

Mr George Tambassis
National President
The Pharmacy Guild of Australia
PO Box 310
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BY EMAIL

Dear Mr Tambassis

RE: Support for community pharmacy

As we approach the Federal Election on 2 July 2016 I would be grateful if you could share this letter with your members so that they are aware of the Nick Xenophon Team's strong support for community pharmacies across Australia.

Proposed de-regulation of pharmacy sector

The Nick Xenophon Team (NXT) strongly opposes the deregulation of the pharmacy sector. It will inevitably lead to a situation where Coles and Woolworths, who already control more than 80 percent of the dry grocery market in Australia, will dominate the sector. This could well lead to a reduction in service, quality and diversity in the sector. Do we really want our medications and associated health advice being doled out like discount bread and milk? The answer, clearly, must be no.

Furthermore, accelerated price disclosure changes have slashed an average of \$90,000 in revenue, per pharmacy, last year alone. Many pharmacists cannot bear these cuts without reducing their hours, laying off staff and going further into debt. Deregulation would tip this sector over the edge, with regional Australia bearing the brunt. The significant taxpayer investment in the network of community pharmacies meets the health needs of the community and represents good value for consumers and taxpayers.

The Sixth Community Pharmacy Agreement

When the Federal Government was in negotiations in relation to the Sixth Community Pharmacy Agreement, I raised concerns in the Senate in March 2015 (speech attached) that community pharmacists would once again be an unfair target government savings that would be counter-productive to the health of Australians. I note the ongoing review of pharmacy remuneration and regulation which commenced in late 2015 is yet to release its final report and recommendations. The Nick Xenophon Team will only support

recommendations of the review that recognise and enhance the benefits of the community pharmacy model. We will not support the imposition of Harper-style de-regulation that would tear apart a system that currently works extremely well. Owners of community pharmacies need stability and certainty as they run their businesses, employ staff and pay rent. Any changes proposed by the remuneration and regulation review must improve the system rather than destructively disrupting it.

It is also vital that funding directed to pharmacy trial programs and professional pharmacy services in the Sixth Agreement are rolled out and applied to the community pharmacy sector in a timely fashion to ensure patients get the intended benefit.

Optional \$1 PBS discount

The NXT does not support the optional \$1 PBS discount introduced by the Coalition Government from 1 January 2016. This is a flawed piece of health policy which misleads pensioners and concession cardholders into thinking they are receiving cheaper medicine when all they are doing is having their access to the Safety Net delayed, at the expense of their local pharmacy.

Far from being a consumer benefit, it actually slows access to the Safety Net for the neediest of patients and delivers to them no net financial benefit over the course of the year. But it gets worse. It also breaches the universality of the subsidised medicine system because not all patients have access to the discount, depending on where they live. In rural and regional Australia, where the Minister for Health has acknowledged many pharmacies will not be able to afford to pass on the discount, patients will pay more than their fellow Australians living in cities. This is wrong and must be reversed.

The NXT is also concerned the \$1 discount will make it more difficult for pharmacies to provide an optimal standard of care for their communities.

Proposed PBS co-payment

The Nick Xenophon Team opposes the proposed increases in the PBS co-payment (80 cents for pensioners and \$5 for general patients) which are still contained in the 2016 Budget. Such sharp increases in medicine costs, particularly for the elderly and chronically ill would be counter-productive and unfair. The NXT will urge any incoming government to abandon these damaging and unnecessary co-payment increases.

I have been a passionate and vocal supporter of community pharmacies for many years. The NXT candidates share my views on the industry and will continue to do all they can to promote the interests of community pharmacies at a federal level.

However, our 'dental floss' budget means I will struggle to be joined by NXT colleagues in the Senate and the House of Representatives without help. Any assistance your members can provide by way of modest donations and volunteering to hand out how-to-vote cards on polling day will make a huge difference to the NXT's prospects of success.

If any of your members are able to donate, they are able to do so via nxt.org.au/donate/

If any members are able to volunteer for the NXT they can register their interest at nxt.org.au/volunteer/

I trust this letter will be of assistance to your members.

Please do not hesitate to contact me if you have any questions or if you would like to discuss any of these issues further.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Nick Xenophon', with a long horizontal flourish extending to the right.

NICK XENOPHON

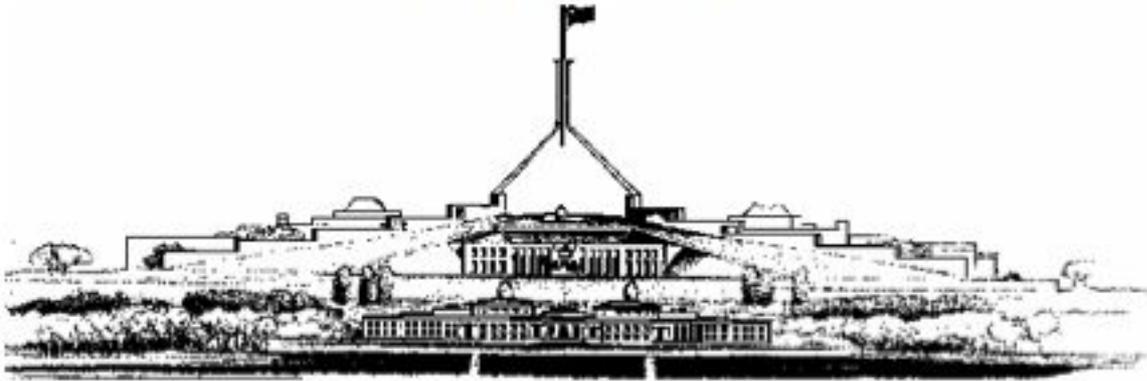
31/ 05 / 2016

Encl. Adjournment Speech – Pharmacy Sector



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



THE SENATE
ADJOURNMENT
Pharmacy Sector
SPEECH

Tuesday, 3 March 2015

BY AUTHORITY OF THE SENATE

SPEECH

Date	Tuesday, 3 March 2015	Source	Senate
Page	1065	Proof	No
Questioner		Responder	
Speaker	Xenophon, Sen Nick	Question No.	

Senator XENOPHON (South Australia) (20:42): Tonight, I would like to speak on an issue of significant community importance and that is the position that community pharmacies around the country are now facing.

I want to put this in context. Recently, I met with the Pharmacy Guild of Australia representing the vast majority of Australia's 5½ thousand pharmacies. There are 432 or so community pharmacies in my home state of South Australia. What the pharmacy sector is facing is quite dire. They are now at a tipping point where many of them are facing bankruptcy and the difficult decision of laying off staff—in fact, many staff have been laid off. There are 60,000 employees in this sector and the fear is that thousands will be losing their jobs in the next 12 months as a result of decisions made by successive governments.

The background to this is that previously the policy of simplified price disclosure was announced by the former government. Pharmacists do not have an issue about price disclosure and more transparency in respect of that. But concerns have been raised about the way it has been done and the way that pharmacists have taken an undue burden in terms of the heavy lifting when it comes to budget cuts for the sector. It seems that it is disproportionate compared to the big pharmaceutical companies that manage to weather the storm, many of whom have multibillion-dollar capitalisation. What we are now seeing is that the price disclosure cycle was shortened from some 18 months to 12 months under this government, despite its promises whilst in opposition. Price disclosure commenced in late 2007 and has been part of the Fifth Community Pharmacy Agreement. However, accelerated price disclosure was not part of the agreement. The legislation that was passed in March last year changed that. It was a breach of promise of the coalition in respect of that. But it is a continuation of a policy of the previous government.

The consequence of that change has been that, on average, each pharmacy in this country has had its income cut by some \$90,000. They cannot bear those cuts without reducing their hours, laying off staff and borrowing more heavily. There has been an increasing number of bankruptcies in the pharmacy sector. Quite tragically, a pharmacist that I spoke to just a few moments ago told me that her pharmacies' value has been slashed. Everything—their whole life savings—had been put into pharmacies, and their capital value has been slashed as a result of government actions that have destroyed their value.

What is the consequence of that? We will see more and more pharmacies fall by the wayside. The consequences can be even more severe for country Australia. With 425 country towns only having one pharmacy operating, imagine what the consequences will be of losing a pharmacy in a community. Along with the local post office and other key facilities, it is the heart and soul of a country community. More and more pharmacies are closing their doors earlier, especially on weekends. Pharmacies on average are operating for 5½ hours fewer a week.

We have a situation where, unless something is done very soon, we will see more pharmacies closing their doors, more staff being laid off, and more and more professional pharmacists—who undertake a five-year degree—losing their jobs as well. We have a situation where we will lose more and more of our network of health professionals. When you consider the integral role of a pharmacy—a central pillar of communities across Australia—it is the fact that the pharmacy provides a regular stop for most Australians to receive treatment and advice on their health.

I have spoken to too many pharmacists in the last few days who have told me how bad things are. The pharmacy sector fully supports price disclosure, but accelerated price disclosure was a clear breach of the community pharmacy agreement. The government is now in negotiations, seemingly at the eleventh hour, in respect of the Sixth Community Pharmacy Agreement. The Fifth Community Pharmacy Agreement is due to expire on 30 June this year. There is very little time, and my fear is that community pharmacists will once again be the whipping boys, a source of easy and lazy government savings when it comes to this sector.

Let us put this in perspective. Between 1991 and 2012, Australians' median annual household income rose by 118 per cent, while the costs of products at pharmacies rose by only 58 per cent. In contrast, medical and hospital services rose by 191 per cent. So, in relative terms, community pharmacies have been given a raw deal. They are the poor cousins of the health system, and their ever-diminishing income is, quite frankly, unsustainable. That is a very real concern to me.

What will the impact be on regional communities if their local pharmacy closes down and residents have to travel another 10, 20, 30 or 50 kilometres or more down the road to get access to basic medicines? The purpose of the community pharmacy agreement is to provide community pharmacists with financial certainty over the longer term. Although pharmacists are offering a service, they still have to run a business. Their rents go up. Their wages go up. They have to stock their pharmacy. They have to train and pay their highly skilled and valued staff. A community pharmacy is a type of small business which does not just rely on its skills and advice and business acumen; it is also at the mercy of regulatory change, and those changes have been savage, because the community pharmacy sector has been a soft target for too long.

Big pharma seems to survive. The wholesalers can pass their cost-cutting on to the pharmacists, who are the ones that bear the brunt of this. There is no sense in robbing Peter to pay Paul and trying to minimise the cost to the PBS by putting community pharmacies under further strain. Let me remind you of that figure. Annual household income rose by 118 per cent from 1991 to 2012, and medical and hospital services rose by 191 per cent, but the cost of pharmaceutical products rose by only 58 per cent. Why should pharmacies bear the brunt of this? How can you expect small businesses around the country to survive if they have an average drop of income of \$90,000 for each of the 5½ thousand community pharmacies around the country? That is half a billion dollars a year. It is not sustainable.

My fear is that this will lead to a push by the supermarket duopoly, Coles and Woolworths—because they have been sitting on the sidelines jealously eying off the pharmacy market. We all know that, if pharmacies were ever deregulated, the supermarkets would poison the fruit, commodifying a service that Australians have come to trust with their lives. Medicine is not like petrol or sausages or cans of Coke, and the one thing that I believe the supermarkets will never offer is expertise. Pharmacists do not simply sell medicines; they help regulate their use and they help educate the users. Delivering medicines to homes, advising on dosages and providing dose administration aids are part of the expertise they are increasingly providing.

We are at a tipping point. Unless the Sixth Community Pharmacy Agreement provides sustainable income to the 5½ thousand community pharmacies—a number diminishing, I am afraid, on a regular basis—then this sector faces incredibly hard times. But the real victims will be the consumers of Australia, who will miss out on the high-quality service they have come to expect over many years.

I spoke to another pharmacist just a few moments ago, who told me that more and more pharmacists are seeking help from the Pharmacy Guild, speaking to their bank managers, saying that accelerated price disclosure has hit them for six because they have borne the brunt of it unnecessarily. It is ripping up a key part of our community. They do not understand why they have been targeted in this way.

The former Minister for Health, the Hon. Peter Dutton, said to a Pharmacy Guild dinner on 19 November 2013: 'I want to make sure that, as small business people, people can have adequate returns on the capital they invest into pharmacy. That is at the heart of what, as a government, we will be out to deliver into the next community pharmacy agreement and well beyond that.' Well, the promise was broken in relation to accelerated price disclosure. Let us hope that promises will not be broken in terms of having a sustainable pharmacy sector in this country. If the Sixth Community Pharmacy Agreement does not provide a fair and equitable deal for our 5½ thousand community pharmacies, then this nation will see a tearing-down, a disintegration, of a key part of community infrastructure in this nation, and all of us will be the poorer for it.