

Pharmacy and Wholesaler Remuneration

DISPENSING FEE INCREASE

From 1 July 2015 the dispensing fee will increase by 17 cents to \$6.93 for ready-prepared prescriptions. From 2016 this fee will be indexed annually on 1 July by CPI.

NEW AHI FEE TO REPLACE PHARMACY MARK-UP

From 1 July 2015, the pharmacy mark-up component of remuneration will be replaced by a new Administration, Handling & Infrastructure (AHI) Fee. This represents the most significant change to pharmacy remuneration in recent agreements.

The AHI substantially delinks pharmacy remuneration from the price of medicines and is in recognition of the non-professional costs of delivering the PBS to patients on behalf of the Government. Compared to the existing mark-up structure, which would have continued to trend down over the 6CPA period due to falling PBS prices, the AHI provides an immediate overall increase compared with current mark-up and will increase each year during the 6CPA as a result of indexation.

Importantly, the AHI Fee has been tiered such that the fee applicable to the most expensive drugs on the PBS will remain in line with the current mark-up (a \$70 maximum).

The value of this fee from 1 July 2015 will be:

- Where the Approved Price to Pharmacist (wholesaler PBS list price) is up to \$180.00: \$3.49 per prescription
- Where the Approved Price to Pharmacist is between \$180.00 and \$2,089.71: \$3.49 plus 3.5% of the amount by which the price exceeds \$180
- Where the Approved Price to Pharmacist is \$2,089.71 or above: \$70.00

From 2016 the AHI Fee will be indexed annually on 1 July by CPI.

PREMIUM-FREE DISPENSING INCENTIVE CHANGE

The Premium-Free Dispensing Incentive (PFDI) will increase by 4 cents to \$1.72 but will apply to a smaller number of prescriptions than it does currently. Under the 6CPA the PFDI will no longer apply when there is not a brand premium on any substitutable brand of the item. Importantly, the funding removed from the PFDI as a result of this change has been transferred into the new AHI Fee.

From 2016 the PFDI will be indexed annually on 1 July by CPI.

DANGEROUS DRUG FEE INCREASE

The Dangerous Drug Fee will increase by 20 cents to \$2.91. This is the first increase in this fee since 2006. From 2016 the Dangerous Drug Fee will be indexed annually on 1 July by CPI.

FEE INDEXATION

All fees will be indexed annually by the official Consumer Price Index. This is a significant improvement over previous indexation arrangements where a lower, unpublished index (WCI9) has applied.

UNDER CO-PAYMENT PRESCRIPTIONS

Allowable fees for the pricing of under co-payment prescriptions will continue to apply, in addition to all other fee arrangements described above. From 1 July 2015 the allowable fees for ready-prepared items will be:

- Safety Net Recording Fee: \$1.17 (up from \$1.15 currently)
- Additional allowable fee: \$4.27

As with the 5CPA, the Premium-free Dispensing Incentive will not apply to under co-payment prescriptions. The AHI Fee will apply to the pricing of all prescriptions, including under co-payment prescriptions.

There is no obligation to comply with the allowable fees and they are not Commonwealth Government initiated. It is up to each pharmacy to determine their own charges for under co-payment prescriptions.

Once systems are established, pharmacies will be required to transmit through PBS Online the price charged for under co-payment prescriptions.

EXTEMPORANEOUSLY PREPARED PRESCRIPTIONS

In addition to all fees that apply to ready-prepared items (including the new AHI Fee), an additional fee of \$2.04 will apply for extemporaneously prepared dispensing. This is unchanged compared with the 5CPA.

ANNUAL RECONCILIATION BASED ON PRESCRIPTION VOLUMES

The Department and the Guild will conduct an annual reconciliation of total actual versus estimated total community pharmacy and wholesaler remuneration, comparing actual PBS and RPBS prescription volumes with the estimates included in the 6CPA document. If there is a material difference between actual volume and estimated volume, a risk sharing arrangement may be implemented to address the variance.

REMUNERATION REVIEW

A remuneration review will be conducted to inform possible pharmacy remuneration arrangements for the 7CPA (July 2020 onwards). The review will not be able to be used to change pharmacy remuneration during the 6CPA.

NATIONAL DIABETES SERVICES SCHEME (NDSS)

From 1 July 2016, it is intended that product supply and delivery under the NDSS will be redirected through the established CSO distribution network to community pharmacies with pharmacies that supply NDSS products receiving a payment of \$1 for each product supplied (not indexed).

CHEMOTHERAPY

The Government intends to make some changes to the structure of remuneration for chemotherapy infusions. This is intended to include some payments being made direct to compounders (including third party compounders), with a different fee applying depending on whether the compounder holds a TGA licence. The implementation of any new arrangements will be a matter for consultation with chemotherapy compounders and pharmacists.

Wholesalers and the Community Service Obligation (CSO)

The current wholesaler mark-up arrangements will continue to apply under the 6CPA.

No indexation will apply to the CSO funding pool. Wholesalers will still be required to supply section 85 medicines under CSO arrangements at or below the official PBS price to pharmacists, and will not be permitted to impose new or additional fees where the supply is covered by the CSO requirements. CSO requirements are being examined and may be subject to change. The Guild will keep members informed about this issue.

The remuneration review will be used to examine wholesaler remuneration during the 6CPA.

Under the new NDSS supply arrangements intended to apply from 1 July 2016, CSO wholesalers will also be entitled to receive \$1 for each unit they distribute.