



50 YEARS OF GUILD DIGEST



The Pharmacy
Guild of Australia

A SURVEY OF INDEPENDENT PHARMACY OPERATIONS IN AUSTRALIA
FINANCIAL YEAR 2020-2021

SUPPORTED BY



Acknowledgement of Country The Pharmacy Guild of Australia acknowledges the traditional custodians of country throughout Australia and recognises the continuing connection to lands, waters and communities. We pay our respect to Aboriginal and Torres Strait Islander cultures; and to Elders past and present.

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DIGEST

Prescription



The *Digest* provides valuable management information to pharmacy owners and managers as well as providing insight into this integral component of the broader health sector.

FOREWORD

This year marks the 50th edition of the *Guild Digest (Digest)* – the pre-eminent publication examining the operation and financial performance of Australian community pharmacies. The *Digest 2022* presents a snapshot of Australian pharmacy business conditions for the 2020-21 financial year.

Over the past 50 years, community pharmacies have played a pivotal role in providing primary healthcare and delivering an increasingly wide range of services, including dispensing prescriptions, distributing pharmacy-only and pharmacist-only medicines, and over-the-counter products, medication management, advice on minor ailments, vaccinations and other preventative care services. In recent years, community pharmacy has played an important role in accelerating the roll-out of COVID-19 vaccines, with greater population health and economic benefits as a result. Ultimately, community pharmacies operate to improve the timely access to quality use of medicines, and are one of the most highly trusted and respected professions in Australia. The *Digest* provides valuable management information to pharmacy owners and managers as well as providing insight into this integral component of the broader health sector. The analyses contained in this year's edition are based largely on a sample of 514

community pharmacies, significantly higher than the previous year's sample (316).

The Guild records its appreciation to all community pharmacy participants across the past 50 years in this crucially important annual survey, particularly this year during a period of transition to the seventh Community Pharmacy Agreement (CPA). Without their contribution and support, this *Digest* edition would not have been possible. The insights provide vital intelligence from which we can have a deeper understanding of the issues that members face.

The Guild also recognises the strong support of the pharmacy accounting firms that have provided tangible assistance by contributing de-identified information to the *Digest* on behalf of their pharmacy clients. We formally record our appreciation to Beezwax, JPH Group, Peak Strategies, Pitcher Partners, Rose Partners and RSM. We also extend thanks to National Secretariat staff for their dedication in the preparation of this edition.

TRENT TWOMEY
NATIONAL PRESIDENT

ANTHONY TASSONE
NATIONAL VICE PRESIDENT,
HEALTH ECONOMICS AND POLICY

EXECUTIVE SUMMARY

The 2022 *Digest* is based largely on a sample of 514 community pharmacies, representative of the community pharmacy population in Australia.

INDUSTRY SNAPSHOT



The Australian community pharmacy industry is a \$21.7 billion health sector which comprises approximately 5,875 community pharmacies as of June 2021.

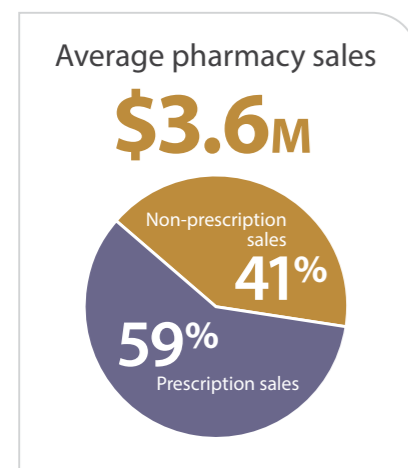
It directly employs around 88,600 highly skilled staff (including proprietors). The average turnover per pharmacy was \$3.7 million and roughly 57% of pharmacy revenue was derived from the sale of prescription medicines. The other 43% includes pharmacy professional services, pharmacy medicines, pharmacist-only medicines, and over-the-counter products.

The gross profit (sales less cost of goods sold) in 2020-21 was \$1.27 million for the average pharmacy and average annual net profit equated to around \$237,000.

Rural and remote pharmacies represented 23% of the total of 5,875 community pharmacies and there was one pharmacy for every 4,372 Australians.

The accessibility of community pharmacy is a strong factor underpinning the high regard in which community pharmacy is held. On average, each community pharmacy was open a cumulative 61 hours-a-week, and an average of nine hours per day.

FINANCIAL PERFORMANCE 2020-2021

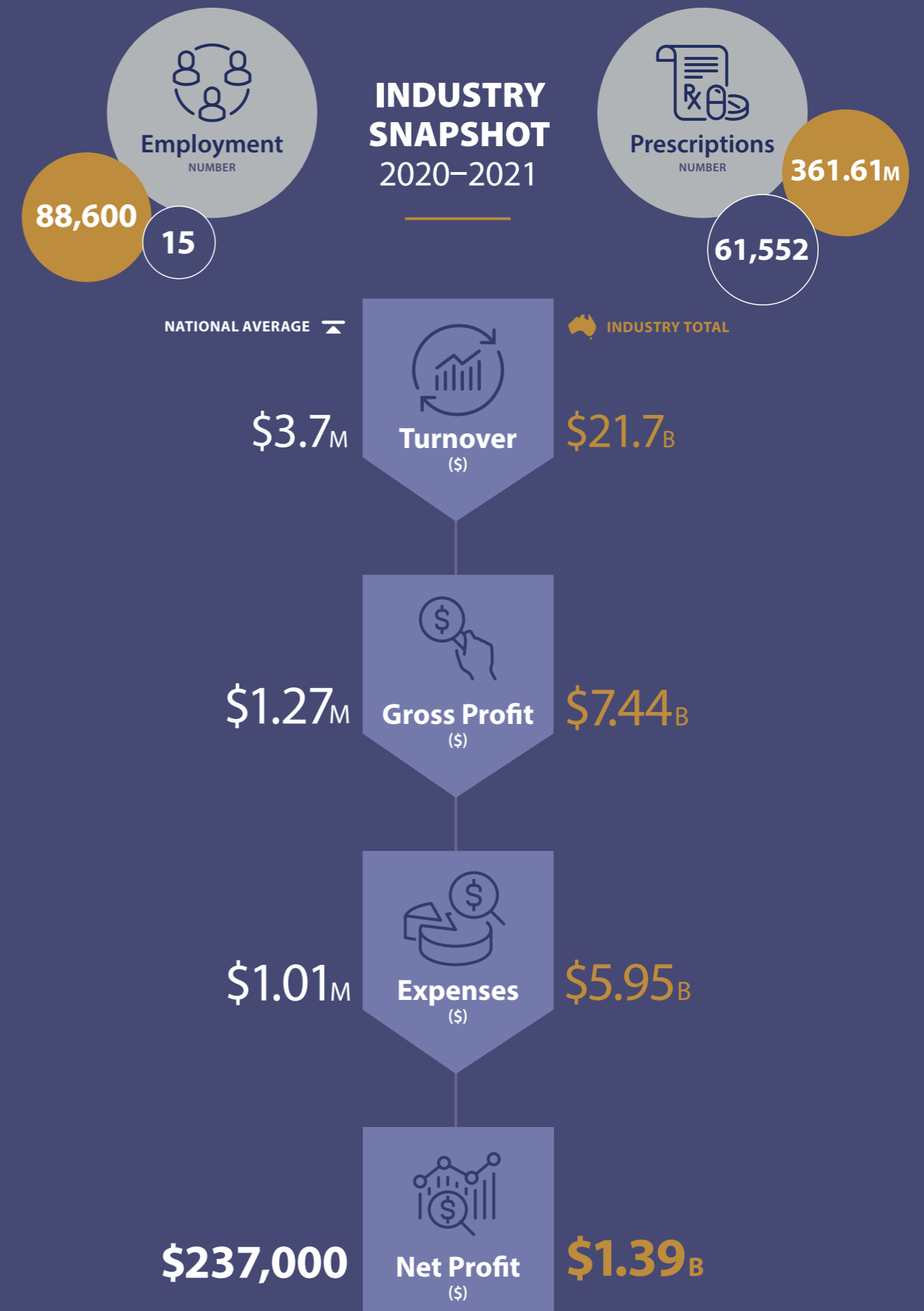


Average pharmacy sales were \$3.6 million, 59% of which were from prescriptions and the remaining 41% from non-prescription sales.

Average gross profit as a percentage of pharmacy turnover decreased to 34.2%, down from 36.2% in 2019-20.

Average revenue from other income increased to \$100,000 from the previous year's figure of \$71,000.

Expenses ended the year at 27% of turnover, down from 30% in 2019-20. Expenses have significantly grown at the rate of 2.5% (CAGR) a year for the past decade.



PART 1

THE YEAR IN REVIEW



In 2020-21, there was a 2% increase in gross profit and other income for the average community pharmacy. Total expenses decreased by 3% and, after allowing for proprietors' salary, net profit for the average pharmacy of \$236,827 was 38% higher in 2020-21 compared to 2019-20.

The 2020-21 year was the first year of the seventh CPA between the Federal Government and the Pharmacy Guild of Australia, as stewards of the Pharmaceutical Benefits Scheme (PBS). The introduction of the 7CPA saw a dispensing remuneration guarantee introduced for the first time, with average remuneration per PBS prescription to increase in every year of the 7CPA. A total increase of \$1.132 billion in dispensing remuneration is expected for PBS-subsidised prescriptions across the life of 7CPA, driven by increases to the dispensing fee, Tier 1 Administration, Handling and Infrastructure (AHI) fee, and the dangerous drug fee. Professional pharmacy programs under 7CPA are also set to continue, with a total budget of \$1.2 billion and a commitment to co-design reform between the Guild and the Department of Health and Aged Care.

In 2020-21, the number of PBS-subsidised prescriptions dispensed (as shown by official data) grew at a moderate rate of 2.4% from 2019-20. Moreover, the number of PBS-subsidised prescriptions dispensed in 2019-20 was 35 million (or 14.2%) lower than anticipated for 2019-20 at the

time of signing the 6CPA, indicative of a recent trend of low growth in volumes.

The *Digest* results show that there was an estimated 0.38% decrease in total prescription volume per pharmacy in 2020-21, compared with the previous financial year. There has also been a decrease in the share of prescription sales as a proportion of the total sales from 63% in 2019-20 to 59% in 2020-21. This highlights the need for pharmacies to diversify into services beyond dispensing prescriptions to maintain growth in their businesses. Indeed, this is what is occurring, with many successful community pharmacies responding to the changing business landscape by moving to a greater services orientation through, for instance, incorporating dedicated consultation rooms for the provision of professional health programs and services.

"Many successful community pharmacies [are] responding to the changing business landscape by moving to a greater services orientation."

For example, during 2020-21 services paid related to the MedsChecks/Diabetes MedsChecks and Dose Administration Aids programs rose 7% and 9% respectively, relative to 2019-20. The delivery of influenza vaccinations also continued to grow, with increasing uptake also seen in the Guild Corporate Health program.

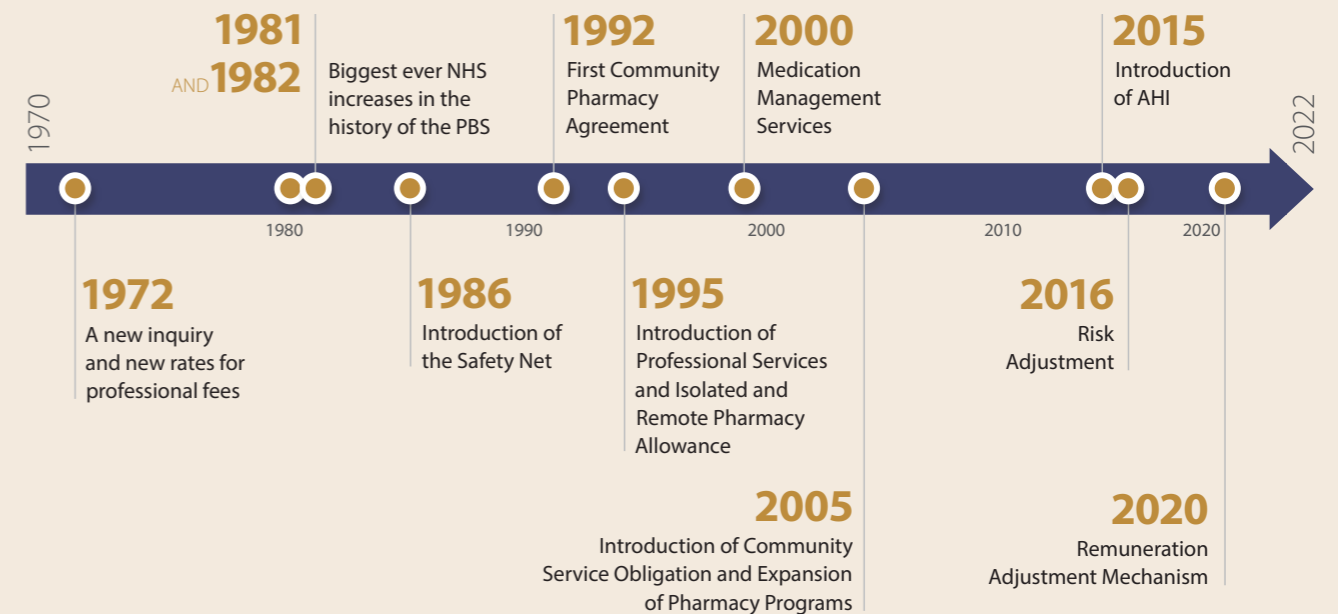
THE POWER OF 50 YEARS OF *DIGEST* DATA

Throughout the past 50 years of the *Digest*, the Pharmacy Guild has advocated for and negotiated on behalf of the community pharmacy industry, empowered by the data entrusted to us via the *Digest*. This has resulted in many significant benefits for patients and the community pharmacies that serve them, which would not have been possible without the contributions of this data. The *Digest* data is used in many different ways, including:

- forecasting models
- demonstrating the impact to pharmacy viability of various policy proposals

- responding to threats to the professional integrity of pharmacy
- representing the voice of community pharmacy through inquiries and reviews
- representing your patients interests through negotiating co-payments
- continually demonstrating the valuable role community pharmacy plays as primary health care providers – and advocating for pharmacists to work at full scope of practice.

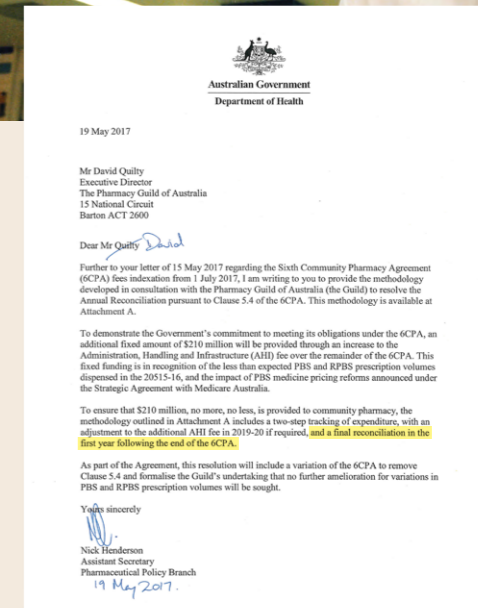
The following timeline shows some of the most significant achievements that were made possible by *Digest* data.





John Bronger (L), Guild National President and Dr Carmen Lawrence (R), Minister for Human Services and Health in 1995 – signing the 2nd CPA.

Dr Michael Wooldridge, Minister for Health and Aged Care (L) and John Bronger, Guild National President in 2000 - signing the 3rd CPA



1972

A new inquiry and new rates for professional fees

Negotiations between Minister Anderson and the Guild led to a seven-cent increase in remuneration, retrospective to 1 January 1972, with provision for interim increases.

1981 AND 1982

Biggest ever NHS increases in the history of the PBS

At the first Pharmaceutical Benefits Remuneration Tribunal (PBRT) inquiry, the Guild argued that pharmacists had not received an increase in their remuneration since 1977-78. Over the next two years, a total increase of 40 cents per prescription was negotiated for the professional fee.

1986

Introduction of the Safety Net

The government adopted the concept of a numerical safety net for general and concessional payments proposed by the Guild, which heralded the first major change to the PBS since 1960s.

1992

First Community Pharmacy Agreement

Under the first CPA, the Guild gained a separate indexed dispensing fee and other changes were introduced including greater freedom on items under the patient contribution, a 10 percent mark-up. The deregulation of pharmacy ownership and of certain scheduled drugs did not proceed, and the striking of the agreement resulted in the second database inquiry to be abandoned. This prevented alternative distribution systems being introduced in supermarkets or government dispensaries and prevented the implementation of individual contracts between government and pharmacies.

1995

Introduction of Professional Services and Isolated and Remote Pharmacy Allowance

The second CPA saw the tentative introduction of a limited range of professional services offered by pharmacists in residential care contexts, paving the way for a raft of professional services that would be recognised under the third agreement.

Isolated and Remote Pharmacy Allowance was introduced to sustain provision of pharmaceutical services in isolated and rural areas.

2000

Medication Management Services

Among other major wins, the third CPA included the introduction of Medication Management Services in residential aged care and domiciliary settings with a funding up to the level of \$114 million over the life of the agreement.

2005

Introduction of Community Service Obligation and Expansion of Pharmacy Programs

Introduction of the Community Service Obligation pool of \$150m per annum, plus an expansion to pharmacy programs under the broad heading of 'Better Community Health' were rolled out including dose administration aids.

2015

Introduction of AHF

The sixth CPA saw the introduction of the Administration, Handling and Infrastructure Fee, which replaced the pharmacy mark-up component of remuneration, and decoupled pharmacy remuneration from ex-manufacturer prices.

2016

Risk Adjustment

The Guild was successfully able to negotiate a 35 cent increase to the Tier 1 AHF following identification that forecasts used as the basis of the 6CPA had overpredicted prescription volume.

2020

Remuneration Adjustment Mechanism

This risk-sharing mechanism was introduced with the 7CPA. It employs an adjustment to the AHF to protect community pharmacy from large variations in script volumes.

THE 7CPA REMUNERATION ADJUSTMENT MECHANISM

The Remuneration Adjustment Mechanism, or RAM, is a central feature of the 7CPA. Some previous CPAs had arrangements that allowed for adjustment in dispensing remuneration depending on movements in PBS prescription volumes. These were usually referred to as risk share arrangements. The 7CPA, through the RAM, was the first to introduce a mechanism that effectively guarantees a minimum level of aggregate remuneration, while also providing for a maximum level of expenditure that provides security to government.

The RAM is a vital element of the 7CPA, providing certainty for both parties – a rare win-win situation. It represents a major improvement over the 6CPA, where community funding for the five-year period came in almost \$2 billion below the original amount committed by government. The 6CPA included only a vague commitment to design a risk share arrangement after the fact, based

on an annual reconciliation against forecasts and in the event volumes departed from the forecast beyond an unspecified 'materiality threshold'. The ineffective nature of these clauses resulted in a deterioration in trust during the 6CPA, in addition to the massive shortfall in remuneration. In contrast, as described below, the RAM provides a specific and robust mechanism that avoids any conflict during the life of the agreement.

How does the RAM work?

When the 7CPA was negotiated, it was done so based on a set of government forecast prescription volumes. These forecasts are written into the signed agreement. The forecasts used for the RAM (see Table) include subsidised prescriptions and unsubsidised (i.e. below co-payment) PBS prescriptions. The government forecasts for the 7CPA were for low overall prescription volume growth.

Under the RAM, if the actual subsidised prescription volume **and** the sum of actual subsidised and actual unsubsidised prescriptions are **below** the forecast for any assessment period, the mechanism will be triggered and there will be an upward adjustment in dispensing remuneration per prescription for a subsequent period. This would occur through a calculated increase in the Administration, Handling and Infrastructure fee (AHI). In the final assessment period (calendar year 2023) there is a two per cent buffer below the forecast, and the RAM will only be triggered if actual volumes fall below this level.

Further, to provide certainty to government (unprecedented in the context of an uncapped expenditure program such as the PBS) the RAM states that if the actual subsidised prescription volume **and** the sum of actual subsidised and actual unsubsidised prescriptions are more than five per cent **above** the forecast for any assessment period, the mechanism will be triggered and there will be a downward adjustment in dispensing remuneration per prescription (via the AHI) for a subsequent period.



What has happened so far in the 7CPA?

For the first two assessment periods – (1) the six-month period to 31 December 2020 and (2) the 2021 calendar year – aggregate actual PBS prescriptions have been slightly higher than the original very low forecasts but below the five per cent upper band. This has meant that the RAM has not been triggered and no adjustment has been made to dispensing remuneration per prescription, except for agreed annual indexation on 1 July each year.

Will a RAM be included in the 8CPA?

The inclusion of the RAM in the 7CPA provides an unprecedented level of certainty for both parties regarding funding for the core community pharmacy service of dispensing. The shared goal of achieving as much certainty as possible carries through every agreement, so there appears to be no reason why a RAM will not be included.

7CPA RAM ESTIMATED VOLUMES

	RAM ASSESSMENT PERIODS			
	1 July 2020 – 31 December 2020	1 January 2021 – 31 December 2021	1 January 2022 – 31 December 2022	1 January 2023 – 31 December 2023
	First Assessment Period*	Second Assessment Period	Third Assessment Period	Fourth Assessment Period
Estimated Subsidised Prescriptions	109,521,070	207,523,772	208,099,570	210,456,812
Estimated Unsubsidised Prescriptions	49,456,523	101,184,232	104,377,953	107,648,589

* Assessment period 1 is an initial six-month period, hence the significantly lower volumes.

PART 2 FINANCIAL PERFORMANCE



This section examines the 2020-21 financial performance survey results, after applying weightings to remove any distortion caused by the responding sample being skewed towards larger pharmacies.

The key results of the 2020-21 financial year (based on the national weighted averages) include:

- Average total pharmacy sales were \$3,600,476, 59% of which were from prescriptions; the remaining 41% was from non-prescription sales.
- Average gross profit as a percentage of pharmacy turnover was 34.2%, down from 36.2% in 2019-20.
- Average revenue from other income increased from the previous year's figure of \$71,103 to \$100,164 in 2020-21. It is noted that changes to the sample can have significant impact on this figure due to differing business models within community pharmacy. This figure has been trending up as it includes income from a growing number of professional services, in particular influenza vaccinations.
- Expenses ended the year at 27% of turnover, down from 30% in 2019-20.
- Salaries and wages as a percentage of pharmacy turnover were flat at around 13% in 2020-21.
- Rent as a percentage of pharmacy sales has decreased from 5.15% of turnover to 4.58%. This is possibly due to the impact of lease re-negotiations and government aid due to COVID-19 induced lockdowns, and may be a temporary movement.
- Wages and rent combined made up 62% of total expenses (excluding cost of goods).
- Proprietors' notional salary represented 3.15% of turnover, down from 3.25% in 2019-20.
- The average prescription volume per pharmacy decreased marginally by 0.38% and remained greater than one thousand per week (1,184) after first reaching this milestone in 2008-09.

NATIONAL RESULTS

TABLE 1. Turnover and profit - Australia

	2019-20	2020-21	ANNUAL CHANGE
TOTAL TURNOVER	\$3,420,427	\$3,700,640	8%
TOTAL GROSS PROFIT	\$1,239,190	\$1,266,261	2%
TOTAL GROSS PROFIT %	36.23%	34.22%	-6%
OTHER INCOME	\$71,103	\$100,164	41%
7CPA PROGRAMS INCOME	\$32,411	\$38,222	18%
GROSS PROFIT & OTHER INCOME	\$1,342,703	\$1,366,425	2%
DISPENSARY SALES	\$2,107,353	\$2,109,888	0%
RETAIL SALES**	\$1,012,920	\$1,188,284	17%
OTC/S2/S3 SALES	\$229,051	\$302,304	32%
TOTAL PHARMACY SALES	\$3,349,324	\$3,600,476	7%
COST OF GOODS SOLD	\$2,110,134	\$2,334,214	11%
COST OF GOODS SOLD %	61.69%	63.08%	2%
SALARIES AND WAGES	\$444,035	\$460,853	4%
SALARIES AND WAGES %	12.98%	12.45%	-4%
RENT***	\$176,276	\$169,605	-4%
RENT %	5.15%	4.58%	-11%
DEPRECIATION	\$40,873	\$37,162	-9%
DEPRECIATION %	1.19%	1.00%	-16%
INTEREST PAID	\$46,012	\$47,463	3%
INTEREST PAID %	1.35%	1.28%	-5%
ALL OTHER EXPENSES	\$331,940	\$297,826	-10%
ALL OTHER EXPENSES %	9.70%	8.05%	-17%
TOTAL EXPENSES	\$1,039,136	\$1,012,909	-3%
TOTAL INCOME	\$303,567.00	\$353,515.57	16%
LESS PROPRIETOR'S SALARY	\$111,290.65	\$116,688.71	5%
NET PROFIT / LOSS	\$171,425.00	\$236,826.86	38%
EBITDA	\$258,310.00	\$321,451.63	24%
TOTAL ASSETS	\$2,194,649.00	\$2,389,674.27	9%
TOTAL LIABILITIES	\$1,322,746.00	\$1,433,503.65	8%
NET ASSETS	\$871,902.00	\$956,170.62	10%

All percentages are expressed as a percentage of total pharmacy sales.

**The large increase in retail and OTC sales can be attributed to the COVID-19 induced disruptions as well.

***Rent decrease is driven by sample composition and COVID-19 disruptions.

NATIONAL RESULTS

FIGURE 1. Other income as % of total turnover

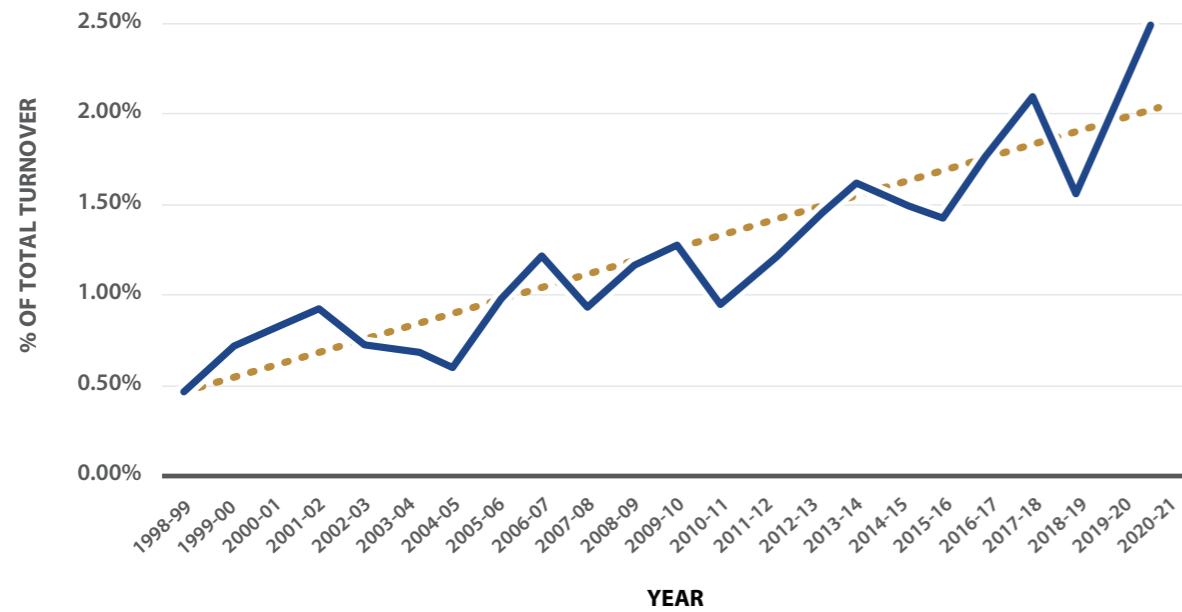
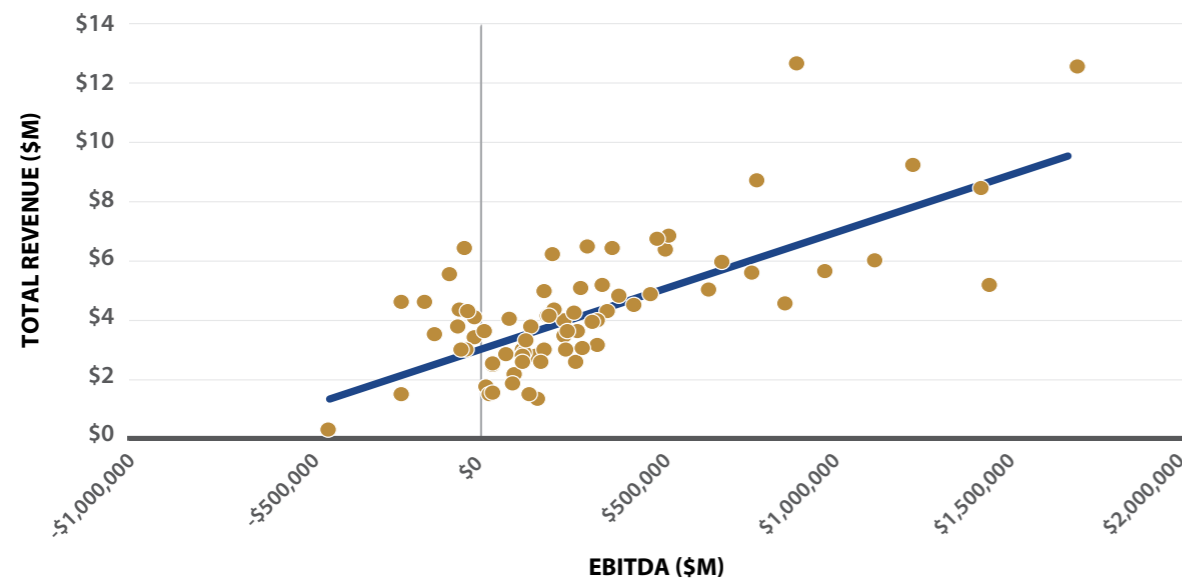


FIGURE 2. EBITDA vs total revenue



RESULTS BY JURISDICTION

TABLE 2. Turnover and profit - by state / territory*

	NSW	QLD	VIC	WA
TOTAL TURNOVER	100%	100%	100%	100%
TOTAL GROSS PROFIT	33%	34%	33%	35%
OTHER INCOME	2%	3%	2%	2%
GROSS PROFIT & OTHER INCOME	35%	37%	35%	37%
DISPENSARY SALES	66%	63%	61%	70%
OTC SALES/S2/S3 SALES	1%	1%	31%	1%
RETAIL SALES	31%	34%	6%	27%
TOTAL PHARMACY SALES	98%	97%	98%	98%
SALARIES AND WAGES	13%	14%	12%	12%
RENT	5%	5%	3%	4%
DEPRECIATION	1%	1%	1%	0%
INTEREST PAID	1%	1%	1%	0%
ALL OTHER EXPENSES	27%	28%	28%	25%
TOTAL EXPENSES	27%	28%	28%	25%

* Results for ACT, NT, SA and TAS are unavailable due to low sample size.

TABLE 3. Prescriptions dispensed per pharmacy - by state / territory*

STATE / TERRITORY	LOWER QUARTILE	AVERAGE	UPPER QUARTILE
AUSTRALIAN CAPITAL TERRITORY	27,256	53,100	82,280
NEW SOUTH WALES	37,726	61,493	74,918
QUEENSLAND	45,045	63,176	76,014
SOUTH AUSTRALIA	44,466	64,727	70,907
TASMANIA	38,262	66,079	97,781
VICTORIA	31,363	62,967	85,159
WESTERN AUSTRALIA	24,809	52,169	77,931
NATIONAL AVERAGE	35,631	61,552	80,049

* Results for NT are unavailable due to low sample size.

RESULTS BY JURISDICTION

TABLE 4. Annual change in prescriptions dispensed per pharmacy - by state / territory*

STATE / TERRITORY	2019-2020	2020-2021	ANNUAL CHANGE
NEW SOUTH WALES	62,306	61,493	-1.31%
QUEENSLAND	62,080	63,176	1.76%
SOUTH AUSTRALIA	64,023	64,727	1.10%
TASMANIA	64,646	66,079	2.22%
VICTORIA	62,863	62,967	0.16%
WESTERN AUSTRALIA	50,754	52,169	2.79%
NATIONAL AVERAGE	61,784	61,552	-0.38%

* Results for ACT and NT are unavailable due to low sample size.



RESULTS BY LOCATION

TABLE 5. Turnover and profit – by location

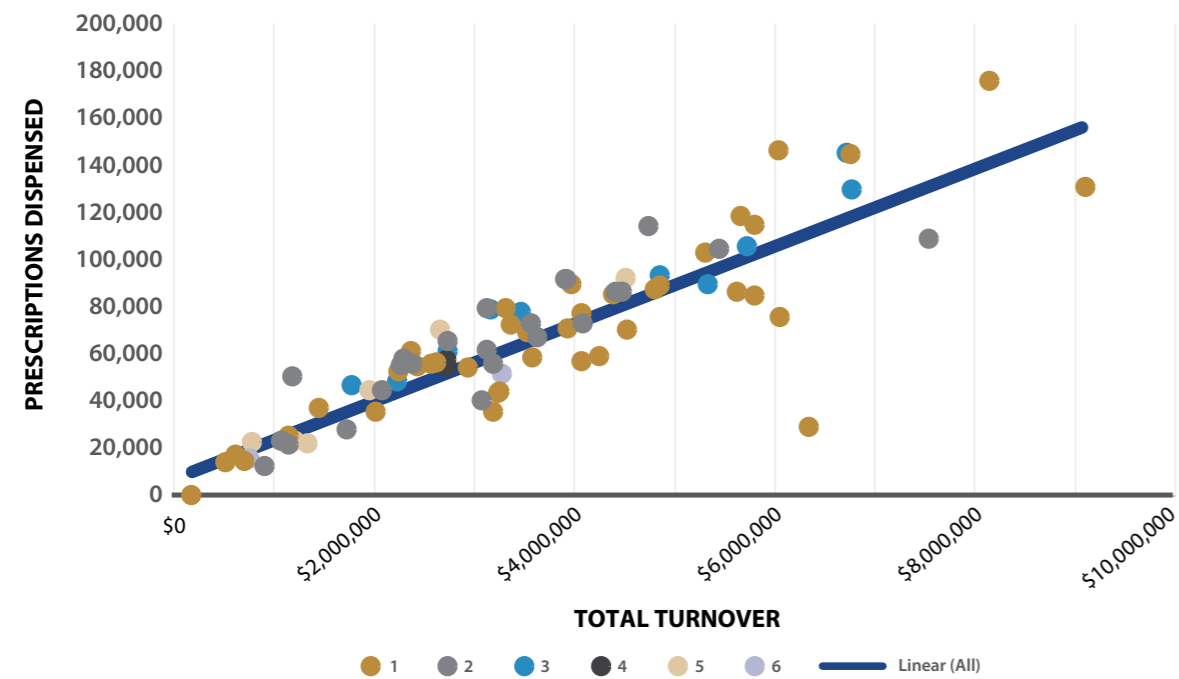
METHOD OF OPERATION	ISOLATED	MEDICAL CENTRE	SHOPPING CENTRE	SHOPPING STRIP
TOTAL TURNOVER	\$1,600,199	\$2,447,296	\$2,774,158	\$2,365,497
TOTAL GROSS PROFIT	\$612,036	\$1,195,406	\$1,457,431	\$1,113,778
TOTAL GROSS PROFIT % SALES	40.46%	51.65%	56.23%	49.56%
OTHER INCOME	\$87,461	\$132,716	\$182,358	\$118,130
7CPA PROGRAMS INCOME	\$68,983	\$38,924	\$53,511	\$81,257
GROSS PROFIT & OTHER INCOME	\$699,497	\$1,328,122	\$1,639,789	\$1,231,908
DISPENSARY SALES	\$1,512,738	\$2,314,580	\$2,591,800	\$2,247,367
TOTAL PHARMACY SALES	\$1,512,738	\$2,314,580	\$2,591,800	\$2,247,367
SALARIES AND WAGES	\$517,128	\$512,295	\$564,399	\$450,484
SALARIES AND WAGES %	34.18%	22.13%	21.78%	20.04%
RENT	\$209,462	\$144,297	\$295,485	\$128,216
RENT %	13.85%	6.23%	11.40%	5.71%
DEPRECIATION	\$26,708	\$39,781	\$40,571	\$50,438
DEPRECIATION %	1.77%	1.72%	1.57%	2.24%
INTEREST PAID	\$18,286	\$42,842	\$59,777	\$42,370
INTEREST PAID %	1.21%	1.85%	2.31%	1.89%
ALL OTHER EXPENSES	\$137,555	\$207,258	\$412,542	\$257,956
ALL OTHER EXPENSES %	9.09%	8.95%	15.92%	11.48%
TOTAL EXPENSES	\$909,140	\$946,473	\$1,372,774	\$929,464
TOTAL INCOME*	n.p.	\$381,648	\$267,015	\$302,444
EBITDA*	n.p.	\$464,272	\$367,363	\$395,252
LESS PROPRIETOR'S SALARY (NATIONAL)	\$116,689	\$116,689	\$116,689	\$116,689
NET PROFIT / LOSS*	n.p.	\$264,960	\$150,326	\$185,755
TOTAL ASSETS	\$1,300,913	\$1,929,318	\$2,840,518	\$2,162,787
TOTAL LIABILITIES	\$988,701	\$1,092,824	\$1,757,932	\$1,420,404
NET ASSETS	\$312,212	\$836,495	\$1,082,586	\$742,383

All percentages expressed as a percentage of total pharmacy turnover.

*Total income, EBITDA and net profit/loss for isolated pharmacies not provided due to small sample size.

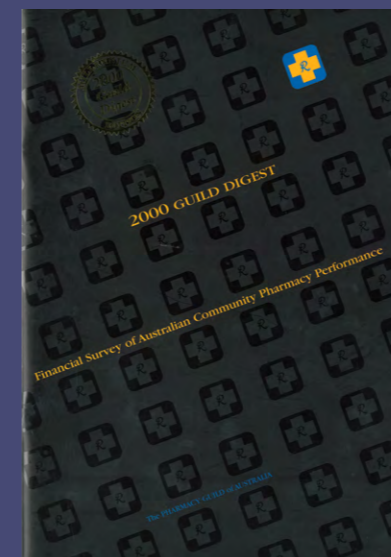
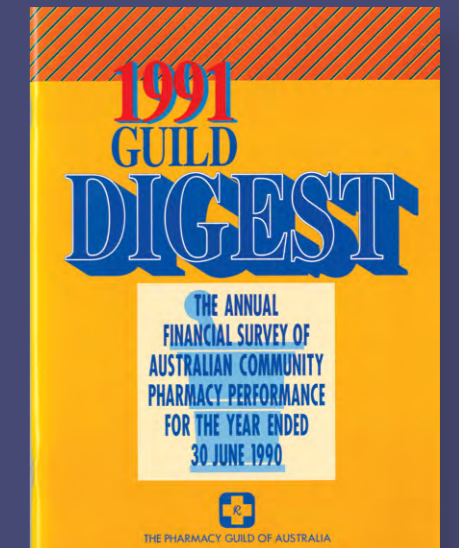
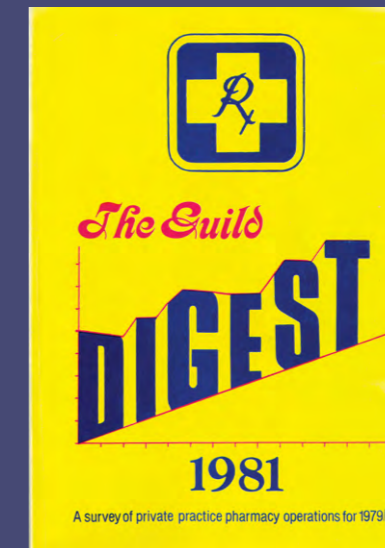
RESULTS BY LOCATION

FIGURE 3. Total pharmacy sales vs prescriptions dispensed, by Modified Monash Model suburb and locality classification (1 = Urban, 7 = Very Remote)



FIVE DECADES OF GUILD DIGEST

1972-2022



AVERAGE PHARMACY PROFILE

1972 vs 2022

	THEN	NOW
 Sales	\$93,750	\$3,600,476
 Gross Profit	35.5%	34.2%
 Other Income including Professional Services	\$1,017	\$100,164
 Prescriptions dispensed per year	4,386	61,552
 Salaries & Wages	\$10,512	\$460,853
 Pharmacy Size	82m ²	252m ²
 Rent	\$2,950	\$169,604
 Hours Open per week	51	61
 Prescription Sales as a percentage of total sales	46%	59%

COMMUNITY PHARMACY

THEN AND NOW



A CLOSER LOOK AT TOTAL TURNOVER IN 2020-21

In 2020-21, total turnover per pharmacy increased approximately 8% to an average of \$3.7 million per pharmacy. Dispensary sales continued to account for the largest percentage of pharmacy turnover (57%), with retail sales comprising a further 32% of sales. The remaining 11% was made up of over-the-counter medications (8%) and other income, including professional services (3%). The significant increase in retail and OTC sales in 2020-21 is postulated to be the

cause for increase in sales during the mentioned period. This increase may have been driven by higher purchasing of OTC medicines and other products during the first full financial year of the pandemic.

Other income, including professional services, continues its upwards trajectory as a proportion of total turnover. While remaining a small component of overall revenue, growth continues to be strong in this area. This is expected to continue with expansion of scope of practice.

FIGURE 4. Total turnover in real terms, 1993–2021

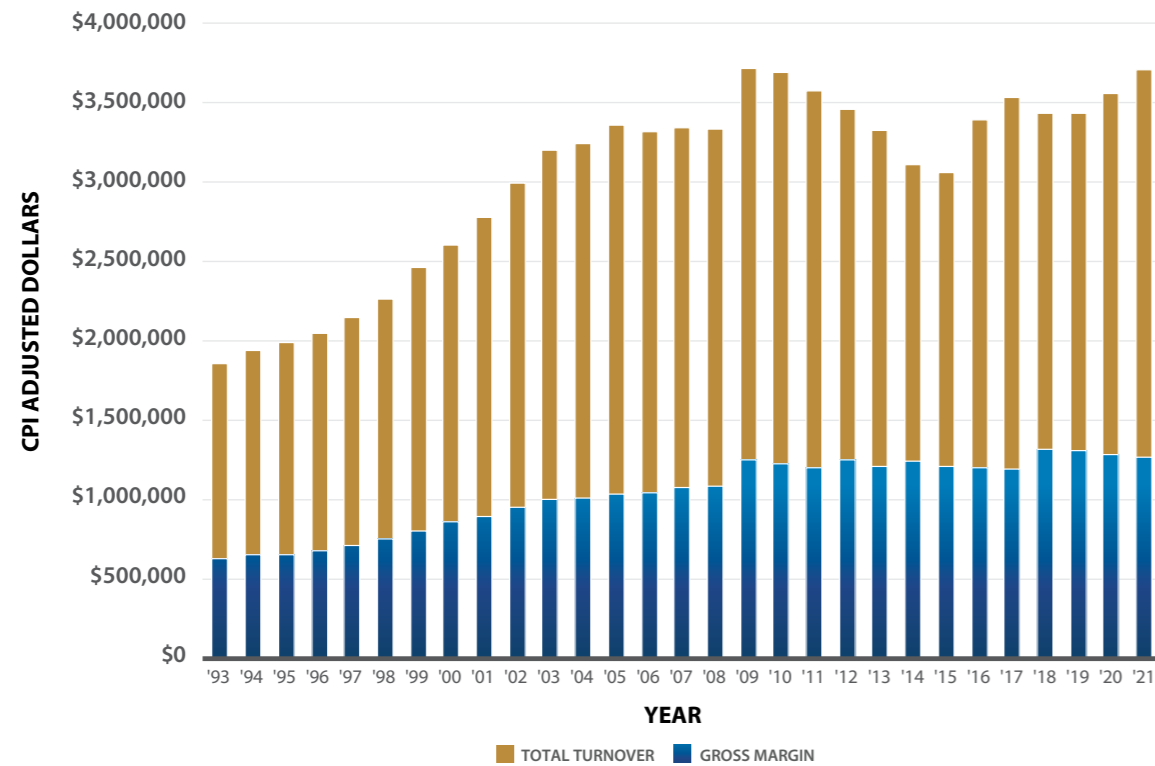


FIGURE 5. Pharmacy sales by sales category, 2020–21

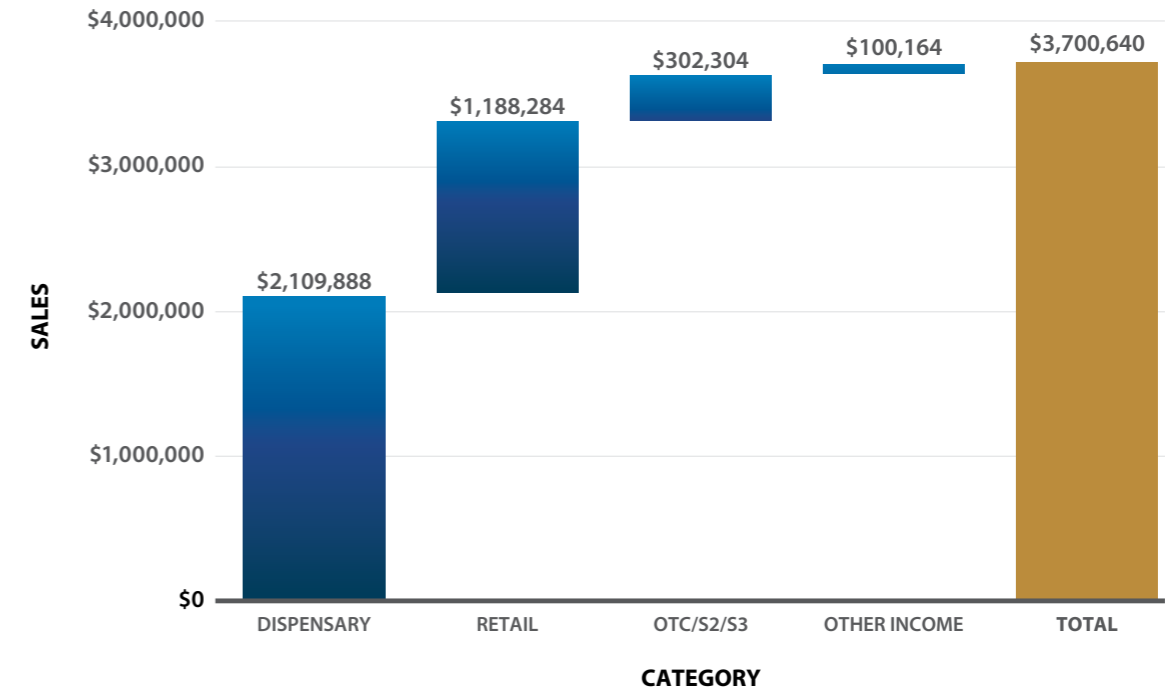
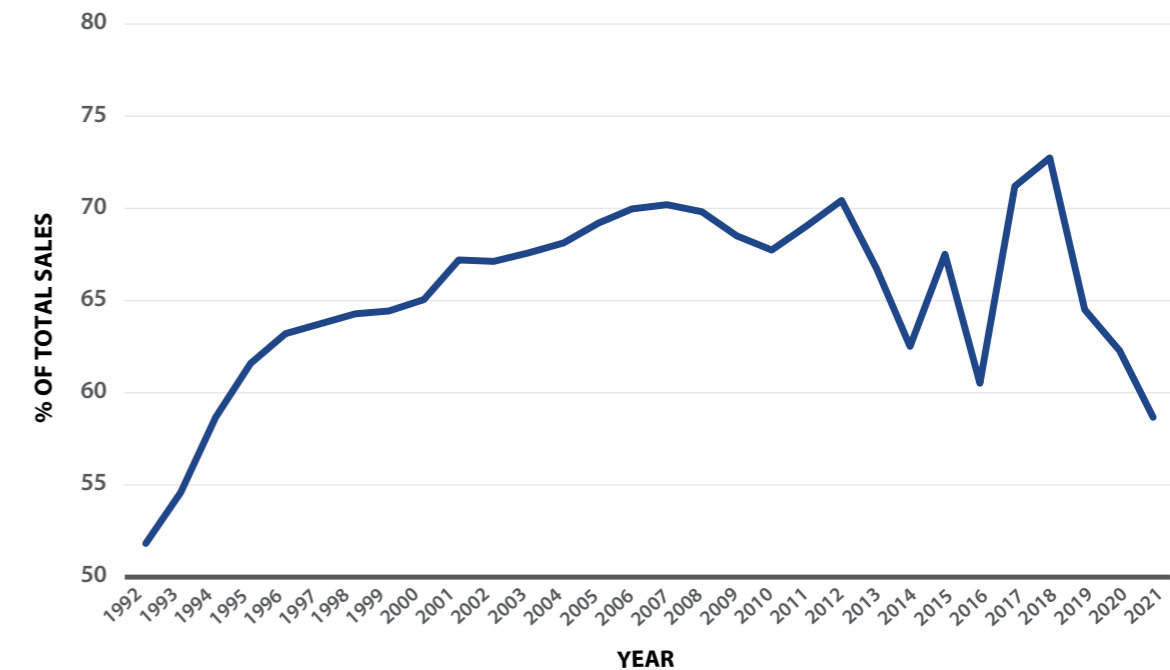


FIGURE 6. Prescription sales as % of total pharmacy sales



PHARMACY SCOPE OF PRACTICE OPPORTUNITY ASSESSMENT

The Guild’s vision through our *Framework for Change* is for community pharmacy to serve the needs of patients and consumers through a vibrant, dynamic and commercial community pharmacy network, with medication advice, management, and safety at its core.

Pharmacists are experts in medicines with a professional responsibility to ensure the quality use of medicines (QUM) – that is, that medicines are used safely, effectively, and judiciously. Pharmacists also have comprehensive training in disease prevention, management, and treatment. There is robust evidence of the impact that pharmacists have

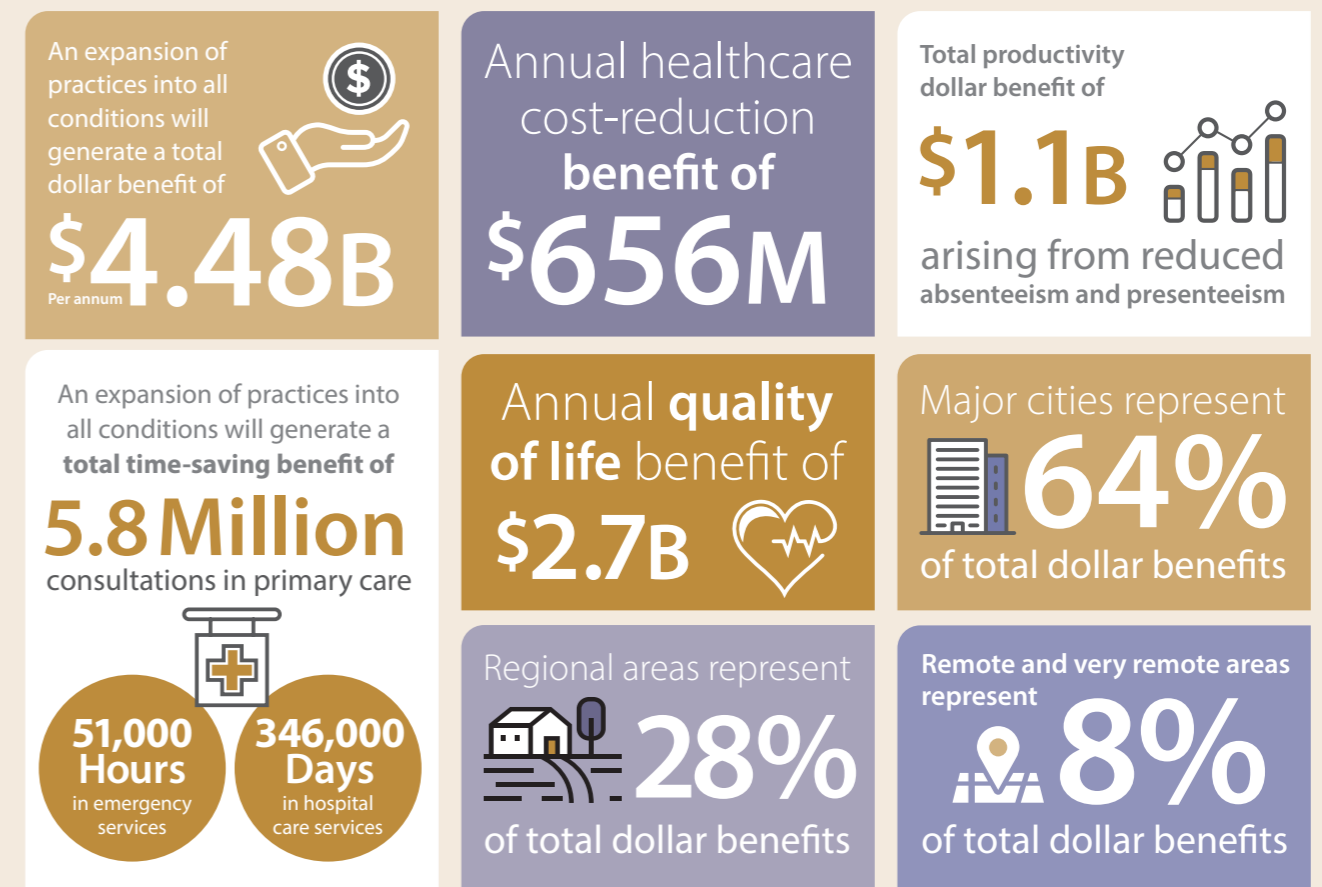
on medication safety and adherence and the resulting savings to the health system, particularly in the case of pharmacists managing long term conditions through the quality use of medicines. They have a unique and complex knowledge and skill base including a broad and deep knowledge of pathophysiology and pharmacotherapeutics.

The following graphic shows the types of benefits that can be derived from expanding pharmacist scope of practice, ranging from patient level outcomes through to broader economic and productivity impacts.



To further address the barriers that prevent pharmacists from mobilising to deliver additional health services to the community, the Guild has recently commissioned an opportunity assessment from EY, to examine how full scope of practice for pharmacists

will lead to improved welfare and economic outcomes through wide-ranging mechanisms. An overview of the national benefits that can be derived from pharmacists operating at full scope across ten targeted health conditions is presented below.



By reducing the number of ED presentations, preventable hospitalisations, GP consultations and reducing the waiting times necessary for consultation and treatments through early detection and improved medication management via pharmacist consultation, full scope of practice will alleviate the stress

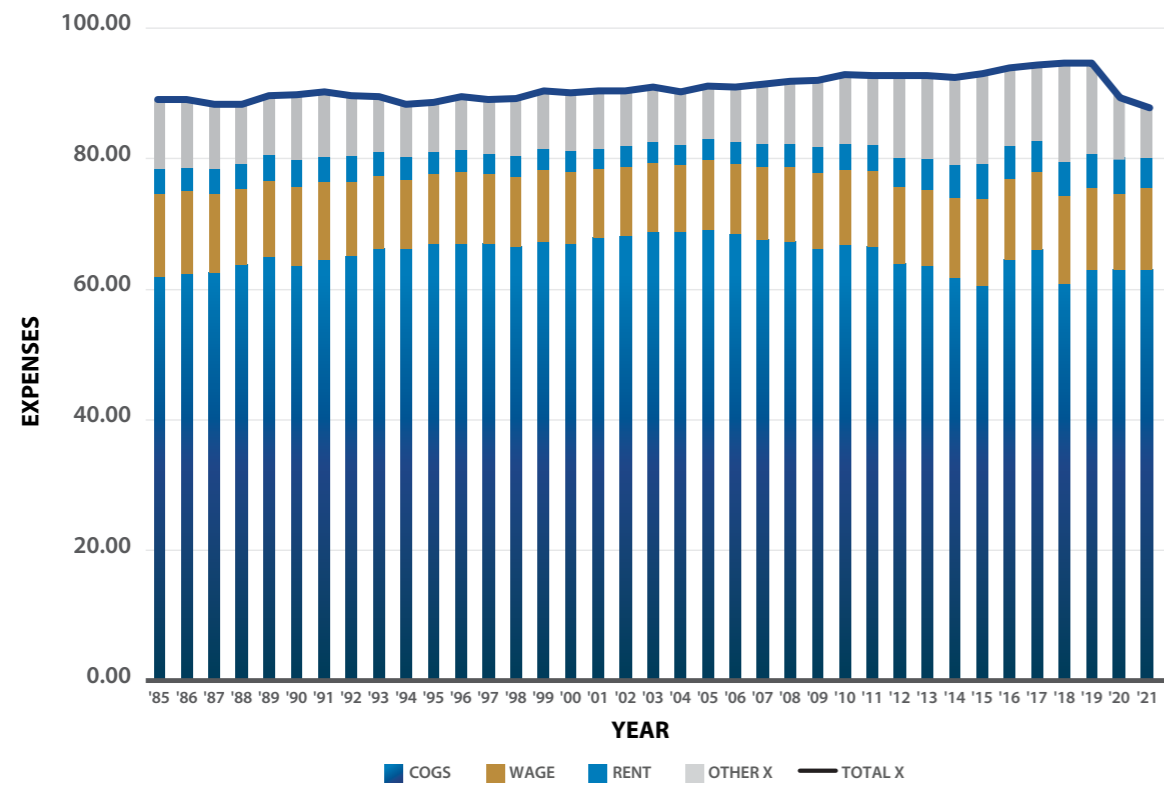
on the wider healthcare system. With patient health outcomes as the core objective, this will help in improving the quality of life for Australians, which will in turn lead to reduced presenteeism and absenteeism, bolstering productivity.

A CLOSER LOOK AT EXPENSES IN 2020-21

In 2020-21, cost of goods sold continued to be the highest component of all expenses incurred by pharmacies in the course of business, with a slight increase from the previous year as a percentage of total turnover to 63%. Wages comprised the second largest component of expenses, remaining relatively

flat at around 13% of total pharmacy turnover. Rent witnessed a decrease compared to 2019-20, at 4.58% of total pharmacy turnover. This decrease in rent is inferred to be a result of lease re-negotiations and government aid during COVID-induced lockdowns.

FIGURE 7. Expenses



FINANCIAL BENCHMARKS

Profitability indicators continued the historical trend in 2020-21, with net profit (before tax) experiencing an increase to 6.40% of total pharmacy sales. This is potentially due to the large increase in retail and OTC sales due to COVID-19 stimulated disruptions. Average

remuneration per prescription showed some growth due to beneficial measures introduced in 7CPA yet continued to be significantly below growth experienced in Average Weekly Earnings (AWE) and Consumer Price Index (CPI).

FIGURE 8. Net profit / loss as a percentage of pharmacy sales

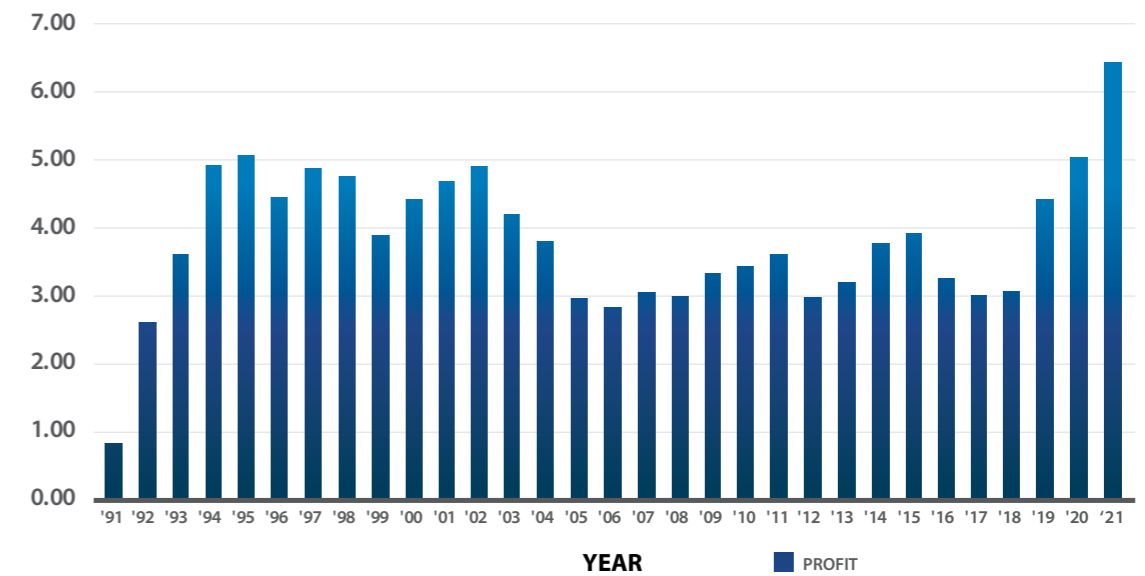
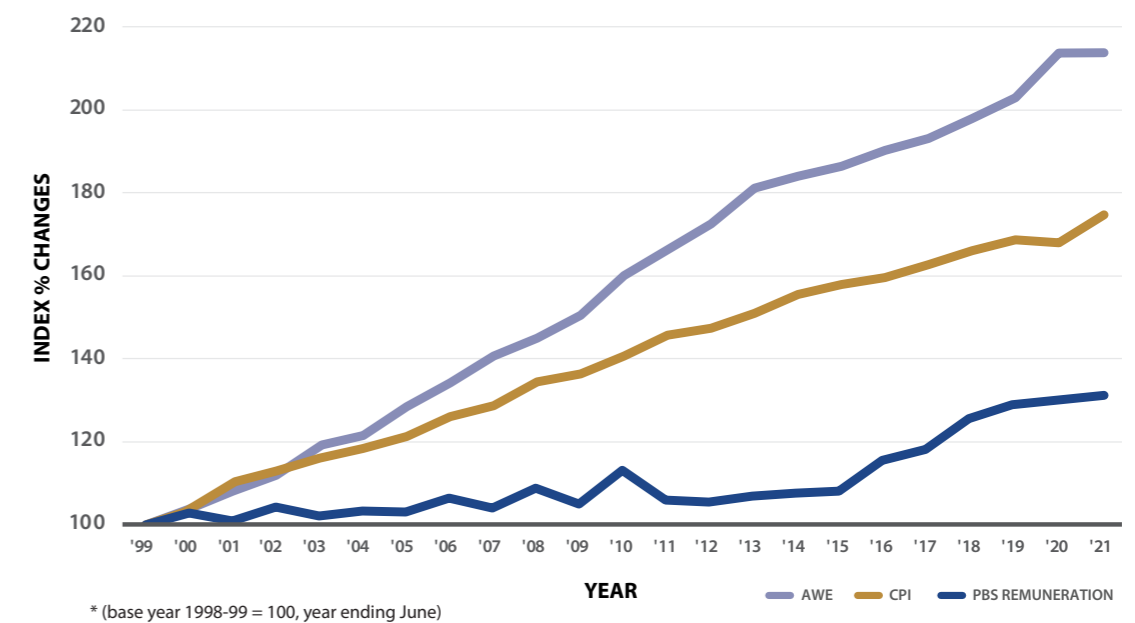


FIGURE 9. Index of average remuneration*



* (base year 1998-99 = 100, year ending June)

STAFFING AND OPERATING HOURS

TABLE 6. Pharmacy staff numbers and hours worked

STAFF TYPE		LOWER QUARTILE	AVERAGE	UPPER QUARTILE
PROPRIETORS	Number of staff	1.0	1.7	2.0
	Hours worked	19.0	30.5	42.0
MANAGERS	Number of staff	1.0	1.1	n.p.
	Hours worked	n.p.	34.4	38.0
OTHER PHARMACISTS	Number of staff	2.0	2.5	3.0
	Hours worked	20.8	28.7	35.8
OTHER STAFF	Number of staff	6.0	9.7	12.0
	Hours worked	14.9	22.7	30.0
TOTAL*	Number of staff	10.0	15.1	17.0
	Hours worked	60.7	116.3	145.8

(Includes full-time, part-time and casual workers)

* Due to rounding, some totals may not correspond with the sum of the figures in each column.

TABLE 7. Pharmacy staff numbers and hours worked by state / territory*

STAFF TYPE		PROPRIETORS	MANAGERS	OTHER PHARMACISTS	OTHER STAFF	TOTAL
NEW SOUTH WALES	Number of staff	2.3	1.6	2.2	9.6	15.8
	Hours worked	16.8	39.8	20.5	29.1	106.3
QUEENSLAND	Number of staff	1.4	1.0	2.3	9.4	14.3
	Hours worked	28.6	37.7	31.0	23.0	120.4
VICTORIA	Number of staff	2.1	1.0	2.2	8.0	13.4
	Hours worked	24.6	37.0	21.1	8.2	90.9

* Due to rounding, some totals may not correspond with the sum of the figures in each row.

Results for ACT, NT, WA, SA and TAS are unavailable due to low sample size.

TABLE 8. Pharmacy opening hours by state / territory*

STATE / TERRITORY	LOWER QUARTILE	AVERAGE	UPPER QUARTILE
AUSTRALIAN CAPITAL TERRITORY	69.4	78.8	85.9
NEW SOUTH WALES	48.8	60.0	66.6
NORTHERN TERRITORY	n.p.	n.p.	n.p.
QUEENSLAND	55.9	66.3	73.5
SOUTH AUSTRALIA	41.8	44.8	52.0
TASMANIA	59.2	67.2	79.4
VICTORIA	46.1	58.0	65.8
WESTERN AUSTRALIA	45.1	56.5	63.5
NATIONAL AVERAGE	48.9	60.6	68.6

* Results for NT are unavailable due to low sample size.

TABLE 9. Pharmacy opening hours by pharmacy location

STATE / TERRITORY	LOWER QUARTILE	AVERAGE	UPPER QUARTILE
ISOLATED	45.5	56.9	62.2
MEDICAL CENTRE	55.5	66.3	84.1
SHOPPING CENTRE	57.9	65.3	73.5
SHOPPING STRIP	47.0	58.4	64.9
NATIONAL AVERAGE	49.4	60.7	68.6

FINANCIAL PERFORMANCE TRENDS OVER THE PAST DECADE 2011-2021

This section includes the key industry trends of the past decade comparing the performance for pharmacies in the past 10 years. This is particularly important in highlighting the shift in key indicators.

There have been ongoing changes in the operating landscape of pharmacies over the past 10 years due to growing regulatory and competitive pressure from internal and external forces. The community pharmacy landscape has changed significantly, with a greater number of large banner group pharmacies and a highly competitive environment.

Industry turnover has grown at a 2.17% compounded annual growth rate (CAGR) over the past 10 years, with growth during the second half of the decade reversing the

trend of declining turnover, from 2012 to 2015. Historically, pharmacy turnover was growing at the rate of 0.66% (CAGR) from 2011-16, significantly lower compared to the 3.7% growth rate of 2016 to 2021. This reduction in revenue post-2010 is attributed to the dampening effect of Pharmaceutical Benefits Scheme (PBS) reforms introduced by the Government as a cost-saving measure, with the subsequent increase post 2015-16 in part due to the addition of high-cost (but low-margin) hepatitis C drugs on the PBS.

Pharmacies are operating on a small margin, with an average pharmacy net profit of \$236,827. The industry has seen 9.3% annual growth rate (CAGR) over the past 10 years for net profit.

FIGURE 10. Historical trends in total sales and gross profit

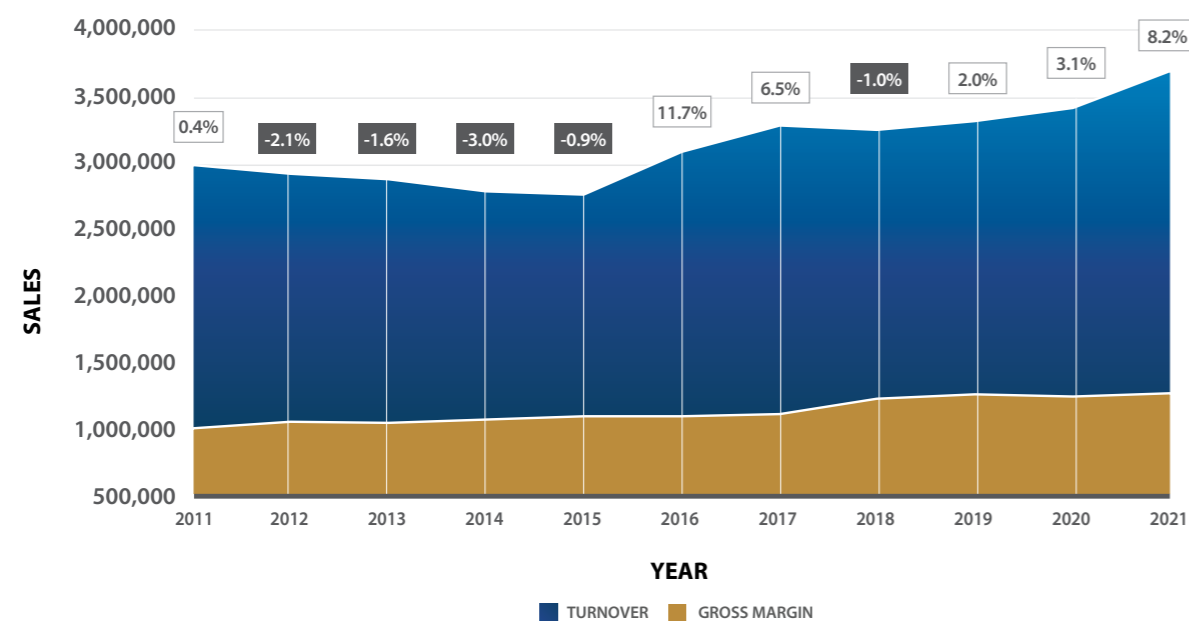


FIGURE 11. Historical trend in net profit / loss

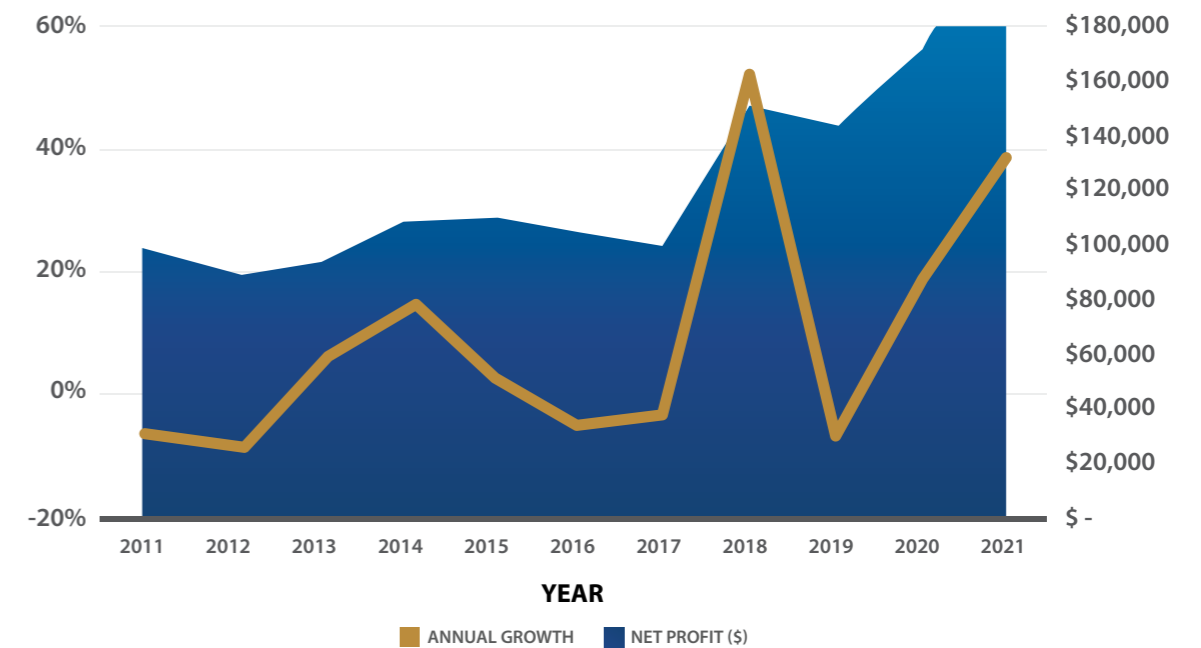
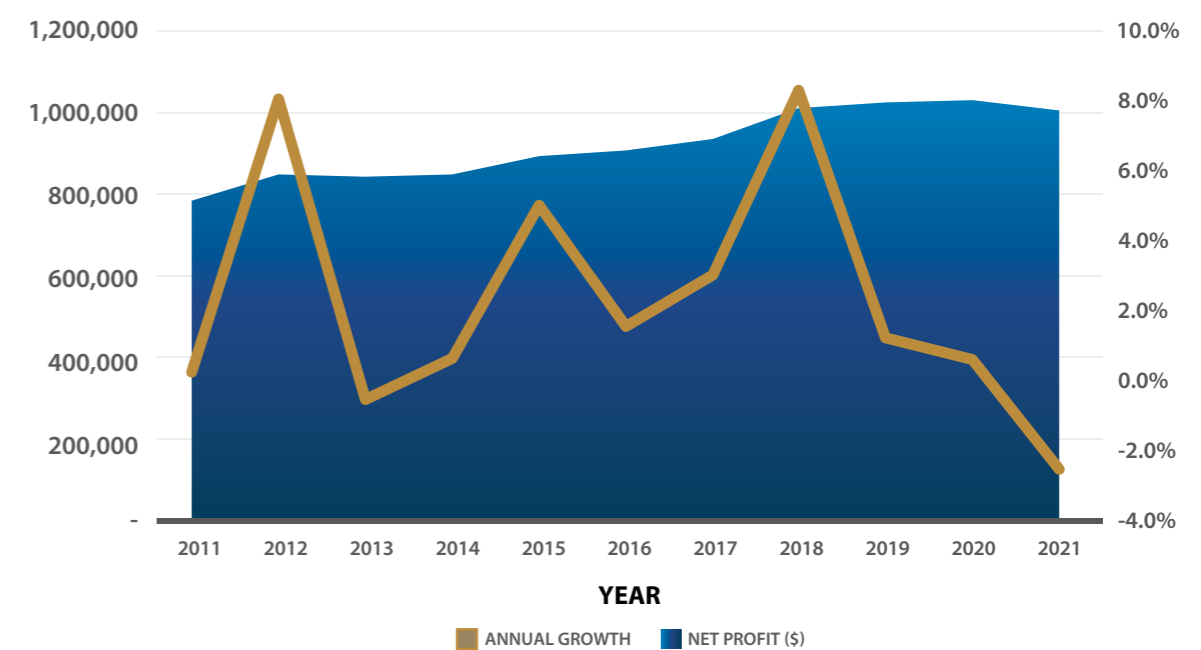


FIGURE 12. Historical trend in expenses



PART 3

HISTORICAL STATISTICS



PHARMACEUTICAL BENEFITS SCHEME DISPENSING FEES

TABLE 10.

FROM (DATE)	TO (DATE)	PROFESSIONAL FEE (\$)	RP ITEMS (\$)	MARK-UP ON WHOLESALE PRICE (%)	PROFESSIONAL FEE (\$)	EP ITEMS (\$)
1 January 1972	30 April 1972	0.39		33 1/3	0.64	
1 May 1972	30 September 1972	0.42		33 1/3	0.64	
1 October 1972	30 November 1972	0.44		33 1/3	0.64	
1 December 1972	31 December 1972	0.45		33 1/3	0.64	
1 January 1973	30 June 1973	0.50		33 1/3	0.72	
1 July 1973	31 December 1973	0.61		33 1/3	0.83	
1 January 1974	30 June 1974	0.68		33 1/3	0.90	
1 July 1974	30 June 1975	0.84		33 1/3	1.06	
1 July 1975	30 June 1976	0.90		33 1/3	1.12	
1 July 1976	31 December 1976	1.02		33 1/3	1.24	
1 January 1977	30 June 1977	1.07		33 1/3	1.29	
1 July 1977	31 July 1978	1.21		33 1/3	1.43	
1 August 1978	30 April 1980	1.35		25	1.95	
1 May 1980	30 June 1980	1.31	*	25	1.91	*
1 July 1980	30 November 1980	1.31	1.39	25	1.91	1.99
1 December 1980	31 December 1980	1.26	1.34	25	1.89	1.97
1 January 1981	30 June 1981	1.26	1.44	25	1.89	2.07
1 July 1981	31 December 1981	1.51		25	2.14	
1 January 1982	30 June 1982	1.66		25	2.29	
1 July 1982	31 December 1983	1.73		25	2.54	
1 January 1984	30 June 1984	1.98		25	2.89	
1 July 1984	30 June 1985	2.13		25	3.09	
1 July 1985	31 December 1985	2.30		25	3.33	
1 January 1986	30 June 1986	2.35		25	3.40	
1 July 1986	31 August 1986	2.40		25	3.47	
1 September 1986	31 May 1987	2.46		25	3.56	
1 June 1987	30 June 1988	2.50		25	3.62	
1 July 1988	31 July 1988	2.59		25	3.76	
1 August 1988	31 January 1989	2.64		25	3.83	
1 February 1989	31 December 1989	2.59		25	3.76	
1 January 1990	30 June 1990	2.54		25	3.68	
1 July 1990	31 December 1990	2.57		25	3.72	
1 January 1991	31 July 1992	3.43		10 **	4.96	
1 August 1992	31 December 1992	3.57		10 **	5.16	
1 January 1993	30 June 1993	3.69		10 **	5.34	
1 July 1993	31 December 1993	3.75		10 **	5.43	
1 January 1994	30 June 1994	3.83		10 **	5.55	
1 July 1994	31 December 1994	3.98		10 **	5.77	

FROM (DATE)	TO (DATE)	PROFESSIONAL FEE (\$)	RP ITEMS (\$)	MARK-UP ON WHOLESALE PRICE (%)	PROFESSIONAL FEE (\$)	EP ITEMS (\$)
1 January 1995	30 June 1995	4.06		10 **	5.89	
1 July 1995	30 June 1996	4.27		10 **	6.10	
1 July 1996	30 June 1997	4.29		10 **	6.13	
1 July 1997	30 June 1998	4.34		10 **	6.20	
1 July 1998	30 June 1999	4.34		10 **	6.20	
1 July 1999	30 June 2000	4.39		10 **	6.27	
1 July 1999	30 June 2000	4.39		10 **	6.27	
1 July 2000	30 January 2001	4.40		10 ***	6.28	
1 February 2001	30 June 2001	4.50		10 ***	6.38	
1 July 2001	30 September 2001	4.53		10 ***	6.44	
1 October 2001	30 January 2002	4.68		10 ***	6.59	
1 February 2002	30 June 2002	4.58		10 ***	6.49	
1 July 2002	30 June 2003	4.62		10 ***	6.56	
1 July 2003	30 June 2004	4.66		10 ***	6.63	
1 July 2004	30 June 2005	4.70		10 ***	6.70	
1 July 2005	30 November 2005	4.75		10 ***	6.78	
1 December 2005	30 June 2006	4.94		10 ***	6.97	
1 July 2006	30 June 2007	5.15		10 ~	7.19	
1 July 2007	31 July 2007	5.32		10 ~	7.36	
1 August 2007	30 June 2008	5.44		10 ~	7.48	
1 July 2008	31 July 2008	5.81		10 ~	7.85	
1 August 2008	30 June 2009	5.99		~~	8.03	
1 July 2009	30 June 2012	6.42		~~	8.46	
1 July 2012	30 June 2013	6.52		~~	8.56	
1 July 2013	30 June 2014	6.63		~~	8.67	
1 July 2014	30 June 2015	6.76		~~	8.80	
1 July 2015	30 June 2016	6.93		~~~	8.97	
1 July 2016	30 June 2017	7.02		~~~	9.06	
1 July 2017	30 June 2018	7.15		~~~	9.19	
1 July 2018	30 June 2019	7.29		~~~	9.33	
1 July 2019	30 June 2020	7.39		~~~	9.43	
1 July 2020	30 June 2021	7.78			9.82	

* Revised Fees as determined by the Pharmaceutical Benefits Remuneration Tribunal.

** 10% Mark-up applies to items with approved price to pharmacists of less than \$180.00.
\$18.00 Mark-up applies to items with approved price to pharmacists of between \$180.00 and \$360.00.
5% Mark-up applies to items with approved price to pharmacists of more than \$360.00.

*** 10% Mark-up applies to items with approved price to pharmacists of less than \$180.00.
\$18.00 Mark-up applies to items with approved price to pharmacists of between \$180.00 and \$450.00.
4% Mark-up applies to items with approved price to pharmacists of more than \$450.00.

~ As above, except for items with approved price to pharmacists of more than \$1000, to which a \$40 markup applies.

~~ 15% Mark-up applied to items with approved price to pharmacists of less than \$30.00.
\$4.50 Mark-up applies to items with approved price to pharmacists of between \$30.00 and \$45.00.
10% Mark-up applies to items with approved price to pharmacists of between \$45.00 and \$180.00.
\$18 Mark-up applies to items with approved price to pharmacists of between \$180.00 and \$450.00.
4% Mark-up applies to items with approved price to pharmacists of between \$450.00 and \$1750.00.
\$70 Mark-up applies to items with approved price to pharmacists of more than \$1750.00

~~~ From 1 July 2015, the pharmacy mark-up component of remuneration was replaced by an Administration, Handling & Infrastructure fee.  
Approved price to Pharmacist (wholesaler PBS list price) up to \$180.00: \$3.54 per prescription  
Approved price to Pharmacist between \$180.00 and \$2,277.21: \$3.49 plus 3.5% of the amount by which the price exceeds \$180.00  
Approved price to pharmacist is \$2,277.21 or above: \$70.00.

## CHANGES IN THE LEVEL OF PATIENT CONTRIBUTION

TABLE 11.

| DATE OF CHANGE | AMOUNT GENERAL | % OF AVERAGE COST OF GENERAL ABOVE-CO-PAYMENT PRESCRIPTION | % OF GENERAL PRESCRIPTIONS THAT ARE GOVERNMENT-SUBSIDISED | AMOUNT CONCESSIONAL | % OF AVERAGE COST OF CONCESSIONAL |
|----------------|----------------|------------------------------------------------------------|-----------------------------------------------------------|---------------------|-----------------------------------|
| March 1960     | \$0.50         | 22                                                         |                                                           |                     |                                   |
| November 1971  | \$1.00         | 40                                                         |                                                           |                     |                                   |
| September 1975 | \$1.50         | 51                                                         |                                                           |                     |                                   |
| March 1976     | \$2.00         | 59                                                         |                                                           |                     |                                   |
| July 1978      | \$2.50         | 60                                                         |                                                           |                     |                                   |
| September 1979 | \$2.75         | 60                                                         |                                                           |                     |                                   |
| December 1981  | \$3.20         | 62                                                         |                                                           |                     |                                   |
| January 1983   | \$4.00         | 69                                                         |                                                           | \$2.00              | 34                                |
| July 1985      | \$5.00         | 73                                                         |                                                           | \$2.00              | 32                                |
| July 1986      | \$5.00         | 64                                                         |                                                           | \$2.00              | 29                                |
| November 1986  | MAX \$10.00    | 54                                                         |                                                           | \$2.50              | 27                                |
| July 1988      | MAX \$11.00    | 51                                                         |                                                           | \$2.50              | 27                                |
| July 1989      | MAX \$11.00    | 53                                                         |                                                           | \$2.50              | 25                                |
| July 1990      | MAX \$11.00    | 49                                                         |                                                           | \$2.50              | 23                                |
| November 1990  | MAX \$15.00    | 55                                                         |                                                           | \$2.50              | 21                                |
| August 1991    | MAX \$15.70    | 57                                                         |                                                           | \$2.50              | 21                                |
| October 1991   | MAX \$15.70    | 57                                                         |                                                           | \$2.60              | 22                                |
| August 1992    | MAX \$15.90    | 45                                                         |                                                           | \$2.60              | 20                                |
| August 1993    | MAX \$16.00    | 47                                                         |                                                           | \$2.60              | 18                                |
| August 1994    | MAX \$16.20    | 45                                                         |                                                           | \$2.60              | 16                                |
| August 1995    | MAX \$16.80    | 45                                                         |                                                           | \$2.60              | 15                                |
| August 1996    | MAX \$17.40    | 43                                                         |                                                           | \$2.70              | 14                                |
| January 1997   | MAX \$20.00    | 44                                                         |                                                           | \$3.20              | 16                                |
| January 1999   | MAX \$20.30    | 40                                                         |                                                           | \$3.20              | 14                                |
| January 2000   | MAX \$20.60    | 40                                                         |                                                           | \$3.30              | 14                                |
| January 2001   | MAX \$21.90    | 42                                                         |                                                           | \$3.50              | 14                                |
| January 2002   | MAX \$22.40    | 42                                                         |                                                           | \$3.60              | 14                                |
| January 2003   | MAX \$23.10    | 40                                                         |                                                           | \$3.70              | 13                                |
| January 2004   | MAX \$23.70    | 39                                                         |                                                           | \$3.80              | 12                                |
| January 2005   | MAX \$28.60    | 48                                                         |                                                           | \$4.60              | 14                                |
| January 2006   | MAX \$29.50    | 46                                                         |                                                           | \$4.70              | 14                                |
| January 2007   | MAX \$30.70    | 45                                                         |                                                           | \$4.90              | 14                                |
| January 2008   | MAX \$31.30    | 46                                                         |                                                           | \$5.00              | 14                                |
| January 2009   | MAX \$32.90    | 34                                                         |                                                           | \$5.30              | 13                                |
| January 2010   | MAX \$33.30    | 37                                                         |                                                           | \$5.40              | 14                                |
| January 2011   | MAX \$34.20    | 35                                                         |                                                           | \$5.60              | 15                                |
| January 2012   | MAX \$35.40    | 35                                                         |                                                           | \$5.80              | 14                                |
| January 2013   | MAX \$36.10    | 35                                                         | 28                                                        | \$5.90              | 15                                |
| January 2014   | MAX \$36.90    | 35                                                         | 23                                                        | \$6.00              | 16                                |
| January 2015   | MAX \$37.70    | 31                                                         | 19                                                        | \$6.10              | 17                                |
| January 2016   | MAX \$38.30    | 21                                                         | 17                                                        | \$6.20              | 19                                |
| January 2017   | MAX \$38.80    | 24                                                         | 15                                                        | \$6.30              | 16                                |
| January 2018   | MAX \$39.50    | 25                                                         | 16                                                        | \$6.40              | 16                                |
| January 2019   | MAX \$40.30    | 25                                                         | 16                                                        | \$6.50              | 17                                |
| January 2020   | MAX \$41.30    | 24                                                         | 16                                                        | \$6.60              | 17                                |
| January 2021   | MAX \$42.50    | 24                                                         | 16                                                        | \$6.80              | 17                                |

## PBS REMUNERATION PER PRESCRIPTION

TABLE 12.

| YEAR    | AVERAGE PRICE PER SCRIPT (\$) |    | MARK-UP* (\$) |    | AVERAGE PROFESSIONAL FEE (\$) | AVERAGE OTHER FEES*** (\$) | TOTAL REMUNERATION (\$) | REMUNERATION AS % OF AVERAGE PRICE | ANNUAL VOLUME OF PRESCRIPTIONS (000) |
|---------|-------------------------------|----|---------------|----|-------------------------------|----------------------------|-------------------------|------------------------------------|--------------------------------------|
| 1987/88 | 10.37                         | @@ | 1.57          |    | 2.53                          |                            | 4.10                    | 39.54                              | 100,901                              |
| 1988/89 | 11.51                         | @@ | 1.78          |    | 2.64                          |                            | 4.42                    | 38.40                              | 100,586                              |
| 1989/90 | 12.54                         | @@ | 1.99          |    | 2.57                          |                            | 4.56                    | 36.40                              | 104,979                              |
| 1990/91 | 13.82                         | @@ | 1.84          |    | 2.84                          |                            | 4.68                    | 33.86                              | 96,300                               |
| 1991/92 | 15.46                         | @@ | 1.10          | ** | 3.43                          |                            | 4.53                    | 29.30                              | 94,121                               |
| 1992/93 | 16.78                         | @@ | 1.20          |    | 3.60                          |                            | 4.79                    | 28.55                              | 105,953                              |
| 1993/94 | 18.18                         | @@ | 1.31          |    | 3.85                          |                            | 5.16                    | 28.38                              | 115,041                              |
| 1994/95 | 19.71                         | @@ | 1.43          |    | 4.06                          |                            | 5.49                    | 27.85                              | 118,046                              |
| 1995/96 | 21.49                         | @@ | 1.57          |    | 4.27                          |                            | 5.84                    | 27.18                              | 124,205                              |
| 1996/97 | 23.19                         | @@ | 1.72          |    | 4.29                          |                            | 6.01                    | 25.92                              | 123,434                              |
| 1997/98 | 24.88                         | @@ | 1.87          |    | 4.34                          |                            | 6.21                    | 24.96                              | 124,483                              |
| 1998/99 | 26.38                         | @@ | 1.95          |    | 4.34                          |                            | 6.29                    | 23.84                              | 128,348                              |
| 1999/00 | 27.82                         | @@ | 2.07          |    | 4.39                          |                            | 6.46                    | 23.23                              | 137,585                              |
| 2000/01 | 30.86                         | @@ | 2.34          |    | 4.44                          |                            | 6.78                    | 21.96                              | 147,571                              |
| 2001/02 | 32.32                         | @@ | 2.46          |    | 4.53                          |                            | 6.99                    | 21.62                              | 154,530                              |
| 2002/03 | 34.28                         | @@ | 2.62          |    | 4.62                          |                            | 7.24                    | 21.13                              | 158,548                              |
| 2003/04 | 35.84                         | @@ | 2.68          |    | 4.66                          |                            | 7.34                    | 20.48                              | 165,435                              |
| 2004/05 | 37.30                         | @@ | 2.79          |    | 4.70                          |                            | 7.49                    | 20.08                              | 169,877                              |
| 2005/06 | 38.75                         | @@ | 2.88          |    | 4.86                          |                            | 7.74                    | 19.97                              | 167,927                              |
| 2006/07 | 39.35                         | @@ | 2.86          |    | 5.22                          |                            | 8.08                    | 20.53                              | 168,536                              |
| 2007/08 | 41.54                         | @@ | 2.95          |    | 5.50                          |                            | 8.45                    | 20.34                              | 171,296                              |
| 2008/09 | 43.37                         | @@ | 3.42          | ** | 5.97                          | 0.85                       | 10.30                   | 23.75                              | 181,836                              |
| 2009/10 | 45.47                         | @@ | 3.57          |    | 6.42                          | 1.04                       | 11.10                   | 24.41                              | 183,911                              |
| 2010/11 | 46.18                         | @@ | 3.57          |    | 6.42                          | 0.68                       | 10.74                   | 23.25                              | 188,144                              |
| 2011/12 | 45.59                         | @@ | 3.47          |    | 6.42                          | 0.71                       | 10.68                   | 23.42                              | 194,898                              |
| 2012/13 | 42.90                         | @@ | 3.22          |    | 6.52                          | 0.85                       | 10.67                   | 24.88                              | 211,407                              |
| 2013/14 | 41.68                         | @@ | 3.07          |    | 6.63                          | 0.95                       | 10.74                   | 25.77                              | 214,526                              |
| 2014/15 | 40.05                         | @@ | 2.75          |    | 6.76                          | 1.03                       | 10.64                   | 26.56                              | 215,406                              |
| 2015/16 | 37.75                         | @@ | 3.82          |    | 6.93                          | 0.51                       | 11.37                   | 30.13                              | 214,384                              |
| 2016/17 | 40.68                         |    | 3.91          |    | 7.02                          | 0.59                       | 11.64                   | 28.62                              | 209,283                              |
| 2017/18 | 48.45                         |    | 4.47          |    | 7.15                          | 0.62                       | 12.36                   | 25.52                              | 210,388                              |
| 2018/19 | 47.22                         |    | 4.57          |    | 7.29                          | 0.72                       | 12.69                   | 26.88                              | 210,776                              |
| 2019/20 | 48.78                         |    | 4.42          |    | 7.39                          | 0.74                       | 12.67                   | 25.98                              | 208,051                              |
| 2020/21 | 49.91                         |    | 5.15          |    | 7.78                          | 0.00                       | 13.12                   | 26.29                              | 217,956                              |

\* Excludes wholesalers' surcharges, discounts and rebates.

\*\* Percentage mark-up changed.

\*\*\* PBS Online incentive (August 2008 to June 2010) and Premium-free Dispensing Incentive (August 2008 onwards).

@ Adjusted for retrospective payments.

@@ Not adjusted for General category items under the maximum patient contribution. Excludes Doctor's Bag items.

## POPULATION TO PHARMACY RATIOS IN AUSTRALIA

TABLE 13.

| YEAR (30 JUNE) | POPULATION * | NUMBER OF PHARMACIES | POPULATION : PHARMACY RATIO |
|----------------|--------------|----------------------|-----------------------------|
| 1970           | 12,663,469   | 5,876                | 2,155                       |
| 1975           | 13,893,000   | 5,566                | 2,496                       |
| 1980           | 14,695,400   | 5,417                | 2,713                       |
| 1985           | 15,788,300   | 5,484                | 2,879                       |
| 1986           | 16,018,400   | 5,549                | 2,887                       |
| 1987           | 16,263,300   | 5,559                | 2,926                       |
| 1988           | 16,532,200   | 5,609                | 2,947                       |
| 1989           | 16,814,400   | 5,612                | 2,996                       |
| 1990           | 17,065,100   | 5,625                | 3,034                       |
| 1991           | 17,284,000   | 5,351                | 3,230                       |
| 1992           | 17,489,100   | 5,091                | 3,435                       |
| 1993           | 17,656,400   | 5,018                | 3,519                       |
| 1994           | 17,847,400   | 4,980                | 3,584                       |
| 1995           | 18,063,300   | 4,949                | 3,650                       |
| 1996           | 18,310,714   | 4,953                | 3,697                       |
| 1997           | 18,532,247   | 4,954                | 3,741                       |
| 1998           | 18,730,359   | 4,952                | 3,782                       |
| 1999           | 18,871,800   | 4,942                | 3,819                       |
| 2000           | 19,080,200   | 4,925                | 3,874                       |
| 2001           | 19,334,200   | 4,925                | 3,926                       |
| 2002           | 19,657,400   | 4,926                | 3,991                       |
| 2003           | 19,757,900   | 4,907                | 4,026                       |
| 2004           | 20,009,000   | 4,910                | 4,075                       |
| 2005           | 20,281,400   | 4,921                | 4,121                       |
| 2006           | 20,551,500   | 4,951                | 4,151                       |
| 2007           | 20,948,900   | 4,992                | 4,196                       |
| 2008           | 21,282,600   | 5,005                | 4,252                       |
| 2009           | 21,779,100   | 5,046                | 4,316                       |
| 2010           | 22,271,900   | 5,088                | 4,377                       |
| 2011           | 22,475,100   | 5,167                | 4,350                       |
| 2012           | 22,485,340   | 5,240                | 4,291                       |
| 2013           | 23,032,700   | 5,350                | 4,305                       |
| 2014           | 23,319,400   | 5,456                | 4,274                       |
| 2015           | 23,714,300   | 5,511                | 4,303                       |
| 2016           | 24,123,900   | 5,587                | 4,318                       |
| 2017           | 24,594,400   | 5,665                | 4,341                       |
| 2018           | 24,992,400   | 5,723                | 4,367                       |
| 2019           | 25,364,300   | 5,762                | 4,402                       |
| 2020           | 25,687,041   | 5,822                | 4,412                       |
| 2021           | 25,688,079   | 5,875                | 4,372                       |

## TRENDS IN POPULATION TO PHARMACY RATIOS

TABLE 14.

| STATE OR TERRITORY | 30 JUNE 2020      |                      |                       | 30 JUNE 2021      |                      |                       | % CHANGE IN POPULATION TO PHARMACY RATIOS |
|--------------------|-------------------|----------------------|-----------------------|-------------------|----------------------|-----------------------|-------------------------------------------|
|                    | POPULATION ('000) | NUMBER OF PHARMACIES | POPULATION / PHARMACY | POPULATION ('000) | NUMBER OF PHARMACIES | POPULATION / PHARMACY |                                           |
| NSW                | 8,094             | 1,895                | 4,271.4               | 8,093.8           | 1,912                | 4,233.2               | -0.9%                                     |
| VIC                | 6,606             | 1,389                | 4,756.0               | 6,548.0           | 1,403                | 4,667.2               | -1.9%                                     |
| QLD                | 5,175             | 1,167                | 4,434.4               | 5,217.7           | 1,187                | 4,395.7               | -0.9%                                     |
| SA                 | 1,794             | 460                  | 3,899.0               | 1,803.2           | 459                  | 3,928.5               | 0.8%                                      |
| WA                 | 2,718             | 636                  | 4,274.2               | 2,749.9           | 639                  | 4,303.4               | 0.7%                                      |
| TAS                | 564               | 155                  | 3,635.5               | 567.9             | 155                  | 3,663.9               | 0.8%                                      |
| NT                 | 249               | 40                   | 6,223.6               | 249.2             | 40                   | 6,230.0               | 0.1%                                      |
| ACT                | 451               | 80                   | 5,632.9               | 453.6             | 80                   | 5,669.5               | 0.6%                                      |
| <b>AUS*</b>        | <b>25,687.0</b>   | <b>5,822</b>         | <b>4,412</b>          | <b>25,688.1</b>   | <b>5,875</b>         | <b>4,372</b>          | <b>-0.9%</b>                              |

\* National population value includes other territories and will not equal the sum of state populations.  
Sources: Medicare Australia and Australian Bureau of Statistics

## PHARMACIES DISPENSING PHARMACEUTICAL BENEFITS

TABLE 15. States and territories 2008 to 2021

| STATE OR TERRITORY | 2011         | 2012         | 2013         | 2014         | 2015         | 2016         | 2017         | 2018         | 2019         | 2020         | 2021         |
|--------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| NSW                | 1,738        | 1,762        | 1,794        | 1,820        | 1,831        | 1,853        | 1,864        | 1,878        | 1,886        | 1,895        | 1,912        |
| VIC                | 1,204        | 1,226        | 1,247        | 1,282        | 1,299        | 1,317        | 1,346        | 1,360        | 1,369        | 1,389        | 1,403        |
| QLD                | 1,052        | 1,048        | 1,070        | 1,088        | 1,100        | 1,118        | 1,130        | 1,138        | 1,151        | 1,167        | 1,187        |
| SA                 | 418          | 423          | 432          | 439          | 439          | 448          | 454          | 454          | 459          | 460          | 459          |
| WA                 | 521          | 540          | 556          | 574          | 584          | 591          | 611          | 623          | 626          | 636          | 639          |
| TAS                | 139          | 141          | 146          | 148          | 149          | 150          | 149          | 153          | 153          | 155          | 155          |
| NT                 | 31           | 32           | 33           | 33           | 34           | 35           | 36           | 39           | 40           | 40           | 40           |
| ACT                | 64           | 68           | 72           | 72           | 74           | 75           | 75           | 78           | 78           | 80           | 80           |
| <b>AUS</b>         | <b>5,167</b> | <b>5,240</b> | <b>5,350</b> | <b>5,456</b> | <b>5,510</b> | <b>5,587</b> | <b>5,665</b> | <b>5,723</b> | <b>5,762</b> | <b>5,822</b> | <b>5,875</b> |

Numbers as at 30 June 2021.

## PRICING AND EARNING INDICES

TABLE 16.

| YEAR    | CONSUMER PRICE INDEX (A) |           |                 |            | AVERAGE WEEKLY EARNINGS (B) |          |
|---------|--------------------------|-----------|-----------------|------------|-----------------------------|----------|
|         | ALL GROUPS               |           | PHARMACEUTICALS |            | \$ AMOUNT                   | % CHANGE |
|         | INDEX*                   | % CHANGE* | INDEX**         | % CHANGE** |                             |          |
| June 88 | 49.30                    | 7.17      | 56.00           | 9.38       | -                           |          |
| June 89 | 53.00                    | 7.51      | 59.10           | 5.54       | -                           |          |
| June 90 | 57.10                    | 7.74      | 62.30           | 5.41       | -                           |          |
| June 91 | 59.00                    | 3.33      | 66.00           | 5.94       | -                           |          |
| June 92 | 59.70                    | 1.19      | 67.70           | 2.58       | -                           |          |
| June 93 | 60.80                    | 1.84      | 69.40           | 2.51       | -                           |          |
| June 94 | 61.90                    | 1.81      | 70.80           | 2.02       | -                           |          |
| June 95 | 64.70                    | 4.52      | 72.80           | 2.82       | 548.90                      |          |
| June 96 | 66.70                    | 3.09      | 75.20           | 3.30       | 565.50                      | 3.02     |
| June 97 | 66.90                    | 0.30      | 78.80           | 4.79       | 578.10                      | 2.23     |
| June 98 | 67.40                    | 0.75      | 79.40           | 0.76       | 596.00                      | 3.10     |
| June 99 | 68.10                    | 1.10      | 78.90           | -0.63      | 610.40                      | 2.42     |
| June 00 | 70.20                    | 3.08      | 79.60           | 0.89       | 633.80                      | 3.83     |
| June 01 | 74.50                    | 6.13      | 82.90           | 4.15       | 660.30                      | 4.18     |
| June 02 | 76.60                    | 2.82      | 83.80           | 1.09       | 683.80                      | 3.56     |
| June 03 | 78.60                    | 2.61      | 86.30           | 2.98       | 721.40                      | 5.50     |
| June 04 | 80.60                    | 2.54      | 88.40           | 2.43       | 741.40                      | 2.77     |
| June 05 | 82.60                    | 2.48      | 92.90           | 5.09       | 784.20                      | 5.77     |
| June 06 | 85.90                    | 4.00      | 95.90           | 3.23       | 819.70                      | 4.53     |
| June 07 | 87.70                    | 2.10      | 97.20           | 1.36       | 858.50                      | 4.73     |
| June 08 | 91.60                    | 4.45      | 98.60           | 1.44       | 885.00                      | 3.09     |
| June 09 | 92.90                    | 1.42      | 101.40          | 2.84       | 918.60                      | 3.80     |
| June 10 | 95.80                    | 3.12      | 102.60          | 1.18       | 977.10                      | 6.37     |
| June 11 | 99.20                    | 3.55      | 103.20          | 0.58       | 1015.20                     | 3.90     |
| June 12 | 100.40                   | 1.21      | 103.80          | 0.58       | 1053.20                     | 3.74     |
| June 13 | 102.80                   | 2.39      | 103.20          | -0.58      | 1105.00                     | 4.92     |
| June 14 | 105.90                   | 3.02      | 104.60          | 1.36       | 1123.00                     | 1.63     |
| June 15 | 107.50                   | 1.51      | 103.10          | -1.43      | 1136.90                     | 1.24     |
| June 16 | 108.60                   | 1.02      | 104.40          | 1.26       | 1160.90                     | 2.11     |
| June 17 | 110.70                   | 1.93      | 104.50          | 0.10       | 1179.00                     | 1.56     |
| June 18 | 113.00                   | 2.08      | 106.20          | 1.63       | 1207.40                     | 2.41     |
| June 19 | 114.80                   | 1.59      | 107.90          | 1.60       | 1237.90                     | 2.53     |
| June 20 | 114.40                   | -0.35     | 110.30          | 2.22       | 1304.70                     | 5.40     |
| June 21 | 118.80                   | 3.80      | 109.30          | -0.91      | 1305.80                     | 0.08     |

(A) Weighted average of eight capital cities. (2011/12 = 100.0)

(B) Males and females.

## COMMUNITY PHARMACY DEMONSTRATES ITS POTENTIAL

Community pharmacy has played a crucial frontline role following the onset of the global pandemic in March 2020. While it may not have been widely recognised before COVID-19, community pharmacy was perfectly positioned to implement pandemic-related public health strategies and services, including education, prevention, vaccination and testing. Of equal importance has been the roles community pharmacies and their staff have taken to fill gaps in local healthcare delivery that opened up due to other parts of the system closing their doors, reverting to remote consultations or having their resources stretched to capacity. Community pharmacists have ensured appropriate advice and treatment could continue to be accessed and that pre-existing treatment could be continued.

In Australia the authorisation and funding for pharmacist scope of practice lags far behind the education, competencies and capabilities of the pharmacist workforce. The pandemic has highlighted the true potential for community pharmacists to perform at their full scope of practice, and in doing so relieve pressure on other parts of the healthcare system. This improves the allocation of scarce healthcare resources while maintaining or improving accessibility and patient care.

This pandemic-related trend has not been unique to Australia. As noted by the World Pharmacy Council in 2021, the pandemic triggered moves in many countries toward unlocking some of the potential of community pharmacies:

*“As the pandemic took hold, governments and regulatory bodies began to recognise the gaps that were opening up in the healthcare system. Many soon realised that community pharmacists were competent, able and willing to fill those gaps – if only they were authorised to do so. Changes that were triggered included the authority to extend or adapt prescriptions, the authority to dispense medicines previously only available through hospitals, and the extension of vaccination administration authority to include greater age ranges and more vaccine types (including, in most countries, COVID-19 vaccination). In some countries community pharmacies have also been involved in COVID-19 antigen or antibody testing, and this is likely to become a more widely used service as time moves on.”<sup>1</sup>*

In Australia, formal changes that occurred due to the pandemic included:

- Recognition of community pharmacies as essential service providers, meaning that they stayed open during all lockdowns.
- The introduction of the funded COVID-19 Home Medicines Service.
- Temporary expansion of PBS Continued Dispensing arrangements under Emergency Measures to include most PBS medicines.
- Introduction of temporary special arrangements for Image Based Prescribing of PBS medicines.
- An accelerated rollout of electronic prescriptions was included as part of the National Health Plan for COVID-19.
- Inclusion of community pharmacists in the COVID-19 vaccination rollout.

<sup>1</sup> World Pharmacy Council, September 2021, Sector Analysis Report 2021, [www.worldpharmacycouncil.org/research](http://www.worldpharmacycouncil.org/research)

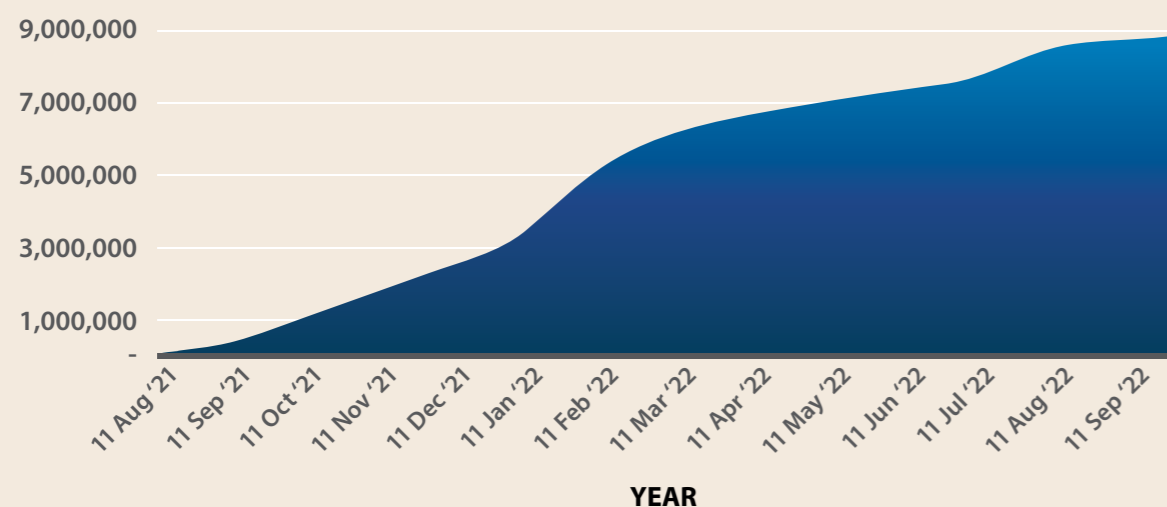
- The provision of free rapid antigen test (RAT) kits to eligible patients under the Concessional Access RAT program.
- The dispensing of PBS-listed oral COVID-19 treatments.

These changes were implemented quickly and often with short notice – emphasising the adaptive and responsive nature of Australia’s community pharmacy network. The initiatives were highly successful. In the case of vaccination, for example, community pharmacists had administered more than 8.8 million COVID-19 vaccine doses as at September 2022. This was achieved despite a long, unnecessary delay before being invited into the national rollout strategy (the

one million milestone was not reached until October 2021) and a remuneration level that has been inexplicably less than that paid to other providers of the same service.

**"In Australia the authorisation and funding for pharmacist scope of practice lags far behind the education, competencies and capabilities of the pharmacist workforce. The pandemic has highlighted the true potential for community pharmacists to perform at their full scope of practice, and in doing so relieve pressure on other parts of the healthcare system."**

TOTAL COVID-19 VACCINATIONS ADMINISTERED BY PHARMACIES\*



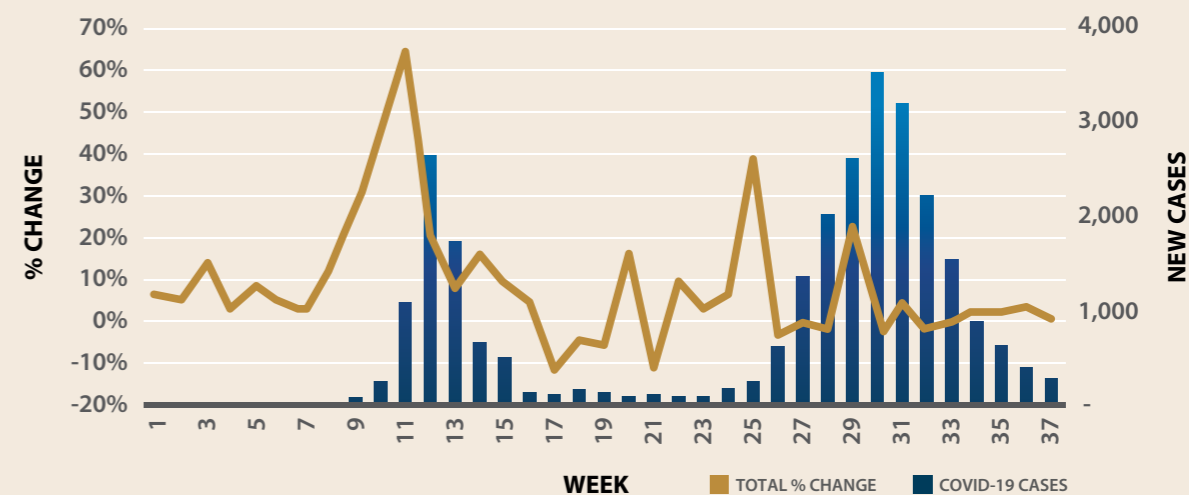
\* Source: Department of Health

The formally implemented changes listed above resulted in major modifications in workflow, as well as increases in the scope and volume of pharmacy activity. The unprecedented rate of change resulted in the workforce being stretched to near its limits at times of peak demand. However, the impact of the pandemic on community pharmacies and their patients extended beyond these formal changes. For example:

- Pharmacies implemented in-store distancing, capacity limits, screening and personal protective equipment to keep patients and staff safe.
- Lockdowns being implemented at short notice sparked sudden spikes in demand for medicines and other products. This was particularly evident at the start of the first two COVID-19 waves in 2020, as shown by the spikes in weekly revenue (see chart below).

- Local and global supply chain issues resulted in an increase in drug shortages that needed to be managed by pharmacists and pharmacy staff to ensure minimal disruption for patients.
- As doctors became less accessible, the demand for pharmacist health advice and triage increased – some states implemented advertising campaigns highlighting the availability of pharmacists for advice on symptoms and common ailments.
- Pharmacists and other staff became an important, trusted source of information about the virus and in preventing its spread.
- Unprecedented public usage of the Guild’s [findapharmacy.com.au](https://www.findapharmacy.com.au) website as patients increasingly sought out pharmacy services, particularly vaccinations.

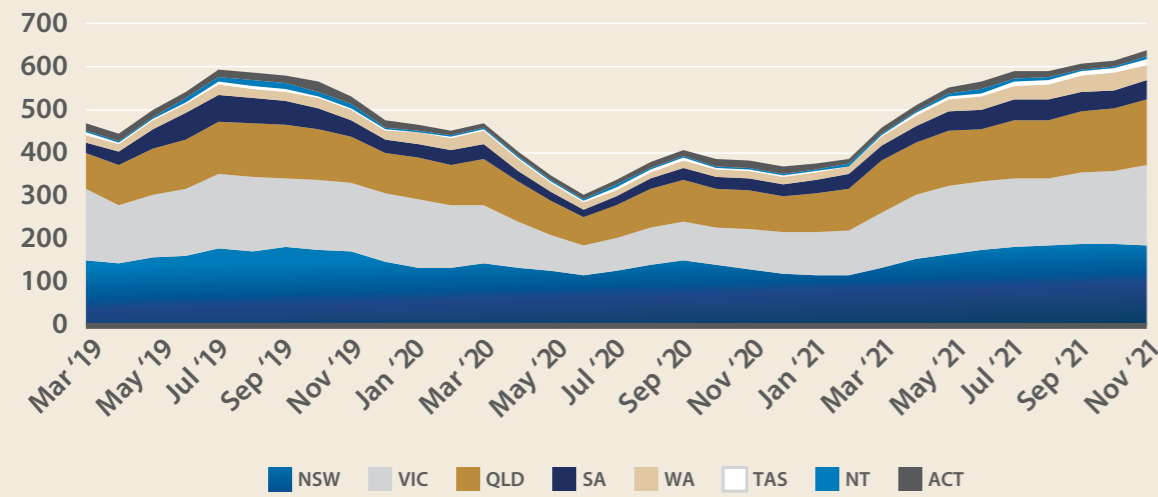
YOY SALES REVENUE CHANGE (2020 vs 2019) vs COVID-19 CASES



The pandemic has resulted in a pharmacy workforce shortage. Some pharmacists have left the workforce, either during the peak stages of the pandemic (due to burnout) or later (for example, older pharmacists who had postponed retirement due to the pandemic). At the same time, the demand for pharmacy staff has increased and the number of vacant

pharmacist positions has increased (see chart below). Pharmacist wages in most areas of Australia have been increasing significantly as a consequence of demand exceeding supply. The demand for pharmacy assistants has also skyrocketed, as shown in the Pharmacy Assistants Vacancy Data (see chart below).

**PHARMACISTS VACANCY DATA**



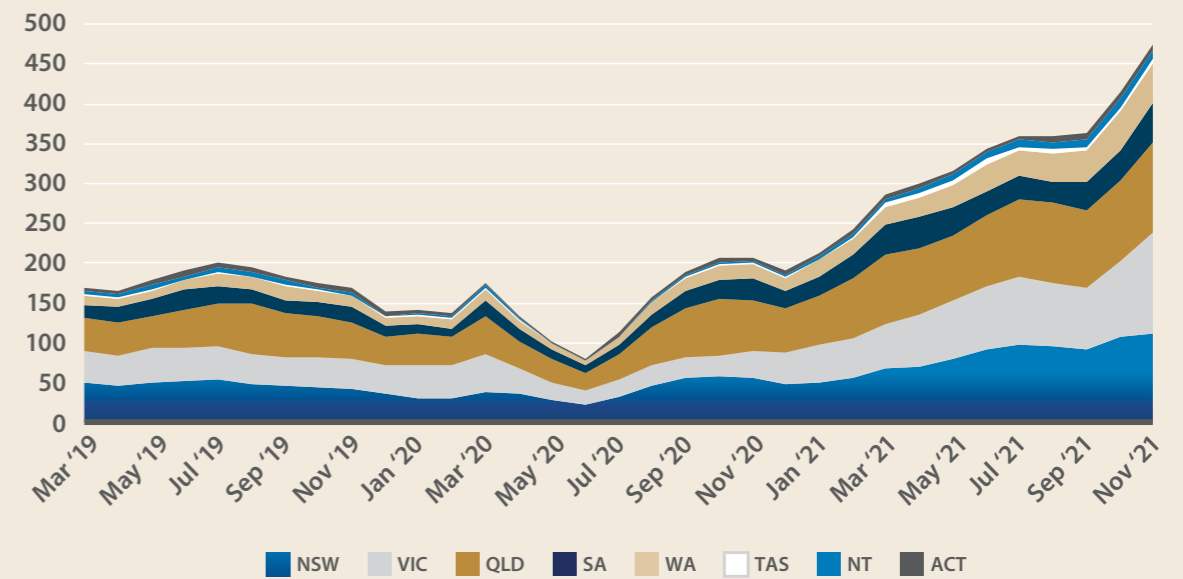
**How will the pandemic influence the future of community pharmacy?**

The devastating COVID-19 pandemic has shown the importance, value and potential of Australia’s most accessible network of healthcare professionals. The evidence base is clear, and the sensible and successful changes implemented during the pandemic – such as expanded continued dispensing arrangements, and pharmacists’ greater role in vaccination programs – should be made

permanent. The pandemic experience has also highlighted the vital importance of a viable, stable and well-distributed network of community pharmacies. This has been achieved over the long term through policies including the pharmacy location rules and the seven Community Pharmacy Agreements.

Community pharmacy has shown that it should be a major component in planning for a more efficient, effective and resilient health care system in Australia.

**PHARMACY ASSISTANTS VACANCY DATA\***



\* Source: Labour Market Information Portal, Vacancy Report

## PART 4 SURVEY METHODOLOGY



### SAMPLE SIZE AND REPRESENTATIVENESS

After excluding responses with incomplete information, the final number of responses analysed for the purposes of the main sample for 2020-21 was 514. The current analyses are based on weightings derived from the distribution of Australian pharmacies in accordance with their annual prescription volumes.

Response rates were reasonably consistent with the distribution of pharmacies by state, with the exception of Victoria which had higher-than-average responses.

Care should be taken in interpreting results for smaller states due to the lower sample size.

Over the past decade, responses have gradually favoured larger pharmacies. The responding sample for this year's *Digest* continues this trend. The weighting methodology used for overall national and state averages removes the effect of this bias.

**NOTE:** Percentages (for example, salaries as a percentage of revenue) are often more appropriate to use for benchmarking purposes than the raw dollar figures.

### USING THE DIGEST

The *Digest* is based on a voluntary survey requesting detailed financial questions, so non-response is inevitable, and the response rate varied by state. The statistical characteristics required of a survey depend on what the survey is to be used for. This survey is intended mainly as an aid to management and its results will be extremely useful for this purpose.

As the characteristics of the responding pharmacies change from one survey to the next, primarily because of the restructuring that has taken place over the past decade, comparability of the main sample data over time may be an issue. Care should be taken, then, in comparing results reported for this year to previous years. However, even large differences for particular items from the norm shown in the tables may not necessarily indicate a problem. Every business is different, for example, paying relatively high rent may reflect an unnecessarily high expense or a conscious decision to pay for a premium location. Conversely, an average rent could reflect paying the right price for the location or hide paying too much for a poor location.

## PROFILE OF SURVEY RESPONDENTS

TABLE 17. Number of respondents by Modified Monash Model (MMM) and State

| STATE                        | MMM        |           |           |           |           |          |          | TOTAL        |            |
|------------------------------|------------|-----------|-----------|-----------|-----------|----------|----------|--------------|------------|
|                              | 1          | 2         | 3         | 4         | 5         | 6        | 7        | NOT REPORTED |            |
| AUSTRALIAN CAPITAL TERRITORY | 8          |           |           |           |           |          |          |              | 8          |
| NEW SOUTH WALES              | 30         | 2         | 6         | 3         | 7         |          |          | 94           | 142        |
| NORTHERN TERRITORY           |            |           |           |           |           |          |          |              |            |
| QUEENSLAND                   | 9          | 25        | 1         | 7         | 4         | 1        |          | 65           | 112        |
| SOUTH AUSTRALIA              | 9          |           | 2         |           |           | 1        |          | 1            | 13         |
| TASMANIA                     |            | 6         | 2         |           | 1         |          |          | 8            | 17         |
| VICTORIA                     | 102        | 5         | 9         | 2         | 11        |          |          | 53           | 182        |
| WESTERN AUSTRALIA            | 19         |           | 2         | 2         | 4         |          |          | 13           | 40         |
| <b>TOTAL</b>                 | <b>174</b> | <b>38</b> | <b>22</b> | <b>14</b> | <b>27</b> | <b>2</b> | <b>0</b> | <b>237</b>   | <b>514</b> |

TABLE 18. Location characteristics of sample

| LOCATION        | ACT      | NSW        | NT       | QLD        | SA        | TAS       | VIC        | WA        | NOT REPORTED | TOTAL      |
|-----------------|----------|------------|----------|------------|-----------|-----------|------------|-----------|--------------|------------|
| HOSPITAL        | 0        | 0          | 0        | 1          | 0         | 0         | 0          | 1         | 0            | 2          |
| ISOLATED        | 0        | 4          | 0        | 5          | 0         | 1         | 3          | 2         | 0            | 15         |
| MEDICAL CENTRE  | 1        | 2          | 0        | 10         | 0         | 0         | 1          | 5         | 0            | 19         |
| SHOPPING CENTRE | 3        | 35         | 0        | 17         | 3         | 1         | 15         | 9         | 0            | 83         |
| SHOPPING STRIP  | 3        | 57         | 0        | 31         | 5         | 11        | 71         | 17        | 0            | 195        |
| NOT REPORTED    | 1        | 15         | 0        | 14         | 5         | 2         | 89         | 4         | 70           | 200        |
| <b>TOTAL</b>    | <b>8</b> | <b>142</b> | <b>0</b> | <b>112</b> | <b>13</b> | <b>17</b> | <b>182</b> | <b>40</b> | <b>70</b>    | <b>514</b> |

TABLE 18. Pharmacy size (m<sup>2</sup>) by state / territory

| STATE / TERRITORY            | AREA (m <sup>2</sup> ) |
|------------------------------|------------------------|
| AUSTRALIAN CAPITAL TERRITORY | 211.96                 |
| NEW SOUTH WALES              | 260.63                 |
| NORTHERN TERRITORY           | n.p                    |
| QUEENSLAND                   | 272.18                 |
| SOUTH AUSTRALIA              | 215.31                 |
| TASMANIA                     | 252                    |
| VICTORIA                     | 251.55                 |
| WESTERN AUSTRALIA            | 207.82                 |
| <b>NATIONAL AVERAGE</b>      | <b>251.52</b>          |

## DEFINITIONS

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### **Total Pharmacy Sales**

Relate to the sale of all products (both prescription and retail) for which goods were purchased at wholesale for the purpose of re-sale at a profit. It excludes services income, government payments, such as rural allowances, commissions, agency fees, dividends and disposal of assets.

### **Cost of Goods Sold**

Refers to purchases of goods for re-sale at a profit.

### **Gross Profit**

Sales less cost of goods.

### **Gross (Profit) Margin**

Gross profit divided by sales.

### **Other Income**

Income from items which do not involve cost of goods sold. They may, for example, be related to Community Pharmacy Agreement programs or professional services. Dividend and rent income, and other such income not connected with the pharmacy's operation, are also included.

### **Gross Margin plus Other Income**

The arithmetic total of the gross margin and other income representing the total gross margin from trading.

### **Total Turnover**

The arithmetic total of sales and other income; all expenses are expressed as a percentage of total revenue not sales, since a portion of all expenses is also incurred in earning other income.

### **Salaries and Wages**

Include wages paid to all staff and locums but exclude proprietors' earnings (since the latter are represented by proprietors' notional salary).

### **Expenses**

Costs incurred by the ordinary activity of business.

### **Total Income**

Arrived at by subtracting total expenses and cost of goods sold from total revenue; it refers to the trading profit of the pharmacy, which may involve several partners.

### **Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA)**

Reflects net income before interest, taxes, depreciation and amortisation expenses are deducted.

### **Proprietors' Notional Salary**

A notional estimate of a reasonable professional salary for hours worked in the pharmacy. It is adjusted for over-award payments, but includes only work performed within the pharmacy. This is consistent with the rationale that a proprietor should expect remuneration at least equivalent to the salary which he/she would otherwise receive for a similar effort as a manager.

Accordingly, the calculation of proprietors' notional salary not only reflects normal working hours but also other factors, such as leave loading, superannuation, provision for annual leave, provision for long-service leave and sick leave (collectively termed on-costs), and overtime worked.

In 2020-21, the normal hourly rate was estimated at \$73.67 for the first 38 hours, equivalent to an annual salary of \$145,580. Additional hours were calculated at time-and-a-half rate to reflect over-time. A rate of 1.2547 was applied to reflect on-cost provisions.

For the purposes of the *Digest*, no allowance has been made for 'proprietary lead' which is essentially the incentive to invest in a business, rather than in an interest-bearing investment account.

The corresponding percentage is expressed as per cent of total revenue.

### **Full-Time-Equivalent**

A notional rate which should be interpreted in the particular circumstances of individual pharmacies. It is derived simply by dividing the total hours worked by 38 (the normal award hours), irrespective of the number of hours worked by each partner.

### **Net Profit/Loss**

Calculated by subtracting proprietors' notional salary from total income.

Please note that taxation is not considered in the Guild's survey or the published results. All figures are before tax. The corresponding percentage is expressed as a percent of total revenue.

### **Prescriptions**

Refers to all prescription sales, including the income derived from dispensing private prescriptions, prescriptions valued less than the maximum patient contribution, all PBS and RPBS prescriptions, and all patient contributions. It excludes OTC items.

### **Retail Sales**

Includes all retail sales, but excludes other income.

### **OTC Sales**

Includes all OTC sales, but excludes other income.

### **All Other Sales**

Includes all Other Sales, but excludes other income.

### **Stock Turn**

The cost of goods sold in a given year, divided by the mathematical average of the opening and closing stock in the same year. It is a measure of the frequency with which stocks are turned over in the financial year.

### **Funds Retained in Business**

These are necessary to refinance inflation-affected inventories, to replace fixtures and other capital equipment, and to manage cash flow. This figure is calculated as the difference between total income and the reported drawings by proprietors. Where drawings have not been reported by respondents, they have been excluded from the calculated average.

(All financial values are exclusive of GST.)



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