation programs.

Many aspects of a typical community pharmacy are not profitable, including many professional services and the stocking, ordering and dispensing of the large number of important but infrequently used scheduled medicines. These services and products are provided by owners of community pharmacies as part of their professional commitment to their local communities.

Denis Leahy – Stanmore Station Pharmacy, NSW

The unfortunate reality is that due to the nature of drug addiction, some patients end up in prison. In these instances, it is vitally important that these patients maintain adherence to their opioid dependence treatment program to avoid relapses.

Several times throughout my career as a pharmacist, I have been contacted after hours by the prison with a request to supply methadone to a patient facing overnight incarceration.

It is fairly safe to say that had I not been willing to provide this service, then these patients would have simply had to go without.

⁹⁴ Australian Institute of Health and Welfare (2013) National Opioid Pharmacotherapy Statistics 2013 report. Cat. no. HSE 147. Canberra, AIHW

⁹⁵ National Needle And Syringe Programs Strategic Framework 2010-2014, 18

A greater emphasis on costs and throughput in the corporate pharmacy sector may result in:

- an increase in the more profitable parts of a pharmacy business (i.e. dispensing prescriptions), with less focus on unprofitable professional services;⁹⁶ and
- a smaller range of scheduled medicines (i.e. not stocking low volume prescription drugs).⁹⁷

The risks posed by a deregulated pharmacy sector were raised by the Commonwealth Government in its submission to the Wilkinson Review:

*'With a different ownership structure, different strategies would need to be considered to ensure that pharmacists participate in public health campaigns and cooperated with other health services providers in providing coordinated care to those in the community with chronic and/ or complex health conditions. It could be expected to become more difficult to design such strategies when part of the industry was incorporated within a broader retail structure.'*⁹⁸

The risks of the corporate pharmacy model outlined above would seriously threaten several of the core pillars of the National Medicines Policy, namely ensuring timely access and quality use of medicines, and would translate to a decline in the quality of care provided by pharmacies, resulting in:

- poorer health outcomes for patients; and
- a transfer of health costs to other areas in health and aged care, including an increased number of visits to General Practitioners.

This is because commercial incentives alone do not support the provision of the full range of pharmaceuticals and pharmacy services on a universal basis.

The professional services and advice provided by pharmacists reduce the need for more expensive hospital and aged care services. If the delivery of professional pharmacy services, and convenient access to the full range of medicines, declines under an increasingly corporatised model of pharmacy, the increased risk of pharmaceutical mismanagement, and a reduced capacity to provide front line control and management of contagious and chronic diseases, may adversely impact on the health of the Australian public.

Any reduction in the quality of service provided by the community pharmacy has the potential to result in:

- increased costs to Medicare as a result of increased visits to General Practitioners and specialist doctors;
- an increase in attendances to emergency departments and an increase in hospital admissions; and

⁹⁶ This is consistent with the findings of a report prepared for the Guild by the Network Economics Consulting Group in relation to the pharmacy ownership restrictions: Network Economics Consulting Group, *Ownership Restrictions applying to Pharmacies – Assessment of case for retaining restrictions* (July 2004) (p 10).

⁹⁷ This is consistent with a European study which found that deregulation may cause limited availability of low volume drugs: 'Due to increased financial pressure in a liberalised environment pharmacies might be induced to keep fewer medicines in stock and focus on "blockbusters"' (Vogler S, Arts D and Sandberger K, *Impact of pharmacy deregulation and regulation in European countries – Summary Report* (March 2012) (p 18)).

⁹⁸ National Competition Policy Review of Pharmacy (the Wilkinson Review), *Final Report – Part A* (pp 40 – 41).

- further pressure on aged care facilities, as fewer older Australians may be able to live independently in their homes.

These health care services create significantly more taxpayer burden than the low cost associated with early interventions by pharmacists.

Other risks of corporate pharmacy model

In addition to the risk of poorer health outcomes and increased costs in other areas, the following risks may also eventuate in a pharmacy sector dominated by corporatised pharmacies:

- **Reduction in access to a full range of pharmaceuticals**

Currently wholesalers achieve varying returns across products and geographical locations.

Deregulation could dismantle the finely balanced wholesaler distribution system which works synergistically with community pharmacy, as the CSO aims to ensure that all Australians, regardless of where they live, have equal access to a full range of PBS medicines. This is currently achieved despite the vastness of the Australian continent and the sparseness of its population.

Large corporate pharmacies may choose to by-pass the current major wholesalers and acquire medicines directly from manufacturers, which may jeopardise the current level of access to pharmaceuticals in rural and remote areas made possible by wholesalers. This may result in increasing costs for smaller community pharmacies in rural and remote areas, putting at risk the viability of community pharmacies in these locations, and reducing consumer access to pharmacy services and medicines, a core pillar of the National Medicines Policy.

This is consistent with a report prepared by Deloitte Access Economics in relation to the exclusive distribution of PBS medicines. That report made the following finding in relation to 'exclusive distribution' (i.e. distribution directly from manufacturers to pharmacies):

*'Exclusive distribution potentially threatens a core pillar of Australia's National Medicines Policy (NMP), namely, timely and reliable access to PBS medicines for all Australians.'*⁹⁹

- **Loss of experienced pharmacists**

The pharmacy sector may lose significant numbers of highly experienced pharmacists because of the reduced level of professional independence of pharmacists in a corporate pharmacy model.¹⁰⁰ The loss of experienced pharmacists from the sector would undermine valuable pharmacist-patient relationships that are an integral component of pharmaceutical care.

⁹⁹ Deloitte Access Economics, *Economic analysis of exclusive distribution of PBS medicines* (June 2011) (p 1).

¹⁰⁰ This is consistent with a European study which found that individual pharmacists lost professional independence after deregulation due to the establishment of vertically integrated pharmacy chains with large market shares: Vogler S, Arts D and Sandberger K, *'Impact of pharmacy deregulation and regulation in European countries – Summary Report'* (March 2012) (p 14).

- **Conflict of interest – tobacco and alcohol**

If the pharmacy sector was deregulated, and supermarkets owned and operated pharmacy businesses within their premises, scheduled medicines would be just some of the tens of thousands of products sold in a supermarket, including junk food, alcohol and cigarettes.

The business model of the major grocery chains is simply incongruous with a genuine interest in healthcare.

Six out of seven top selling products in supermarkets are cigarettes, as are the top two manufacturers.¹⁰¹ There is a fundamental contradiction between the role of pharmacies in improving the quality of patient lives, including by actively promoting anti-smoking campaigns, and the sale through supermarkets of cigarettes, which jeopardise consumer health and are causally linked to major disease, including coronary heart disease, stroke, peripheral vascular disease and numerous cancers. In addition to more than \$7 billion of cigarette sales, Australia's major supermarket companies sell more than \$10 billion of liquor each year. Combined, their alcohol and cigarette sales exceed the total sales of all community pharmacies in Australia.¹⁰²

- **Loss of patient-centric innovation**

If the pharmacy sector was deregulated, the patient-centric and increasingly innovative approach of community pharmacies would likely disappear because the key drivers of the corporate pharmacy model (price, profit and shareholder value) are inconsistent with the patient service focus of community pharmacy.

- **An opportunity lost**

Deregulation of the pharmacy sector would undermine the future delivery by community pharmacy of an even broader range of services and functions for the Australian community.

Areas where pharmacies can play an enhanced, cost-effective role include:

- wellness, screening and disease prevention services;¹⁰³
- supporting chronic disease monitoring and self-management;
- in home aged care;¹⁰⁴
- administering vaccinations;
- addressing minor ailments;¹⁰⁵

¹⁰¹ Supermarket industry trade data, 2012

¹⁰² Aggregated from Wesfarmers and Woolworths 2013 Annual Reports. See <http://www.wesresources.com.au/sites/default/files/publications/2013%20Annual%20Report.pdf> and http://www.woolworthslimited.com.au/icms_docs/137198_Annual_Report_2013.pdf

¹⁰³ A health and wellness check may include blood pressure, cholesterol, blood glucose, body measurements, lung function, bone density and lifestyle risk factors such as smoking, diet, sleep and exercise.

¹⁰⁴ E.g. the provision of all appropriate medicines in dose administration aids; home delivery of medicines where required; regular medicine reviews undertaken in the patient's home; regular monitoring of blood pressure and other health indicators; management and monitoring of any devices that are used by the patient; administering prescribed medicines as required; reducing the risk of falls and other injuries in the home; liaising with allied health care professionals and local support agencies.

- smoking cessation services; and
- wound and pain management.

Further involvement of community in these areas would:

- free up scarce doctor resources to allow them to provide medical care for patients with serious, complex and chronic conditions;
- reduce preventable and unnecessary hospitalisations through a greater emphasis on early detection and intervention and ongoing management of chronic conditions.

A reduction in the role of community pharmacy in Australia would be out of step with international trends. Governments of nations with similar modern healthcare systems are increasingly making greater use of community pharmacies and pharmacists, including through the following community pharmacy-based services:

- in Canada and the United Kingdom, Governments fund community pharmacies to manage minor ailments, including conditions such as urinary tract infections, back pain, mouth ulcers and eczema, reducing costs in other areas of healthcare and providing convenient quality services for patients¹⁰⁶;
- in Canada¹⁰⁷ and Scotland, pharmacists are paid for prescription renewal and to manage the ongoing supply of prescribed medicines for chronic conditions without the need to continually return to the prescriber, reducing costs in other areas of healthcare; and
- in Portugal and Denmark,¹⁰⁸ pharmacies are paid to provide training and guidance on the correct technique for inhaler devices, ensuring that medicines for asthma and chronic obstructive pulmonary disease are taken properly and safely, reducing the risk of emergency room visits and hospitalisation.

The perceived benefits of deregulation

The perceived benefits of deregulation are frequently overestimated, based on simplistic assumptions that assume that medicines are normal commodities. These assumptions are not appropriate for a system providing health care products and services as part of a national public-private partnership.

Critics of the current regulatory framework suggest that if the regulatory restrictions on the pharmacy sector were removed or relaxed, consumers might enjoy cost savings and more competitive services from pharmacies.

¹⁰⁵ A study commissioned by the Australian Self Medication Industry (ASMI) and conducted in 2008 by international health industry consultants IMS, found that 15% of all consultations with General Practitioners involve the treatment of minor ailments, and 7% involve the treatment of minor ailments alone. When projected nationally, this equated to 25 million General Practitioner consultations annually, or approximately 96,000 consultations per day.

¹⁰⁶ NHS minor ailments service

¹⁰⁷ Pharmacists' Medication Management Services Environmental Scan of Activities across Canada- October 2013

¹⁰⁸ Haugbølle, L. S., & Herborg, H. (2009). Adherence to treatment: practice, education and research in Danish community pharmacy. *Pharm Pract (Internet)*, 7(4), 185-194.

The claims that deregulation of the pharmacy sector would result in lower prices and more competitive services are not backed up by any substantive analysis or research, and have largely been based on one piece of empirical evidence, the Bureau of Industry Economics' (BIE) survey of community pharmacists in 1981-82. As part of the Guild's preparation for the Wilkinson Review, KPMG was asked to review the BIE's study on economies of scale. KPMG identified significant problems with BIE's approach.¹⁰⁹

The potential benefits of a deregulated pharmacy sector were identified in the Wilkinson Review:

'...large corporate structures could enable pharmacies to operate at a lower unit cost per item sold, by lowering average overheads through sharing infrastructure with other parts of a retail shop or complex. Pharmacies in chain companies, and even franchises, could benefit from the benefits of shared corporate and administrative costs, and from common stock purchase and ordering arrangements with wholesalers and manufacturers of medicines and general products.

*The consumer may expect that lower overheads and better operating margins in these circumstances may lead to lower unit costs, and hence to lower prices and more services.'*¹¹⁰

However, it was noted in the Wilkinson Review that PBS medicines comprise about two-thirds of most pharmacies' turnovers.¹¹¹ This is still the case today. About 10-15% of most pharmacies' turnover represents 'front of shop' products such as cosmetics and vitamins, which are already sold by supermarket chains and other outlets. The remainder of turnover is attributable to non-prescription scheduled medicines¹¹² and private prescriptions.¹¹³

Against this background, a deregulated pharmacy sector is unlikely to provide significant cost savings:

1. **PBS medicines - pharmacies are 'price-takers' not 'price-makers'**

The price to consumers of PBS medicines, which accounts for almost 70% of pharmacy sales, is set by the Commonwealth Government, and cannot be discounted in most circumstances.¹¹⁴

2. **Non-prescription scheduled medicines and private prescriptions account for a small portion of pharmacy business**

Non-prescription scheduled medicines and private prescriptions, which may be subject to price competition in a deregulated market, only account for about 15% of pharmacy sales, and are currently subject to strong competition among pharmacies.

¹⁰⁹ For example, the BIE excluded costs of goods sold from the cost equation, yet cost of goods sold make up 65 to 75% of total pharmacy costs.

¹¹⁰ National Competition Policy Review of Pharmacy (the Wilkinson Review), *Final Report – Part A* (p 29).

¹¹¹ National Competition Policy Review of Pharmacy (the Wilkinson Review), *Final Report – Part A* (p 16).

¹¹² Schedule 2 and 3 medicines.

¹¹³ Private prescriptions are prescription medicines not subsidised through the PBS.

¹¹⁴ Of the 270 million PBS prescriptions dispensed each year, around 75% are the same price to the consumer (i.e. the co-payment) no matter where the pharmacy is located. The remainder of PBS prescriptions can be discounted (because the Commonwealth price is below the co-payment amount). However, those prescriptions are subject to fierce competition between pharmacies.

3. 'Front of shop' products – already on the open market

'Front of shop' products are already subject to competition with large non-pharmacy retail chains.

Research commissioned by the Guild in preparation for its submission to the Wilkinson Review estimated that the costs of the pharmacy sector arrangements totalled \$93 million per year.¹¹⁵

However, Australia's low population density makes it particularly vulnerable to one of the more significant consequences of deregulation: jeopardising the timely supply and accessibility of PBS medicines, a core pillar of the National Medicines Policy. To achieve the \$93 million saving, it was estimated that 24% of pharmacies would need to close, including 25% of rural pharmacies, significantly reducing pharmacy accessibility and adversely affecting the community's access to PBS medicines and the broad range of health services provided by community pharmacies, particularly in rural and remote areas. Approximately 425 towns in Australia have only one pharmacy, meaning that at least 100 towns would lose their only pharmacy.

This is consistent with the findings of a European study in relation to the pharmacy sectors of various European countries with regulated and deregulated pharmacy sectors:

'Deregulation in the pharmacy sector is usually aimed to increase the accessibility of medicines and to reduce of the prices of (OTC) medicines.

However, these are often false expectations. Liberalisation in the pharmacy sector does not necessarily lead to more competition; and further regulations might be required to compensate. Competition tends to be compromised by the market dominance of new actors, in particular wholesale companies establishing large pharmacy chains...

While more new pharmacies have been opened after a liberalisation of establishment and ownership rules, they tend to be established at attractive locations (urban clustering) and not in places (e.g. rural, sparsely populated areas) where no pharmacy had existed before.

Furthermore, there is no evidence that liberalisation has reduced medicine prices since they are influenced by other policies (e.g. statutory framework, strategies of third party payers, generic policies).'¹¹⁶

That report also concluded that deregulation in the pharmacy sector '*has no direct impact on a country's pharmaceutical, including public, expenditure*'. Pharmaceutical expenditure is affected by a range of factors, the regulation of the pharmacy sector being only one of those factors.¹¹⁷

¹¹⁵ The Guild commissioned KPMG Consulting to conduct econometric research to determine the costs of the pharmacy sector restrictions prior to making its submission to the Wilkinson Review.

¹¹⁶ Vogler S, Arts D and Sandberger K, '*Impact of pharmacy deregulation and regulation in European countries – Summary Report*' (March 2012) (p 15).

¹¹⁷ Vogler S, Arts D and Sandberger K, '*Impact of pharmacy deregulation and regulation in European countries – Summary Report*' (March 2012) (p 19).

PART 5

CONCLUSION

The regulation of the pharmacy sector assists in reconciling tensions between commercial imperatives and public policy objectives, creating an environment conducive to upholding the National Medicines Policy. Any modest cost savings achieved through the deregulation of the pharmacy sector would be far outweighed by the significant risks and costs of deregulating the sector.

The only independent review that has conducted a thorough analysis of the pharmacy sector is the Wilkinson Review, and it concluded that there was a net benefit to the Australian community in restricting who may own and operate community pharmacies. More recently, in implementing the National Registration and Accreditation Scheme, every State and Territory decided to retain the pharmacy ownership arrangements.

The current regulatory arrangements in the pharmacy sector are clearly in the interests of consumers and in the broader public interest.

The provision of government policies intended to assist consumers in managing their health through the agency of privately owned pharmacies established in towns throughout Australia harnesses the use of approximately \$5 billion in privately held assets.

This effectively creates a private-public partnership between community pharmacy and the Australian Government, delivering one of the most efficient pharmaceutical subsidy schemes in the world.

Community pharmacy thus plays a vital role in the provision of health care services in Australia and is a core component in the National Medicines Policy. Uniquely, a pharmacy is a professional practice with the appearance of a small shopfront business. To assure the public of the safety and quality of pharmacy services, and to ensure the accessibility of pharmacy services to all Australians, it is crucial that pharmacies be owned and controlled by pharmacists and that the current regulatory arrangements in the pharmacy sector be maintained.

Experience since the Wilkinson Review indicates that competition in community pharmacy has intensified, driving innovation that is focussed on the delivery of benefits to patients. The community pharmacy sector continues to deliver even greater public health benefits to the Australian population through the expanded provision of health services in a cost effective manner. Government expenditure under the PBS is well contained following the introduction of the price disclosure provisions in 2007. Those changes to the PBS are delivering government and consumer savings well in excess of expectations and are having a significant impact on community pharmacy viability. In light of this experience, the Guild believes that a further review, which would essentially repeat the public benefit assessments already undertaken, is unwarranted, particularly given the very real risks associated with deregulation.

Consistent with what has been observed in retail sectors in Australia and in the delivery of pharmacy services in other parts of the world, a deregulated pharmacy sector would result in an increasingly corporatised model of pharmacy, a significant loss in the number of independent community pharmacies and a reduction in the very high levels of competition that exist. This would lead to reduced accessibility to pharmacy services and a reduction in innovation and differentiation.

A corporate model of pharmacy will be largely driven by price, profit and maximising shareholder value, an approach unsuitable to the practice of pharmacy. The pressure to decrease costs would result in a reduction in the less profitable parts of community pharmacy, namely the provision of professional services and ensuring that a broad range of scheduled medicines is available (or can be accessed in a timely manner), putting at risk several of the core pillars of the National Medicines Policy, including ensuring timely access and quality use of medicines. The reduction in the provision of professional services and the accessibility of scheduled medicines will result in a decline in the quality of care provided by pharmacies, in poorer health outcomes for patients, and in a transfer of costs to other areas in health and aged care.

The risks of the corporate pharmacy model should be considered in the context of the frequently exaggerated benefits of deregulating the pharmacy sector. Deregulating the pharmacy sector would achieve, at best, only limited savings, and would irreparably undermine several of the core objectives of the National Medicines Policy, in particular timely access to medicines that Australians need and the quality use of medicines.

Community pharmacy has the capacity, skills and willingness to make an even greater contribution to the health of the nation, by offering, with the support of Government, an expanded range of health services, and assisting the Government to achieve cost effective use of the health budget.

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APPENDIX A

Extracts from Wilkinson Review

1. Focus on professional judgments over profit

'A benefit of restricting pharmacy ownership is that a pharmacist proprietor is arguably more likely to place professional judgments before commercial considerations than a non-pharmacist or, as it is sometimes expressed, "put people before profit". This assumes that a pharmacist is prepared not to sell or provide a given medicine or service to a consumer, if there is a professional judgment that the sale would be unwise or unnecessary.

... a professional as a pharmacy proprietor is more likely to guarantee that if a judgment needs to be made between the business's interests and the customer's medicinal and health-related needs, the interests of the client will prevail.

Who benefits?

Regardless of who actually owns a pharmacy, the community benefits if pharmacies and pharmacists are encouraged through regulatory arrangements to treat individual customers as clients deserving of quality care and attention

If pharmacist proprietorship of pharmacies reinforces and adds value to the professional dimension of a pharmacy business, even in the face of basic commercial pressures such as running a viable and profitable business, then the community may well be better off with the current ownership restrictions in place."¹¹⁸

2. Pharmacists as members of health care teams

'Ensuring that pharmacies and pharmacists, as professional facilities and individuals, play a legitimate part in Australia's overall health care infrastructure is an important consideration in looking at ownership-related restrictions. This can be seen as beneficial to use appropriate regulatory mechanisms by ensuring that pharmacies are effective participants in a wider health care framework, and that professional and patient considerations are foremost concerns for the pharmacy proprietors responsible for services delivered in their pharmacies.

As health care trends and clinical practice continue to evolve, pharmacy and pharmacists are increasingly being called upon to participate in a range of health and community care activities going beyond the traditional role of filling prescriptions, medication management and advice.

This includes encouraging the quality and wise use of medicines by consumers, delivering public health programmes to the Australian community, such as methadone dispensing and needle exchange, baby and maternal health, and screening and care management programmes for acute and chronic conditions.

Most recently some pharmacists have been involved in coordinated care trials aimed at exploring new and innovative ways of practitioners coordinating the care needs of aged and chronically ill patients.

As pharmacist training continues to gear itself to the needs of multi-disciplinary health care provision, the ability of proprietors and staff pharmacists to work cooperatively with other health professionals is expected to become more important.

The submissions of the Commonwealth, the Western Australian Government and the Pharmacy Guild and Pharmaceutical Society, amongst others, placed some emphasis on this wider health care management role in the regulatory equation. The Commonwealth put the position thus:

¹¹⁸ National Competition Policy Review of Pharmacy (the Wilkinson Review), *Final Report – Part A* (pp 41-2).

With a different ownership structure, different strategies would need to be considered to ensure that pharmacists participate in public health campaigns and cooperated with other health services providers in providing coordinated care to those in the community with chronic and/ or complex health conditions. It could be expected to become more difficult to design such strategies when part of the industry was incorporated within a broader retail structure.

The Pharmacy Guild and Pharmaceutical Society were blunter. In doing so they highlighted the inherent paradox in community pharmacy proprietors between their roles as health care practitioners and commercial businesses. They commented:

In an unregulated environment where there was greater pressure on margins, community pharmacists would be forced to rationalise services not fully recovering costs, such as their health advisory services¹¹⁹.

Presumably, on this view pharmacist proprietors would continue to offer free and low-cost advice and counselling services if the restrictions on pharmacy ownership are maintained. More specifically, pharmacies are an integral part of rural and remote areas' health infrastructure. If small pharmacy businesses leave country towns, particularly outside larger regional centres, as matters stand they are unlikely to be replaced.

Besides the detrimental effects on the overlapping network of country doctors, nurses, dentists and other health workers, there is a loss of employment opportunities in those localities for pharmacists and support staff. Small pharmacist-owned businesses may have a greater affinity and commitment to these places, and their small business nature would be consistent with the character and needs of many rural and remote communities

Who benefits?

Involving pharmacists more fully in the health care delivery framework could benefit the community as a whole, and governments in particular. This is because it may help open up new and innovative approaches to care delivery, and do at a reasonable cost. It also benefits pharmacy businesses and professional pharmacists in that it both opens up new possibilities for earning income and profits, with accompanying potential benefits for returns on business and professional investments."¹¹⁹

3. Professional accountability

'Being accountable directly to regulatory authorities for the professional direction of their pharmacy practice, registered pharmacist owners arguably have an obligation as both proprietors and professionals to ensure that the provision of pharmacy services under their control is safe and competent. As businesspeople, pharmacist proprietors can be reminded by regulators and their professional associations that they have community obligations as professionals, as well as having a profit motive for themselves.

...

The existing ownership restrictions simplify lines of professional accountability in pharmacies. A professional proprietor can be liable for not only his or her own professional conduct, but also for that of staff pharmacists and non-qualified staff working under professional direction. Keeping the number of pharmacies per proprietor to a finite number can be seen as the regulatory enforcement of this concept of personal proprietorial supervision.

A non-pharmacist individual or corporation arguably would not be as easy to deal with in terms of a regulatory authority's supervision of professional activity within a pharmacy. This is especially so given that authorities are generally self-funding and have limited resources of their own. Not only would a non-pharmacist corporation's directors would probably also be non-pharmacists, a well-resourced corporation unhappy with a regulatory outcome

¹¹⁹ National Competition Policy Review of Pharmacy (the Wilkinson Review), *Final Report – Part A* (pp 40 – 41).

would possibly be more financially able than the regulatory authority to fight protracted litigation on contentious matters.

...

Under this case, the community benefits in terms of ensuring that their pharmacies, and those who own them, are readily accountable to regulatory authorities, and ultimately to the community, for their actions.

Regulatory authorities and governments benefit in that the regulatory structures currently governing pharmacy practice are manageable and affordable, and that all proprietors and managers are not beyond the reach of their accountability mechanisms.¹²⁰ [footnotes removed]

4. Ensuring local access to community pharmacies

'There is a strong case for suggesting that there is a public benefit in ensuring, through appropriate regulation, that all Australians have reasonable equality of access to community pharmacy services wherever they may live.

As the two government submissions to the Review suggested, community pharmacy is central to the delivery of quality health and welfare service to all Australians, regardless of their social background or where they live. The presumption, particularly in the Commonwealth's submission, is that pharmacist ownership of most community pharmacies is a key to a professional yet local pharmacy presence, and therefore to the equality of access to pharmacy services.

...

A localised pharmacy presence also seems to be something that many consumers want, whether or not pharmacies are actually owned by a pharmacist. As market research commissioned for the Commonwealth indicates, convenience, proximity and ease of access is the most important choice for many pharmacy customers.

The other significant access factors to be considered in this context are the access and equity questions of ensuring the reach of pharmacy services to Australians in rural and remote areas, and their relationship to promoting regional and community development. These areas may be commercially unattractive to large non-pharmacist retailers such as supermarkets and large department stores, which could be expected to concentrate their services in a given regional centre. If so, those smaller pharmacy businesses in surrounding areas may close, to the detriment of local communities' access to services, and with flow-on effects to those communities such as losses of jobs and of social and economic infrastructure.¹²¹ [footnotes removed]

¹²⁰ National Competition Policy Review of Pharmacy (the Wilkinson Review), *Final Report – Part A* (pp 41-3).

¹²¹ National Competition Policy Review of Pharmacy (the Wilkinson Review), *Final Report – Part A* (pp 36-7).

APPENDIX B

Pharmacy of the Year 2014

Excellence Acknowledged – The Pharmacy of the Year Award

The Guild's Pharmacy of the Year awards provide excellent examples of the increasingly innovative and competitive community pharmacy sector. Each year, those awards recognise pharmacies who demonstrate excellence in specified categories, including business management and innovation in professional services. The 2014 winners in these fields are detailed in below.

Capital Chemist Charnwood, ACT

Winner – Pharmacy of the Year 2014

Winner – Innovation in Professional Services

Capital Chemist Charnwood was profiled in the 'Australian Journal of Pharmacy' Pharmacy of the Year 2014¹²². The pharmacy was also profiled in the Autumn 2014 edition of the publication 'Business Class' and the March/April 2014 edition of *Excellence*, the official publication of the Quality Care Pharmacy Program.

'If you asked me to draw a picture of our model of care I would draw a big sticky spider web' says Samantha Kourtis.

'Community pharmacy looks after an incredibly diverse collection of health care problems – we can't always fix the problem but we are perfectly situated to identify the problem, 'catch' that patient in our sticky web, do what we can in the short term but not let them go until we can confidently refer them to further expert care when needed. Of course there will be opportunities to offer a perfectly complete healthcare solution from within our pharmacy. However where we can really make a difference, where we can make our pharmacy known for excellence, is through our collaboration with and knowledge of other services in our community.' Capital Chemist Charnwood's unique offering includes a compression garment service for vascular ulcers and lymphoedema. They have matched their passion and expertise in wound care and compression garments with gaps in the healthcare system in the greater Canberra area. They have continually met with stakeholders in the public and private healthcare system, including patients and health care professionals – to create a quality, cost effective, timely professional service.

Having partnered with ACT Wound Care, the pharmacy is partaking in a government funded study looking at reduced recurrence of vascular ulcers in patients who wear medical compression garments. These garments are sourced through a free service. The pharmacy has allied health referral rights – the only pharmacist in the greater ACT region – to the Lymphoedema Clinic at the Calvary Hospital.

'This was a major part of us being able to confidently measure and fit garments for these patients as we need to be able to identify exacerbations of their condition or when they need further expert care', says Ms Kourtis. Another unique offering at Charnwood is its qualified Maternal and Child Health Nurse and free baby clinic two days a week. 'The rapport and connection we have made with our community through this service has been like nothing I have ever seen in community pharmacy before. We were recently part of a collaborative donation of Medela breast milk warmers to the three special care nurseries in Canberra. This strengthened our relationships with the hospitals and reinforced our commitment to the newest additions to our community', says Kourtis. And the pharmacy ensures it measures its growth. From business GPS growth to stock turns to script numbers to missing shelf tags to promotional ticketing to dead flies in the window ... they start with a benchmark and design their task lists and goals from there. Next on Charnwood's project list are mental health initiatives. Working with ACT Medicare Local, a partner with Beyond Blue and the New Access program, Charnwood has had half its staff of 36 complete their mental health first aid training.

'Since we extended our trading hours in October 2013 we have consciously become more aware of the need for early intervention in mental health conditions. We aim to increase the awareness and level of training in our team to reduce the stigma associated with these conditions and break down the barriers in communication. Every day I see my team jump at an opportunity to talk to a customer about quitting smoking or their diabetes but I can't say the same for patients with depression or anxiety. Together we are 'normalising' mental health.'

¹²² Australian Journal of Pharmacy, March 2014, Vol 95, pp 22-23

Priceline Pharmacy Springwood, New South Wales *Winner – Excellence in Business Management*

Priceline Pharmacy Springwood was profiled in the 'Australian Journal of Pharmacy' Pharmacy of the Year 2014¹²³ was also profiled in the Autumn 2014 edition of Business Class and the March/April 2014 edition of *Excellence*, the official publication of the Quality Care Pharmacy Program.

'The history of Priceline Pharmacy Springwood is a storied one. For five decades, it was Oxley's Pharmacy, a staple of healthcare and medication provision in Springwood NSW. When current owners Anthony Hanna and Kim Stubbs, and then partner Ben Scott, purchased the store in 2003, they had a vision to convert a traditional-style pharmacy into one which spoke of a stronger retail offer, superior healthcare, and a forward pharmacy approach. Hanna worked in the store himself and from the start set a tone of community-focus and commitment to putting all his patients and their various ailments and concerns at ease as he worked with the local doctors to ensure his customers had the highest standards of healthcare.

One of the challenges faced by the business shortly after takeover was the loss of a key nursing home client. The team refocused their energies into the two existing nursing homes and focused on a better health retail offer for the business. This led to a switch from an independent to a Soul Pattinson Pharmacy. For many years, the pharmacy saw steady but modest growth. In 2009, with sales flat lining and scripts steady, Hanna and Stubbs elected to convert the pharmacy to a Priceline Pharmacy, and developed from two pharmacists working the full opening hours across seven days to four pharmacists. With the refit came the decision to increase floor-space in the pharmacy.

'The result has been a store with a superior retail offer with increasing sales potential', says pharmacist team leader Jaymee Cameron. 'In that time, Springwood has had a GP super clinic open to allow several new full-time and part-time doctors to practice in the area. The change to Priceline also allowed for the introduction of new disciplines, based on Verne Hamish's Mastering the Rockefeller Principles, which have shaped the strategic plan for Priceline Pharmacy Springwood and ushered in a new era of the patient-focused healthcare that Anthony Hanna advocated from the start'.

The plan ensures the team is constantly aligned with the core values of the business. The store management principles are based on the 'Eight Ways to Win in Retailing' or Strategic Retail Model which John Strong and Larry Ring developed and spoke to the Priceline Springwood team about directly. Tools such as TINY pulse employee questionnaires are used to help maintain a strong team environment. Effective communication and planning occurs through weekly team meetings and '5-15' reports.

Skill improvement occurs via in-store training by our Pharmacists using the Self Care modules, and through the sharing of ideas and information using the 'Priceline Springwood Knowledge Den and journal clubs. The young and enthusiastic team don't shy away from aged care – they have strongly committed to it. Priceline Springwood has supported and engaged the local community in a variety of health promotions and projects such as flu clinics, pharmacist home deliveries, annual fundraising day, sponsorship of local charity events. 'Know your numbers' health promotional days, education for local nursing home staff, Meds Checks and the Maitre'd pharmacist role. In 2013 the team launched the 'Love Help for Health' program, whereby a donation is made to a local charity in return for free medication packaging for a year.

'Our pharmacists ensure that they introduce themselves to every new customer to build relationships and engage with the local community. Each month at Priceline Springwood we dress in theme for a charity, and regularly dress up for events such as Melbourne Cup, which creates a fun and open environment for our customers,' says Cameron. In response to the recent bushfires in the Lower Blue Mountains area, giveaway bags of essentials were organised by Priceline Springwood, with the support of its sister stores, for distribution to customers who had lost their homes. The support of our suppliers also enabled donations of products such as inhalers and eye drops to be distributed to the community at large.

'The development of a strategic plan, with frequent revision is very important to ensure that your business continues to thrive. It is imperative that the team is working toward common goals, and hence great communication is essential. It is also important to maintain a strong link to the community, and support the customers that support you. Continually reassessing the services you provide to your local community is essential to ensure you are meeting their growing and changing needs,' says Cameron.'

¹²³ Australian Journal of Pharmacy, March 2014, Vol 95 (pp 20-21)

APPENDIX C

Examples of Primary Healthcare Services Provided Community Pharmacies

Service	Description
Aboriginal and Torres Strait Islander Quality Use of Medicines (QUM) support	<p>Delivering a range of primary health care services to support QUM for Aboriginal and Torres Strait Islander people, including:</p> <ul style="list-style-type: none"> • Section 100 Remote Aboriginal Health Services Program (S100 RAHSP) • Section 100 Pharmacy Support Allowance Program (S100 PSAP) • Quality Use of Medicines Maximised for Aboriginal and Torres Strait Islander Peoples (QUMAX) • Closing the Gap (CTG) PBS Co-payment Measure
Absence from Work Certificates	Pharmacist provision of absence from work certificates as proof of legitimate absence from work for federal system employees covered by the <i>Fair Work Act 2009</i> .
Asthma management support	<p>Pharmacy services supporting risk-assessment for or patient self-management of asthma, such as:</p> <ul style="list-style-type: none"> • Lung function check • Inhaler technique review • MedsCheck (with asthma focus) – medicines use review to improve understanding of and adherence to asthma medicines • HMR (with asthma focus) – providing comprehensive medication review by an accredited pharmacist with report to GP • Management triage with referral to medical support when indicated
Mother and Infant services	Provision of nursing mother and infant health care information, advice, support and products. Services often provided by a registered nurse.
Blood pressure monitoring	In-pharmacy blood-pressure monitoring and recording supporting patients to self-monitor blood pressure as a cardiovascular disease. Screening/monitoring service with referral to medical support when indicated.
Bone density testing	In-pharmacy bone density testing performed by visiting agents
Bowel cancer screening	Promotion and provision of self-test bowel cancer screening kits (separate to the National Bowel Cancer Screening Program).
Chemotherapy preparation	Specialised preparation of chemotherapy medicines.
Cholesterol testing	In-pharmacy cholesterol monitoring and recording supporting patient self-management of hyperlipidaemia and/or providing a cardiovascular disease screening service with referral to medical support when indicated.
Chronic Obstructive Pulmonary Disease (COPD) risk-assessment and self-management support	<p>Pharmacy services supporting risk-assessment for or patient self-management of COPD, such as:</p> <ul style="list-style-type: none"> • Lung function check • Inhaler technique review • MedsCheck (with COPD focus) – medicines use review to improve understanding of and adherence to asthma medicines

	<ul style="list-style-type: none"> • HMR (with COPD focus) – providing comprehensive medication review by an accredited pharmacist with report to GP • Management triage with referral to medical support when indicated
Community health education/promotion (structured)	<p>Participation in structured programs to raise consumer awareness of public health issues such as Hepatitis C or alcohol misuse. Activities include:</p> <ul style="list-style-type: none"> • In-pharmacy promotion (e.g. window or counter displays, counter mats, pharmacy TV) • Information handouts (e.g. pamphlets, prescription repeat folders) • Pharmacy staff training – pharmacists and pharmacy assistants
Complementary health therapies	Providing professional advice and information on the safe and appropriate use of complementary medicines as part of a patient's health management plan.
Compliance and New-to-Therapy services	Providing structured support for patients with chronic health conditions commencing new therapy or maintaining existing therapy to ensure an understanding of the medicine and condition to maximise adherence for positive health outcomes.
Compounding services (extemporaneous dispensing)	Specialised preparation of extemporaneous medicines to a standard or evidence-based formula to meet individual patient needs.
Continence support	Provision of continence supplies along with information and advice to raise community awareness of continence issues and promote help-seeking strategies by consumers. Participation in the Continence Aids Payment Scheme (CAPS).
Diabetes risk assessment and self-management support (including Diabetes MedsCheck)	<p>Pharmacy services supporting risk-assessment for or patient self-management of diabetes, such as:</p> <ul style="list-style-type: none"> • Calibration and check of blood glucose monitors • Point-of-care blood glucose testing • Diabetes MedsCheck – medicines use review to improve understanding of and adherence to diabetes medicines • HMR (with diabetes focus) – providing comprehensive medication review by an accredited pharmacist with report to GP • Management triage with referral to medical support when indicated
Distance supply	Supply of medicines and QUM support resources to patients in remote locations.
Dose Administration Aids (e.g. Blister Packs)	Compartmentalised units prepared under pharmacist supervision providing patients with their oral medicines divided into individual doses and arranged into a daily dose schedule as a means of improving patient adherence.
Health aids and equipment	<p>Sale or hire of patient health and mobility aids, such as:</p> <ul style="list-style-type: none"> • Wheelchairs and mobility aids • Crutches • Monitors (e.g. blood pressure monitor) • Sleep apnoea machines • Breast milk expressing pumps and equipment

Home delivery service	Providing patients with access to pharmacy products and support when patients may be incapacitated or transport arrangements may be limited.
Home Medicines Reviews (HMRs)	A comprehensive, consumer-focused, collaborative medication review conducted in the patient's home by an accredited pharmacist in response to a GP referral.
Immunisation services	<ul style="list-style-type: none"> • Promoting vaccination uptake to targeted patient groups • Provision of nurse-led in-pharmacy seasonal influenza vaccination
Medicine Information	<p>Provision of medicine information for prescribed, non-prescribed and complementary medicines as part of a counselling process, including:</p> <ul style="list-style-type: none"> • Consumer Medicines Information (CMI) • Self-care Fact Cards • Government & Professional Organisation information resources • Reference to reliable websites • Medication profiles (with medicine images where available)
MedsCheck and Diabetes MedsCheck	In-pharmacy medicines use reviews for consumers taking multiple medicines and/or having newly diagnosed or poorly controlled type 2 diabetes with the aim of enhancing the quality use of medicines and reducing the risk of adverse drug events.
Mental Health Support	<p>Provision of specialised support for patients with mental health conditions, such as:</p> <ul style="list-style-type: none"> • Clozapine supply and monitoring through the Highly Specialised Drugs Program • Staged Supply • Medication adherence support
Minor Ailments support	Access to a pharmacist for information, advice, products and support for triaging and managing minor ailments, with referral to medical support when indicated.
National Diabetes Services Scheme (NDSS) Access Point	Community pharmacy makes up 97% of all Access Points for the NDSS, providing consumers with diabetes access to subsidised diabetes products for self-management.
Needle and Syringe Program (NSP)	<p>Sterile needle and syringe supply and disposal services to reduce the transmission of blood borne viruses such as HIV/AIDS and hepatitis C by coordinating pharmacy supply of equipment to prepare and administer illicit drugs.</p> <p>(Community pharmacy makes up 71% of all NSP services providers)</p>
Opioid Dependence Treatment (ODT) services	<p>Provision of buprenorphine and/or methadone as part of an ODT program to reduce the health, social and economic harm to individuals and the community from illicit opioid use.</p> <p>(Community pharmacy makes up 88% of all ODT dosing points)</p>
Prescription management support	<p>Provision of prescription management support to enhance therapy adherence, including:</p> <ul style="list-style-type: none"> • filing of prescriptions and repeats to minimise lost prescriptions • reminder alerts to have a repeat prescription filled • 'last repeat' reminders for patients to see their doctor for review and a new prescription if appropriate • home delivery service

Product recalls and safety alerts	Provision of information and advice relating to safety alerts or recalls of medicines or other pharmacy products along with coordination of consumer returns of recalled pharmacy products.
Project STOP (monitoring sale of pseudoephedrine products)	A real-time monitoring system for the supply of pharmacy products containing pseudoephedrine to assist managing the illicit diversion of pseudoephedrine for the manufacture of methamphetamine.
QUM support for residential aged care facilities	Supporting residential facilities with information, training and advice to promote safe and quality use of medicines within the aged care sector.
Residential Medication Management Reviews (RMMs)	A comprehensive medication review for aged care residents, conducted by an accredited pharmacist.
Return of unwanted medicines for destruction	Providing a public service for the safe return and destruction of expired and unwanted medicines.
Sexual health services	Provision of contraceptives and emergency contraception along with information and advice about contraception, sexually transmitted infections (STIs) and safe sex promotion with referral to medical support when indicated. Some pharmacies provide self-test screening kits for STIs such as chlamydia.
Sleep apnoea support	Supply of equipment, information and advice to assist patients to self-manage obstructive sleep apnoea.
Smoking cessation support	The supply of products, services, information and advice to encourage and support consumers with smoking cessation.
Staged Supply	Dispensing medicines in instalments (e.g. daily or weekly) according to a schedule agreed by the patient, pharmacist and prescriber to manage issues of abuse, misuse or adherence.
Travel health services	Provision of medicines, vaccines and related pharmacy health products along with information and advice to enhance the safety and health of travellers.
Vascular Disease Support	Sale and professional fitting of compression garments for vascular disease/DVT prevention.
Wound management support	Provision of first-aid and wound management services along with wound management supplies.
Weight management support	Provision of weight management information and services along with weight management products.