



**The Pharmacy  
Guild of Australia**

# **GUILD DIGEST 2020 /**

**A SURVEY OF INDEPENDENT  
PHARMACY OPERATIONS IN AUSTRALIA**  
FINANCIAL YEAR 2018-19

SUPPORTED BY



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## FOREWORD

This year marks the 48th edition of the *Digest* – the pre-eminent publication examining the operation of Australian community pharmacies. *The Guild Digest 2020* presents a snapshot of Australian pharmacy business conditions for the 2018–19 financial year.

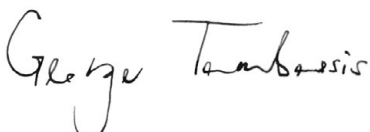
Community pharmacies continue to play a pivotal role in providing primary healthcare and delivering a wide range of services, including dispensing prescriptions, distributing pharmacy-only and pharmacist-only medicines, and over-the-counter products, medication management, advice on minor ailments, and preventive care services. Ultimately, community pharmacies operate to improve the timely access and quality use of medicines 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 the *The Guild Digest 2020* are based largely on a primary sample of 336 community pharmacies, marginally lower than the previous year sample (341).

The Guild records its appreciation to all community pharmacy participants in this crucially important annual survey during a period of transition to the 7CPA. Without their contribution and support, this edition of the *Digest* 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 Eagle Shared Services, JPH Group, Pitcher Partners, Rose Partners, and RSM. We also extend thanks to National Secretariat staff, including the Health Economics and Engagement and Advocacy Groups, for their dedication in the preparation of this edition.



**GEORGE TAMBASSIS**

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SENIOR VICE PRESIDENT

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## EXECUTIVE SUMMARY

The 2020 *Digest* is largely based on a sample of 336 community pharmacies, representative of the community pharmacy population in Australia.

### INDUSTRY SNAPSHOT FOR 2018–19

The Australian community pharmacy industry is a \$19.1 billion health sector which comprises approximately 5,762 community pharmacies as of June 2019.

It directly employs around 90,000 highly skilled staff (including proprietors). The average turnover per pharmacy was \$3.3 million and roughly 65% of pharmacy sales were derived from the sale of prescription medicines. The other 35% includes pharmacy professional services, pharmacy medicines, pharmacist-only medicines and over-the-counter products.

The gross profit (sales less cost of goods sold) in 2018–19 was \$1.3 million for the average pharmacy and average annual net profit equated to around \$144,000.

Rural pharmacies represented 14% of the total of 5,762 community pharmacies and there was one pharmacy for every 4,402 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 64 hours-a-week, and an average of nine hours per day.

### FINANCIAL PERFORMANCE IN 2018–19

#### During 2018–19

- Average pharmacy sales were \$3,266,199, 65.6% of which were from prescriptions and the remaining 34.4% from non-prescription sales.
- Average gross profit as a percentage of pharmacy sales increased to 38.6%, up from 38.4% in 2017–18.
- Average revenue from other income decreased to \$51,756 from the previous year's figure of \$65,364.
- Expenses ended the year at 31.1% of turnover, down from 31.3% in 2017–18. Expenses have significantly grown at the rate of 3.05% (CAGR) a year for the past decade.

# INDUSTRY SNAPSHOT

2018–19

AVERAGE	INDUSTRY
<b>61,439</b> PRESCRIPTIONS (NUMBER)	<b>354M</b> PRESCRIPTIONS (NUMBER)
<b>15.7</b> EMPLOYMENT (NUMBER)	<b>90,000</b> EMPLOYMENT (NUMBER)
<b>\$3,317,956</b> TURNOVER (\$)	<b>\$19.118B</b> TURNOVER (\$B)
<b>\$1,261,661</b> GROSS PROFIT (\$)	<b>\$7.267B</b> GROSS PROFIT (\$B)
<b>\$1,032,304</b> EXPENSES (\$)	<b>\$5.948B</b> EXPENSES (\$B)
<b>\$144,202</b> NET PROFIT (\$)	<b>\$830.9M</b> NET PROFIT (\$M)

## THE YEAR IN REVIEW

In 2018–19, there was a 2% increase in gross profit and other income for the average community pharmacy. Total expenses increased by 1% and, after allowing for proprietors' salary, net profit for the average pharmacy of \$144,202 was 6% lower in 2018–19 compared to 2017–18.

The 2018–19 year was the fourth year of the *Sixth Community Pharmacy Agreement (6CPA)* between the Federal Government and the Pharmacy Guild of Australia, as stewards of the Pharmaceutical Benefits Scheme (PBS). The 6CPA has seen the introduction of beneficial measures to assist in the sustainability and accessibility of the community pharmacy network, such as a new Administration, Handling and Infrastructure (AHI) fee, which replaced the previous pharmacy mark-up, dispensing remuneration indexed to the Consumer Price Index, and increased investment in community pharmacy programs and services.

In 2018–19, the number of PBS-subsidised prescriptions dispensed was flat relative to the year before, growing only 0.2% from 2017–18. Moreover, the number of PBS-subsidised scripts dispensed in 2018–19 was 33 million (or 13.5%) lower than anticipated for 2018–19 at the time of signing the 6CPA. As a result, in 2018–19, the Additional AHI was \$0.35 per script, negotiated between the Guild and the Federal Government in recognition of lower-than-anticipated prescription volumes.

The *Digest* results show that there was an estimated 1.8% increase in prescription volume per pharmacy in 2018–19, compared with the previous financial year. This result for 2018–19 points to the increasing movement of prescriptions from above to below co-payment categories (official PBS data shows that below co-payment script volumes increased 5% in 2018–19) on the back of price reductions. 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. For example, during 2018–19 there were 94,651 paid services under the Home Medicines Review Program, an increase of 28% from 2017–18. Paid services under the Residential Medication Management Review also increased by 18% in 2018–19, relative to the previous year. Services paid related to the MedsChecks and Dose Administration Aids programs rose 62% and 46% respectively, relative to 2017–18.

Other notable features of the community pharmacy network landscape in 2018–19 included ongoing cash flow challenges, particularly for smaller pharmacies, through the listing of high-cost medicines onto the PBS, and continued net savings to the Government from the PBS Access and Sustainability Package reforms – some of which has been reinvested in new PBS listings. The *Digest* results are suggestive of the impact of high-cost medicines, with the cost of goods sold for the average pharmacy rising by 2.2% in 2018–19, although this is a smaller increase than for recent years. In 2018–19, the Guild was able to negotiate the reduction of PBS claim processing times from 9–16 days to 2–9 days, to help address the cash flow issues created by these high-cost medicines.

# FINANCIAL PERFORMANCE

## 2018–19 FINANCIAL PERFORMANCE

This section examines the 2018–19 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 2018–19 financial year (based on the national weighted averages) include:**

- Average total pharmacy sales were \$3,266,199, 65.6% of which were from prescriptions; the remaining 34.4% was from non-prescription sales.
- Average gross profit as a percentage of pharmacy sales was 38.6%, up from 38.4% in 2017–18.
- Average revenue from other income decreased from the previous year's figure of \$65,364 to \$51,756 in 2018–19. It is noted that changes to the sample can have significant impact on this figure due to differing business models within community pharmacy.
- Expenses ended the year at 31.1% of revenue, down from 31.3% in 2017–18. Expenses have significantly grown at the rate of 3.05% (CAGR) a year for the past decade.
- Salaries and wages as a percentage of pharmacy sales decreased slightly from 13.4% to 12.6% in 2018–19.
- Rent as a percentage of pharmacy sales increased from 5.0% of sales to 5.2%.
- Wages and rent combined made up 56.1% of total expenses (excluding cost of goods).
- Proprietors' notional salary represented 4.1% of turnover, up from 3.6% in 2017–18.
- The average prescription volume per pharmacy increased marginally by 1.8% and remained greater than one thousand per week (1,182) after reaching this milestone in 2008-09.

## NATIONAL RESULTS

**TABLE 1.** Turnover and Profit - Australia

	2017-18*	2018-19	ANNUAL CHANGE
<b>TOTAL TURNOVER</b>	<b>3,252,998</b>	<b>3,317,956</b>	<b>2%</b>
<b>TOTAL GROSS PROFIT</b>	<b>1,225,309</b>	<b>1,261,661</b>	<b>3%</b>
TOTAL GROSS PROFIT %	38.4%	38.6%	0%
OTHER INCOME	65,364	51,756	-21%
<b>GROSS PROFIT &amp; OTHER INCOME</b>	<b>1,290,674</b>	<b>1,313,418</b>	<b>2%</b>
DISPENSARY SALES	2,343,658	2,141,307	-9%
RETAIL SALES**	563,137	893,085	59%
OTC/S2/S3 SALES	280,839	231,807	-17%
<b>TOTAL PHARMACY SALES</b>	<b>3,187,634</b>	<b>3,266,199</b>	<b>2%</b>
COST OF GOODS SOLD	1,962,325	2,004,538	2%
COST OF GOODS SOLD %	61.6%	61.4%	-0.2%
SALARIES AND WAGES	428,204	409,951	-4%
SALARIES AND WAGES %	13.4%	12.6%	-7%
RENT	158,893	168,917	6%
RENT %	5.0%	5.2%	4%
DEPRECIATION	41,021	30,049	-27%
DEPRECIATION %	1.3%	0.9%	-29%
<b>INTEREST PAID</b>	<b>49,612</b>	<b>41,435</b>	<b>-16%</b>
INTEREST PAID %	1.6%	1.3%	-18%
<b>ALL OTHER EXPENSES</b>	<b>341,666</b>	<b>381,953</b>	<b>12%</b>
ALL OTHER EXPENSES %	10.7%	11.7%	9%
<b>TOTAL EXPENSES</b>	<b>1,019,395</b>	<b>1,032,304</b>	<b>1%</b>
<b>TOTAL INCOME</b>	<b>271,279</b>	<b>281,113</b>	<b>4%</b>
LESS PROPRIETOR'S SALARY	117,652	136,911	16%
<b>NET PROFIT / LOSS</b>	<b>153,627</b>	<b>144,202</b>	<b>-6%</b>
<b>EBITDA</b>	<b>244,260</b>	<b>215,686</b>	<b>-12%</b>
<b>TOTAL ASSETS</b>	<b>2,097,440</b>	<b>2,094,316</b>	<b>0%</b>
<b>TOTAL LIABILITIES</b>	<b>1,226,371</b>	<b>1,142,077</b>	<b>-7%</b>
<b>NET ASSETS</b>	<b>871,069</b>	<b>952,239</b>	<b>9%</b>

All percentages are expressed as a percentage of Total Pharmacy Sales.

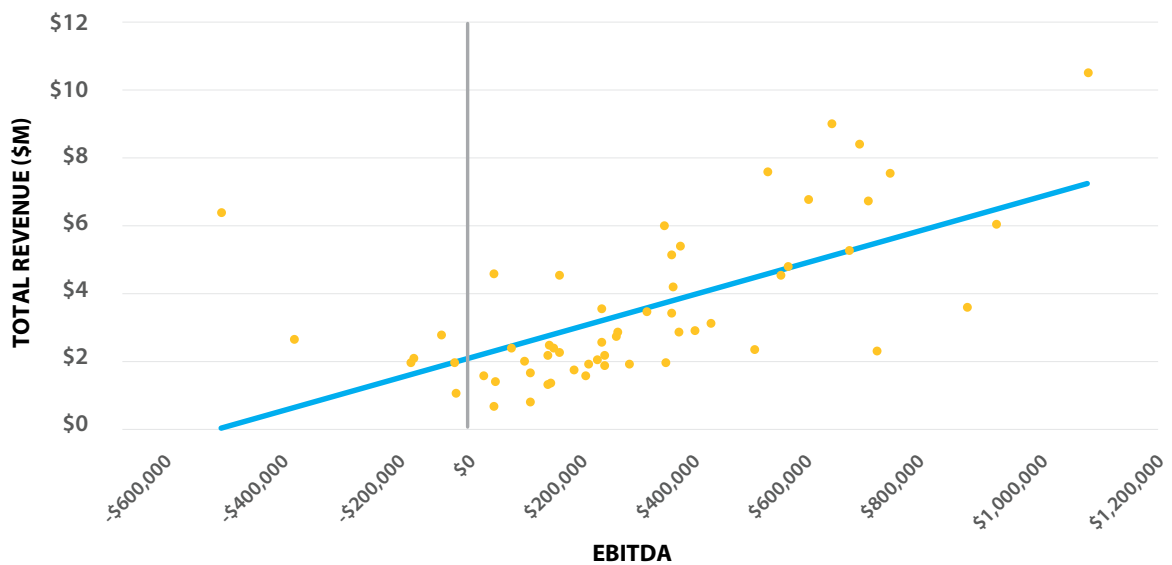
\* Weighting calculation methodology has changed and therefore 2017-18 values are not consistent with those in the 2019 *Digest*.

\*\* Caution should be taken comparing Retail Sales between 2017-18 and 2018-19 due to significant variation in the classification of sales by type between the samples in these years.

**CHART 1. Other Income as % of Total Revenue**



**CHART 2. EBITDA vs Total Revenue**



## RESULTS BY JURISDICTION

**TABLE 2.** Turnover and Profit by State / Territory\*

	ACT	NSW	NT	QLD	SA	TAS	VIC	WA
<b>TOTAL TURNOVER</b>	<b>100%</b>	<b>100%</b>	<b>n.p.</b>	<b>100%</b>	<b>n.p.</b>	<b>n.p.</b>	<b>100%</b>	<b>100%</b>
<b>TOTAL GROSS PROFIT</b>	<b>35%</b>	<b>37%</b>	<b>n.p.</b>	<b>33%</b>	<b>n.p.</b>	<b>n.p.</b>	<b>37%</b>	<b>n.p.</b>
OTHER INCOME	4%	1%	n.p.	2%	n.p.	n.p.	1%	1%
<b>GROSS PROFIT &amp; OTHER INCOME</b>	<b>39%</b>	<b>38%</b>	<b>n.p.</b>	<b>35%</b>	<b>n.p.</b>	<b>n.p.</b>	<b>38%</b>	<b>n.p.</b>
DISPENSARY SALES	74%	66%	n.p.	66%	n.p.	n.p.	62%	71%
OTC SALES/S2/S3 SALES	11%	5%	n.p.	7%	n.p.	n.p.	8%	8%
RETAIL SALES	11%	28%	n.p.	26%	n.p.	n.p.	29%	19%
<b>TOTAL PHARMACY SALES</b>	<b>96%</b>	<b>99%</b>	<b>n.p.</b>	<b>98%</b>	<b>n.p.</b>	<b>n.p.</b>	<b>99%</b>	<b>99%</b>
SALARIES AND WAGES	12%	12%	n.p.	12%	n.p.	n.p.	13%	12%
RENT	3%	5%	n.p.	4%	n.p.	n.p.	4%	5%
DEPRECIATION	1%	1%	n.p.	1%	n.p.	n.p.	1%	1%
INTEREST PAID	0%	1%	n.p.	1%	n.p.	n.p.	2%	1%
ALL OTHER EXPENSES	13%	7%	n.p.	7%	n.p.	n.p.	7%	10%
<b>TOTAL EXPENSES</b>	<b>29%</b>	<b>26%</b>	<b>n.p.</b>	<b>26%</b>	<b>n.p.</b>	<b>n.p.</b>	<b>26%</b>	<b>29%</b>
<b>TOTAL INCOME</b>	<b>11%</b>	<b>12%</b>	<b>n.p.</b>	<b>9%</b>	<b>n.p.</b>	<b>n.p.</b>	<b>12%</b>	<b>n.p.</b>
LESS PROPRIETOR'S SALARY (NOTIONAL)	4%	3%	n.p.	4%	n.p.	n.p.	3%	n.p.
<b>NET PROFIT / LOSS</b>	<b>7%</b>	<b>9%</b>	<b>n.p.</b>	<b>5%</b>	<b>n.p.</b>	<b>n.p.</b>	<b>9%</b>	<b>n.p.</b>
<b>EBITDA</b>	<b>9%</b>	<b>10%</b>	<b>n.p.</b>	<b>7%</b>	<b>n.p.</b>	<b>n.p.</b>	<b>12%</b>	<b>n.p.</b>

\* Values are as a percentage of Total Turnover

**TABLE 3.** Prescriptions Dispensed per Pharmacy by State / Territory

STATE / TERRITORY	LOWER QUARTILE	AVERAGE	UPPER QUARTILE
AUSTRALIAN CAPITAL TERRITORY	n.p.	n.p.	n.p.
NEW SOUTH WALES	32,697	61,531	78,604
NORTHERN TERRITORY	n.p.	n.p.	n.p.
QUEENSLAND	37,922	61,864	77,661
SOUTH AUSTRALIA	n.p.	63,361	84,768
TASMANIA	31,579	64,531	75,044
VICTORIA	30,722	63,539	78,311
WESTERN AUSTRALIA*	29,321	50,210	68,547
<b>NATIONAL AVERAGE</b>	<b>32,147</b>	<b>61,439</b>	<b>78,315</b>

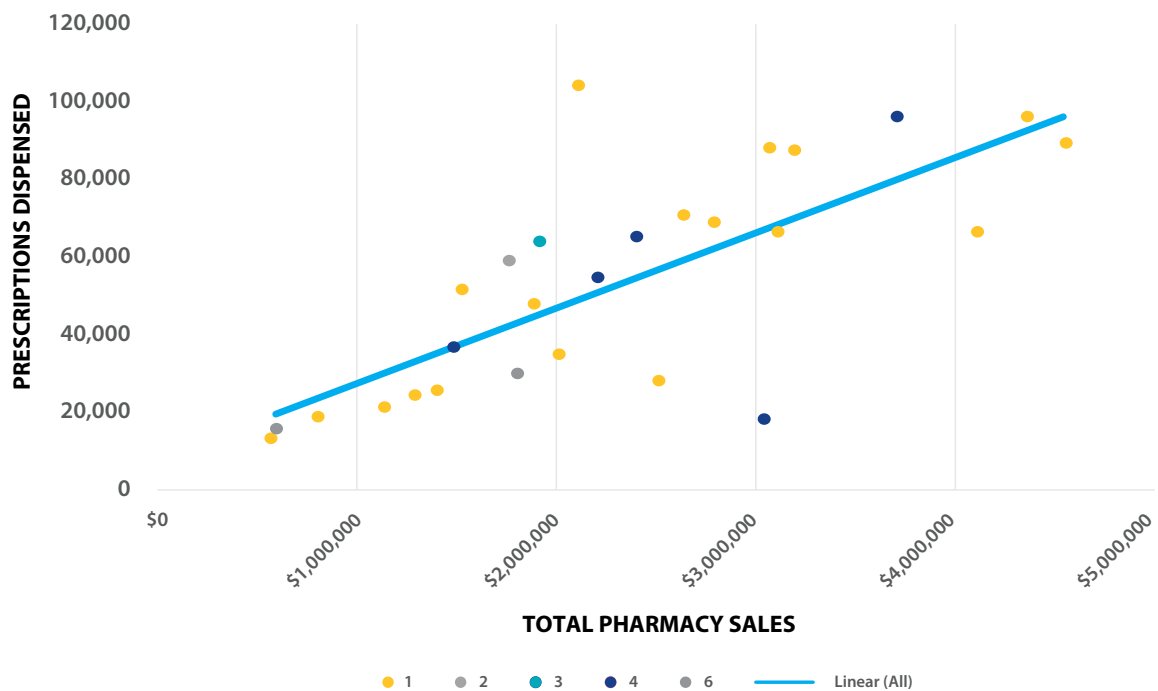
\* Figures for Western Australia should be viewed with caution due to changes in the sample this year.

**TABLE 4.** Annual Change in Prescriptions Dispensed per Pharmacy by State / Territory

STATE / TERRITORY	2017-18*	2018-19	ANNUAL CHANGE
AUSTRALIAN CAPITAL TERRITORY	50,033	n.p.	n.p.
NEW SOUTH WALES	61,008	61,531	0.9%
NORTHERN TERRITORY	32,278	n.p.	n.p.
QUEENSLAND	61,203	61,864	1.1%
SOUTH AUSTRALIA	63,109	63,361	0.4%
TASMANIA	63,428	64,531	1.7%
VICTORIA	63,439	63,539	0.2%
WESTERN AUSTRALIA*	49,317	50,210	1.8%
<b>NATIONAL AVERAGE</b>	<b>60,346</b>	<b>61,439</b>	<b>1.8%</b>

\* Weighting calculation methodology has changed and therefore 2017-18 values are not consistent with those in the 2019 *Digest*.

**CHART 3.** Pharmacy Sales vs Prescriptions Dispensed, by Modified Monash Model - by Suburb and Locality Classification



## RESULTS BY LOCATION

**TABLE 5.** Turnover and Profit – by Location

METHOD OF OPERATION	MEDICAL CENTRE	SHOPPING STRIP	SHOPPING CENTRE
<b>TOTAL TURNOVER</b>	<b>n.p.</b>	<b>3,296,184</b>	<b>5,108,586</b>
<b>TOTAL GROSS PROFIT</b>	<b>916,140</b>	<b>1,009,350</b>	<b>1,653,246</b>
TOTAL GROSS PROFIT % SALES	33.6%	31.1%	32.7%
OTHER INCOME	n.p.	51,764	50,410
<b>GROSS PROFIT &amp; OTHER INCOME</b>	<b>n.p.</b>	<b>1,061,114</b>	<b>1,703,655</b>
DISPENSARY SALES	2,245,618	2,025,035	2,851,974
RETAIL SALES	260,053	1,022,328	2,006,138
OTC SALES/S2/S3 SALES	220,808	197,057	200,065
<b>TOTAL PHARMACY SALES</b>	<b>2,726,478</b>	<b>3,244,420</b>	<b>5,058,176</b>
SALARIES AND WAGES	324,976	408,749	611,946
SALARIES AND WAGES %	11.9%	12.6%	12.1%
RENT	116,958	134,247	361,962
RENT %	4.3%	4.1%	7.2%
DEPRECIATION	19,433	32,475	37,962
DEPRECIATION %	0.7%	1.0%	0.8%
INTEREST PAID	32,004	44,377	48,463
INTEREST PAID %	1.2%	1.4%	1.0%
ALL OTHER EXPENSES	185,578	229,248	386,143
ALL OTHER EXPENSES %	6.8%	7.1%	7.6%
<b>TOTAL EXPENSES</b>	<b>678,948</b>	<b>849,096</b>	<b>1,446,476</b>
<b>TOTAL INCOME</b>	<b>n.p.</b>	<b>212,018</b>	<b>257,180</b>
<b>EBITDA</b>	<b>143,313</b>	<b>148,602</b>	<b>148,179</b>
LESS PROPRIETOR'S SALARY (NOTIONAL)	n.p.	63,416	109,001
<b>NET PROFIT / LOSS</b>	<b>n.p.</b>	<b>140,268</b>	<b>195,426</b>
<b>TOTAL ASSETS</b>	<b>1,282,515</b>	<b>1,853,376</b>	<b>2,494,796</b>
<b>TOTAL LIABILITIES</b>	<b>1,007,708</b>	<b>1,249,030</b>	<b>1,649,421</b>
<b>NET ASSETS</b>	<b>274,806</b>	<b>604,346</b>	<b>845,375</b>

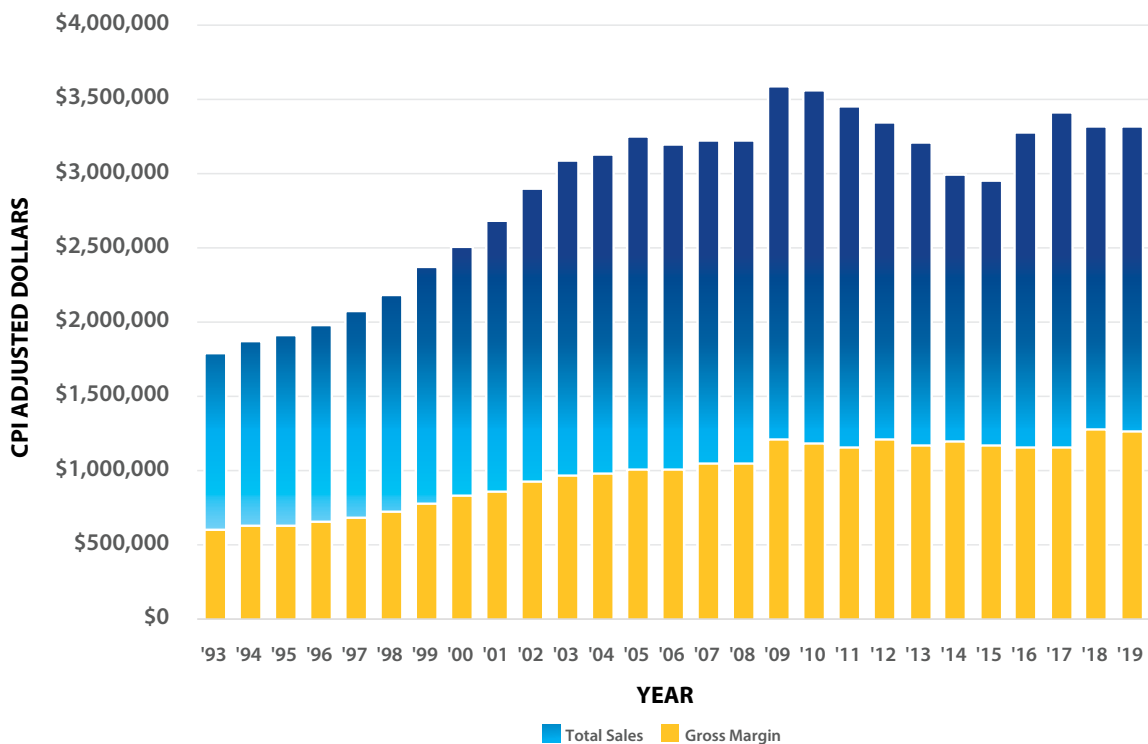
All percentages expressed as a percentage of Total Pharmacy Sales.

## A CLOSER LOOK AT TOTAL TURNOVER IN 2018–19

In 2018–19, total turnover per pharmacy increased approximately 2% to an average of \$3.3 million per pharmacy. Dispensary sales continued to account for the largest percentage of pharmacy sales (64.5%), with retail sales comprising a further 26.9% of sales. The remaining 8.6% was made up of over-the-counter medications (7.0%) and other income, including professional services (1.6%).

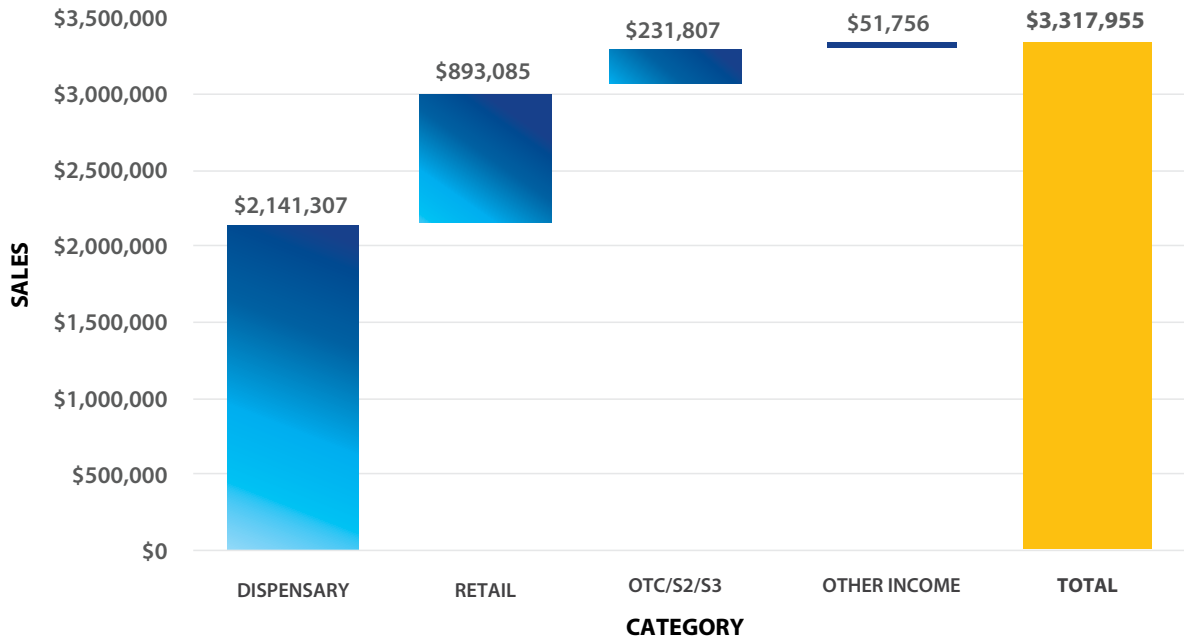
Other income, including professional services, continues its upwards trajectory as a proportion of total turnover. While remaining a small component of overall revenue, growth continues to be strong in this area.

**CHART 4.** Historical Total Turnover, Current Dollars, 1993–2019

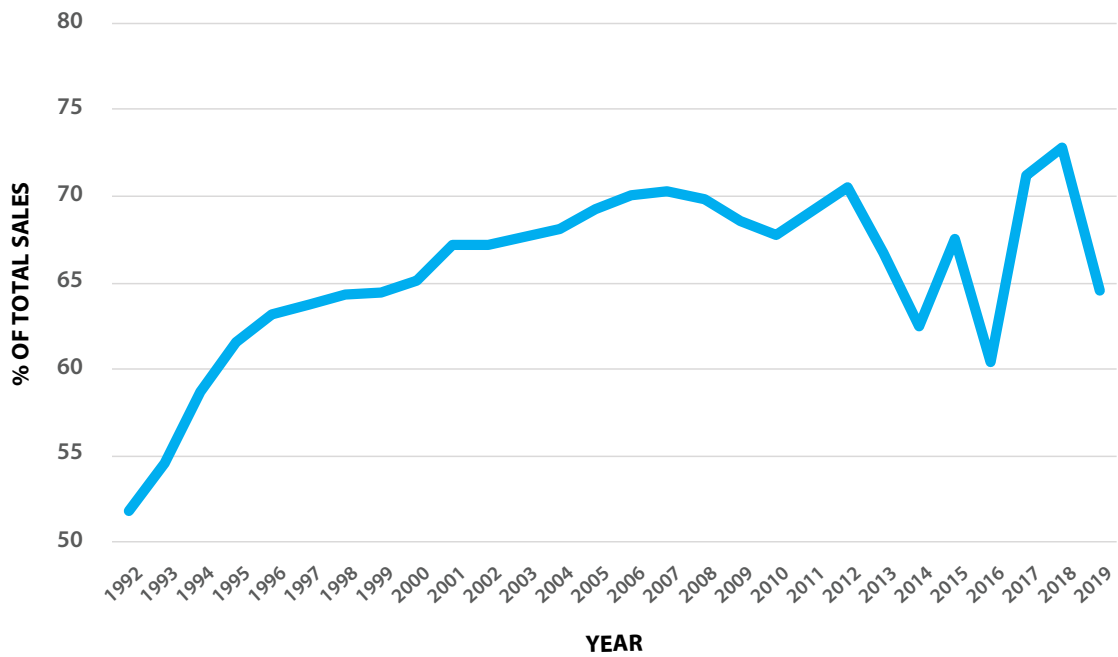


Note: this chart in previous versions of the *Digest* was adjusted to 1998-99 terms, it is now adjusted to 2018–19 dollars.

**CHART 5.** Pharmacy Sales by Sales Category – 2019



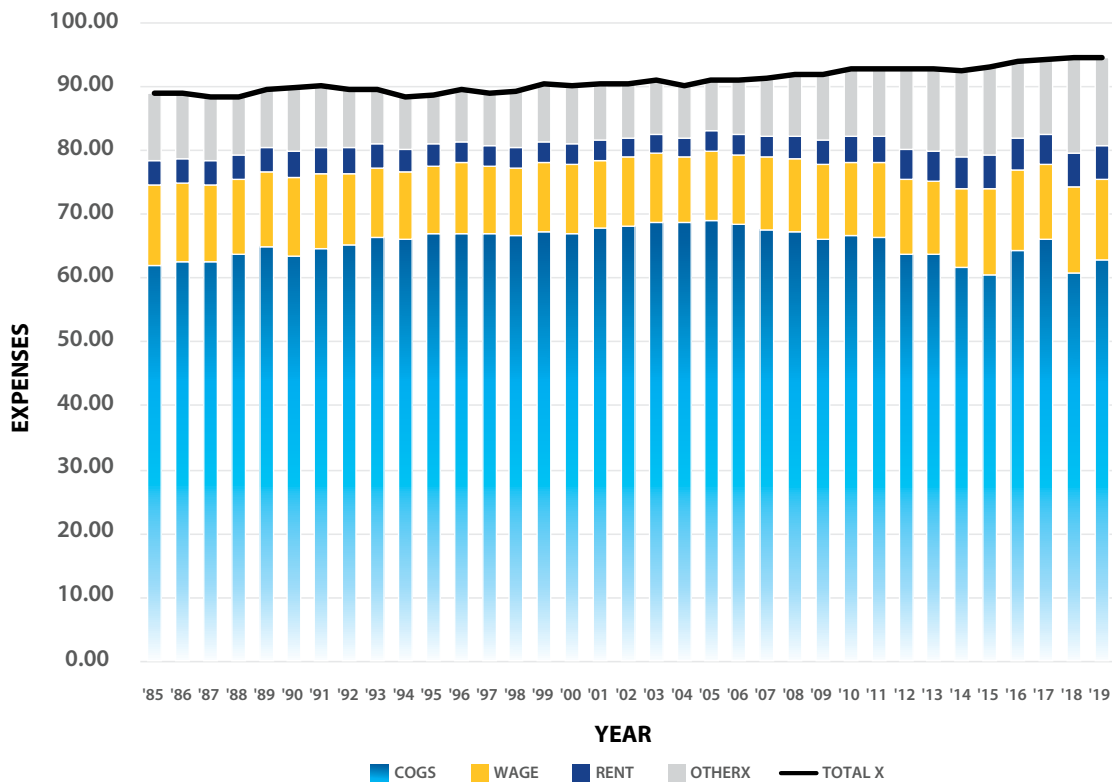
**CHART 6.** Prescription Sales as % of Total Pharmacy Sales



## A CLOSER LOOK AT EXPENSES IN 2018–19

In 2018–19, 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 sales to 61.4%. Wages comprised the second largest component of expenses, experiencing a minor decrease from 2017–18 to 12.6% of total pharmacy sales. Rent remained static compared to 2017–18, at 5.2% of total pharmacy sales. The slight but steady upwards trend of expenses growth as a percentage of total pharmacy sales continued across the 2018–19 period.

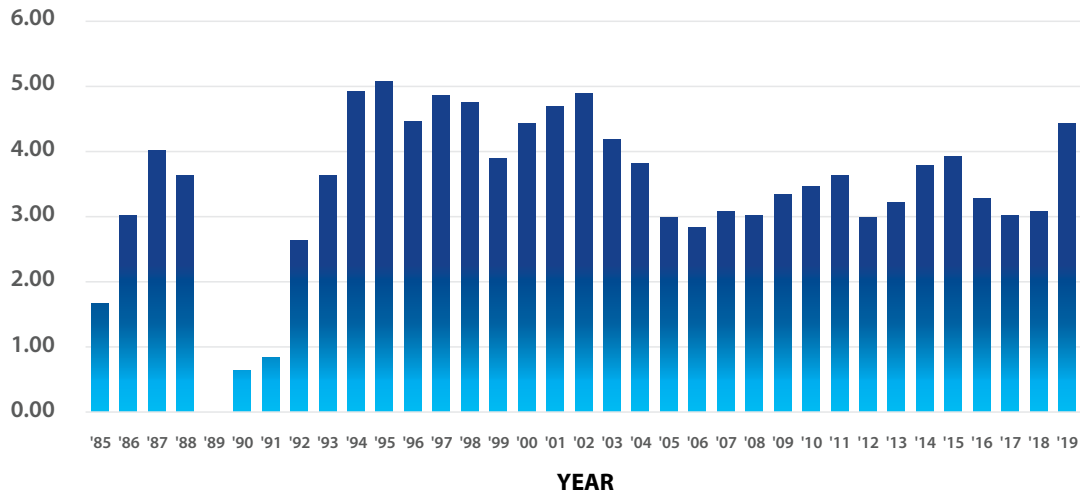
**CHART 7.** Expenses



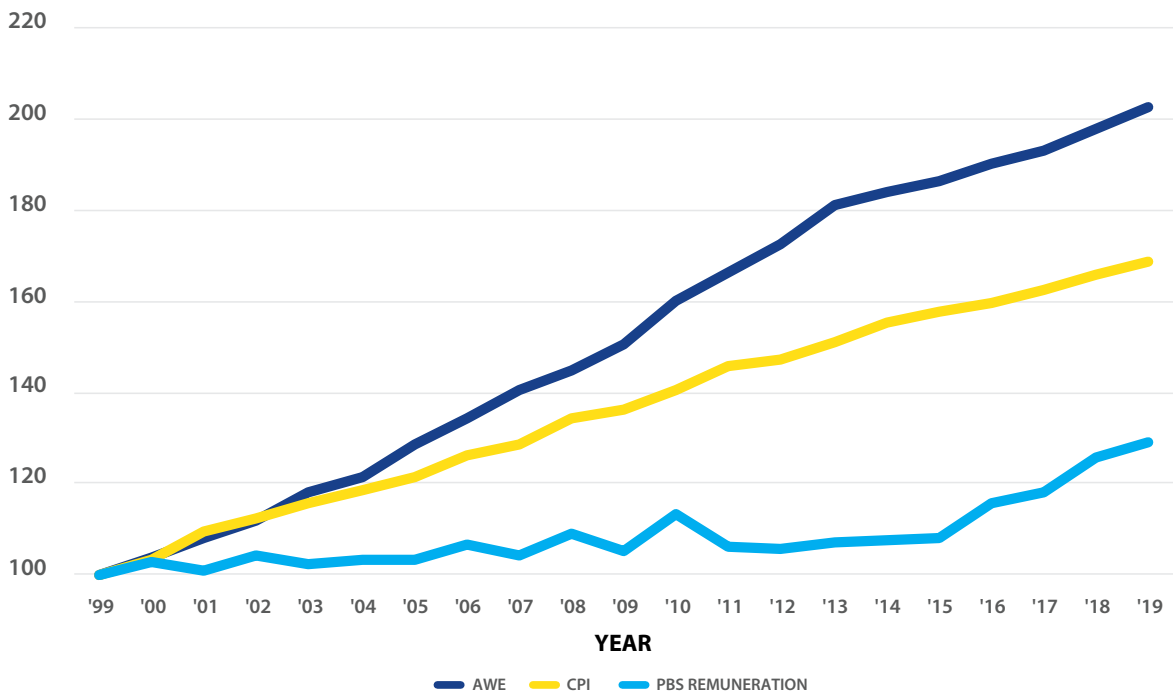
## FINANCIAL BENCHMARKS

Profitability indicators continued the historical trend in 2018–19, with net profit (before tax) experiencing a minor increase to 4.4% of total pharmacy sales. Average remuneration per script showed some growth due to beneficial measures introduced in 6CPA, yet continued to be significantly below growth experienced in Average Weekly Earnings (AWE) and Consumer Price Index (CPI).

**CHART 8. Net Profit / Loss**



**CHART 9. Index of Average Remuneration\***



Index of Average Remuneration, 1980 - 2019  
 \*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
<b>PROPRIETORS</b>	Number of staff	1.0	1.3	n.p.
	Hours worked	30.0	39.5	40.0
<b>MANAGERS</b>	Number of staff	1.0	1.6	2.0
	Hours worked	36.2	37.6	40.7
<b>OTHER PHARMACISTS</b>	Number of staff	1.0	2.3	n.p.
	Hours worked	25.5	33.0	37.0
<b>OTHER STAFF</b>	Number of staff	5.0	10.4	12.8
	Hours worked	27.9	28.3	31.0
<b>TOTAL*</b>	<b>Number of staff</b>	<b>8.0</b>	<b>15.7</b>	<b>n.p.</b>
	<b>Hours worked</b>	<b>231.4</b>	<b>485.3</b>	<b>n.p.</b>

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
<b>AUSTRALIAN CAPITAL TERRITORY</b>	Number of staff	n.p.	n.p.	n.p.	n.p.	<b>n.p.</b>
	Hours worked	n.p.	n.p.	n.p.	n.p.	<b>n.p.</b>
<b>NEW SOUTH WALES</b>	Number of staff	1.2	n.p.	1.8	9.4	<b>12.4</b>
	Hours worked	45.6	n.p.	31.1	29.9	<b>106.6</b>
<b>NORTHERN TERRITORY</b>	Number of staff	n.p.	n.p.	n.p.	n.p.	<b>n.p.</b>
	Hours worked	n.p.	n.p.	n.p.	n.p.	<b>n.p.</b>
<b>QUEENSLAND</b>	Number of staff	1.0	n.p.	4.6	7.7	<b>13.3</b>
	Hours worked	40.9	n.p.	30.7	24.3	<b>95.9</b>
<b>SOUTH AUSTRALIA</b>	Number of staff	n.p.	n.p.	n.p.	13.0	<b>13.0</b>
	Hours worked	n.p.	n.p.	n.p.	n.p.	<b>n.p.</b>
<b>TASMANIA</b>	Number of staff	1.5	n.p.	n.p.	7.2	<b>8.7</b>
	Hours worked	39.5	n.p.	n.p.	31.0	<b>70.5</b>
<b>VICTORIA</b>	Number of staff	1.4	1.0	1.4	12.3	<b>16.1</b>
	Hours worked	37.4	42.7	35.1	30.0	<b>145.2</b>
<b>WESTERN AUSTRALIA</b>	Number of staff	1.4	n.p.	3.0	7.3	<b>11.8</b>
	Hours worked	42.0	n.p.	25.5	24.0	<b>91.4</b>

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

**TABLE 8.** Pharmacy Opening Hours by State / Territory

STATE / TERRITORY	LOWER QUARTILE	AVERAGE	UPPER QUARTILE
AUSTRALIAN CAPITAL TERRITORY	n.p.	n.p.	n.p.
NEW SOUTH WALES	53.0	59.5	67.8
NORTHERN TERRITORY	n.p.	n.p.	n.p.
QUEENSLAND	49.0	61.1	n.p.
SOUTH AUSTRALIA	50.4	69.4	76.0
TASMANIA	49.1	48.6	52.5
VICTORIA	48.9	59.3	67.5
WESTERN AUSTRALIA	62.0	63.6	n.p.
<b>NATIONAL AVERAGE</b>	<b>49.4</b>	<b>62.0</b>	<b>70.0</b>

**TABLE 9.** Pharmacy Opening Hours by Pharmacy Location

PHARMACY LOCATION	LOWER QUARTILE	AVERAGE	UPPER QUARTILE
SHOPPING CENTRE	61.0	65.9	72.0
MEDICAL CENTRE	55.0	70.1	84.0
SHOPPING STRIP	48.5	58.5	66.5
<b>NATIONAL AVERAGE</b>	<b>49.4</b>	<b>62.0</b>	<b>70.0</b>

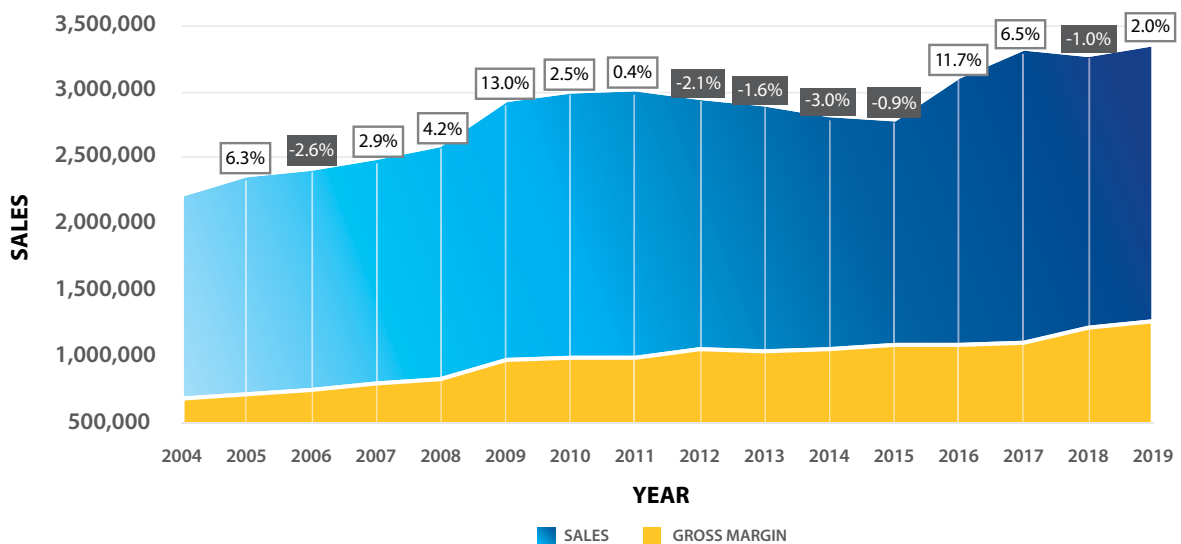
## FINANCIAL PERFORMANCE TRENDS OVER THE PAST DECADE 2008–2019

This section of the *Digest* 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.

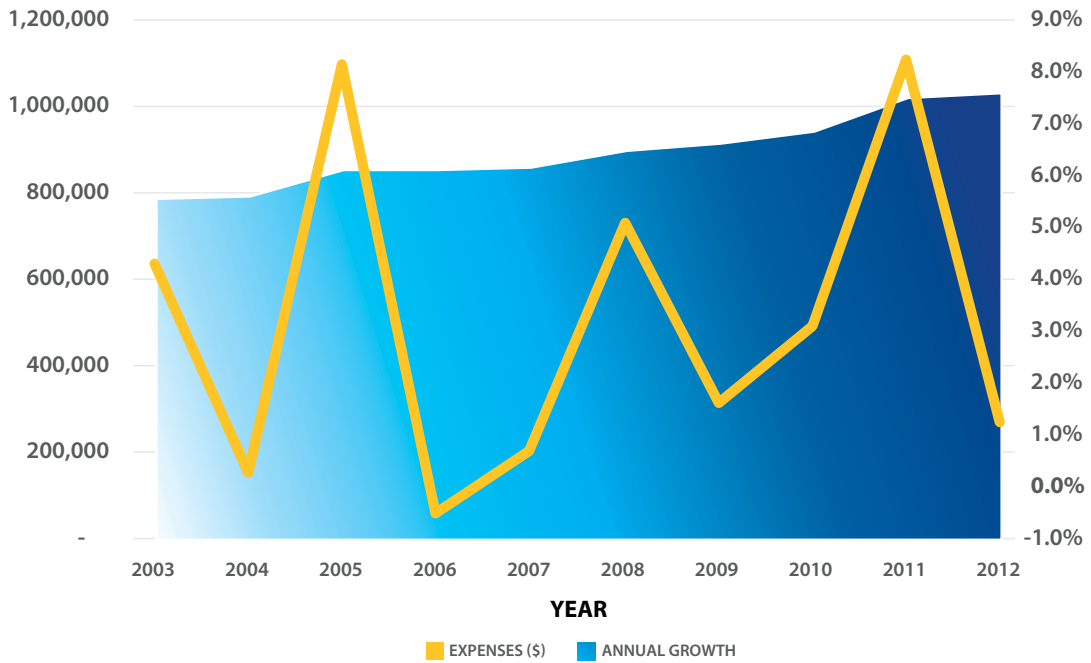
There have been ongoing changes in the operating landscape of pharmacies over the past 10 years due to growing regulatory and competitive pressure from internal and external forces. The community pharmacy landscape has evolved from small, independent pharmacies to more sophisticated banner groups operating in a more competitive environment.

Industry sales have grown at a 1.35% compounded annual growth rate (CAGR) over the past 10 years, with growth in three of the four most recent years reversing the trend of declining sales, from 2012 to 2015. Historically, pharmacy sales were growing at the rate of 4.96% (CAGR) from 2005–2010, significantly higher compared to the 1.23% growth rate of 2010 to 2019. 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.

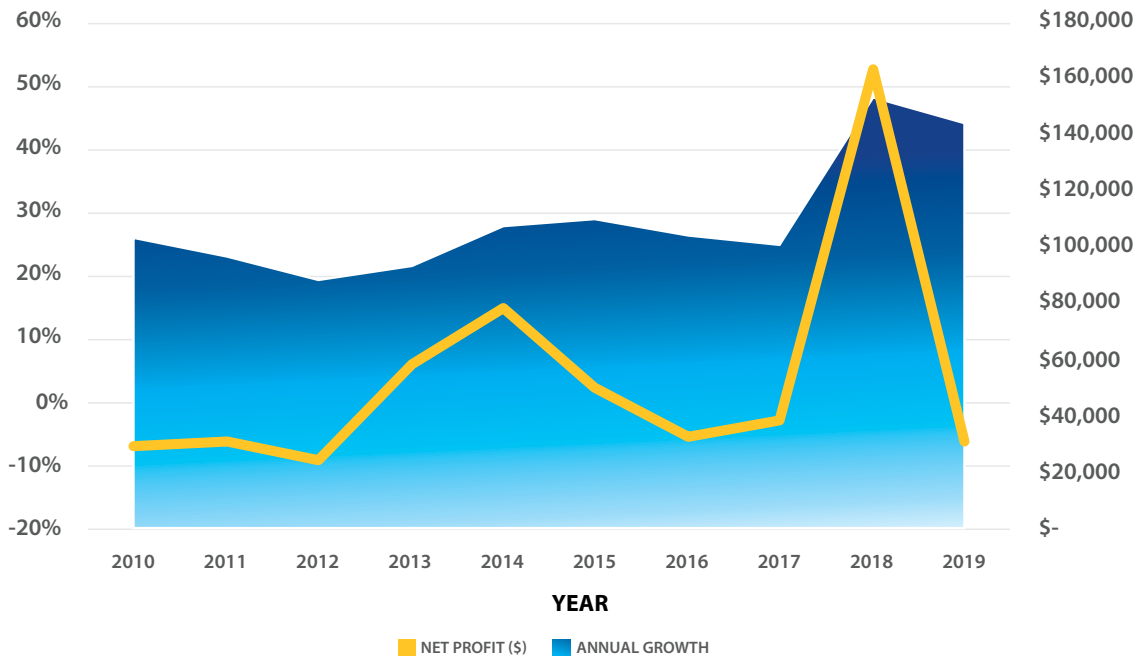
**FIGURE 1.** Historical Trends in Total Sales and Gross Profit



**FIGURE 2. Historical Trend in Net Profit / Loss**



**FIGURE 3. Historical Trend in Expenses**

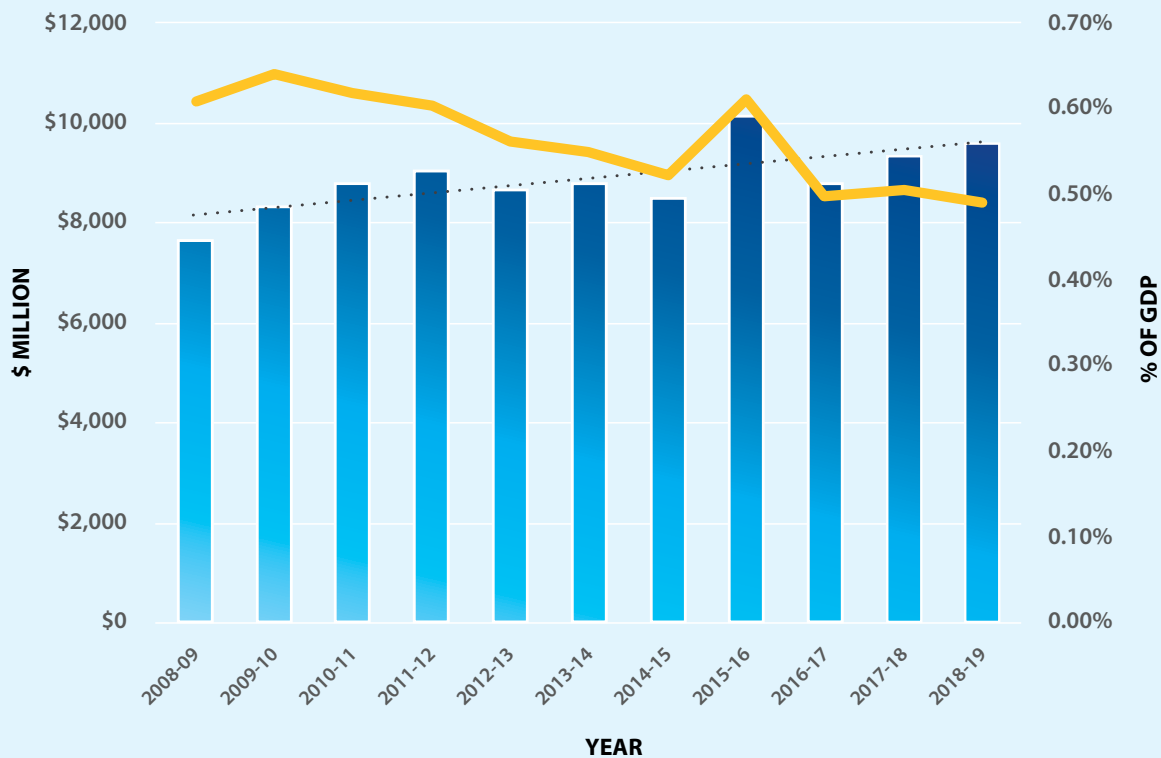


Pharmacies are operating on a very small margin, with an average pharmacy net profit of \$144,202. The industry has seen 3.75% annual growth rate (CAGR) over the past 10 years for net profit.

## BOX 1 PBS TRENDS OVER THE DECADE TO 2018–19

Government expenditure on the PBS (net of rebates) increased from \$7,655m in 2008–09 to \$9,576m in 2018–19, an average annual growth rate of just 2.3%. As a percentage of Gross Domestic Product (GDP), government expenditure on the PBS decreased by about 20%, from 0.61% in 2008–09 to 0.49% in 2018–19. This very low growth is in stark contrast to the high growth seen in other parts of the health budget.

**FIGURE 4.** PBS Government Cost (after Rebates)



Data sources: Department of Health, Australian Bureau of Statistics

The decade ending 30 June 2019 was one of major change for the PBS, with major pricing reforms and a complete change in the make-up of drugs contributing the most to government cost. Some of the most significant events included:

- August 2009 saw the first ever price reductions due to price disclosure.
- In May 2010, the Australian Government and Medicines Australia agreed to a Memorandum of Understanding (MoU) to deliver savings of \$1.9b from the PBS over 5 years.

- Expanded and Accelerated Price Disclosure was introduced in December 2010 and two months later, the ‘first new brand reduction’ was increased from 12.5% to 16%, and mandatory price reductions were applied to many listed drugs.
- There was a wave of patent expirations on the blockbuster drugs of the previous 10 to 15 years, triggering up-front price reductions and ongoing reductions due to price disclosure. On 1 April 2012, the first generic alternatives were listed for atorvastatin, which at the time was the highest government-cost PBS drug (\$733m cost in 2010–11). By 2018–19, despite still being the drug with the highest volume of subsidised prescriptions, the government cost of atorvastatin had dropped by 86% to \$104m.
- In May 2015, a new PBS Access and Sustainability package was announced, with net savings of \$3.7b over five years through further acceleration to price disclosure, and new mandatory price reductions (including for single-brand drugs).
- January 2016 saw the de-listing (for most patient groups) of several significant drugs from the PBS, including paracetamol.
- In March 2016, several new antiviral agents were listed on the PBS for the treatment of chronic hepatitis C. PBS expenditure was already being driven by new listings of high-cost drugs, but these hepatitis C listings alone added more than 15% to the government cost of the PBS in the first year of listing (rebates reduced this cost in subsequent years).
- In May 2017, the Australian Government signed landmark strategic agreements and compacts with several organisations, including a five-year agreement with the medicines industry that – through new price reductions - will deliver \$1.8b in savings to be reinvested.

The net result has been low expenditure growth and an upheaval in the type of drugs contributing most to the cost of the PBS. The top five in 2008–09 were high-volume drugs for chronic conditions (primarily cardiovascular disease and prevention). Those drugs were still among the most prescribed in 2018–19, however their prices have reduced due to generic competition and community pharmacy’s ability to transition patients safely and effectively to those generic alternatives. They have been replaced in the top five highest cost drugs by high cost drugs for the treatment of hepatitis C, macular degeneration rheumatoid arthritis and cancer.

#### TOP 5 PBS DRUGS BY TOTAL GOVERNMENT COST

2008–09			2018–19		
PBS DRUG	GOVERNMENT COST	PRICE PER SCRIPT*	PBS DRUG	GOVERNMENT COST	PRICE PER SCRIPT*
ATORVASTATIN	\$592m	\$68.95	SOFOBUVIR + VELPATASVIR	\$391m	\$15,386.34
ESOMEPRAZOLE	\$191m	\$46.63	AFLIBERCEPT	\$339m	\$1,253.34
CLOPIDOGREL	\$190m	\$81.88	ADALIMUMAB	\$315m	\$1,316.74
ROSUVASTATIN	\$188m	\$78.50	NIVOLUMAB	\$259m	\$4,960.33
SIMVASTATIN	\$165m	\$42.05	PEMBROLIZUMAB	\$213m	\$8,587.64

Data Source: *Department of Health*

\* Average price per script.

## PROFILE OF SURVEY RESPONDENTS

**TABLE 10.** Number of Respondents by *Modified Monash Model* (MMM) and State

MODIFIED MONASH MODEL									
STATE	1	2	3	4	5	6	7	NOT REPORTED	TOTAL
AUSTRALIAN CAPITAL TERRITORY	3								3
NEW SOUTH WALES	28	2	6	9	3	1		11	60
NORTHERN TERRITORY		2							2
QUEENSLAND	20	7	1	4	2	1		28	63
SOUTH AUSTRALIA	3		2			1			6
TASMANIA		5	1		5	2		2	15
VICTORIA	91	6	4	13	14			7	135
WESTERN AUSTRALIA	13	1	4	4	4			2	28
NOT REPORTED								24	24
<b>TOTAL</b>	<b>158</b>	<b>23</b>	<b>18</b>	<b>30</b>	<b>28</b>	<b>5</b>	<b>0</b>	<b>74</b>	<b>336</b>

**TABLE 11.** Location Characteristics of Sample

LOCATION	ACT	NSW	NT	QLD	SA	TAS	VIC	WA	NOT REPORTED	TOTAL
MEDICAL CENTRE	1	4		7		1	8	5		26
SHOPPING CENTRE	1	10	1	9	5	3	32	10	18	89
SHOPPING STRIP	1	35	1	19	1	9	88	9	6	169
NOT REPORTED		11		28		2	7	4		52
<b>TOTAL</b>	<b>3</b>	<b>60</b>	<b>2</b>	<b>63</b>	<b>6</b>	<b>15</b>	<b>135</b>	<b>28</b>	<b>24</b>	<b>336</b>

**TABLE 12.** Method of Operation of Participating Pharmacies

METHOD OF OPERATION	
OWNER OPERATED	184
MANAGER OPERATED	35
NOT REPORTED	117
<b>TOTAL</b>	<b>336</b>

**TABLE 13.** Method of Operation of Participating Pharmacies by State / Territory

METHOD OF OPERATION	ACT	NSW	NT	QLD	SA	TAS	VIC	WA
OWNER OPERATED	100%	85%	100%	89%	100%	60%	96%	95%
MANAGER OPERATED	0%	15%	0%	11%	0%	40%	4%	5%

**TABLE 14.** Pharmacy Size (m<sup>2</sup>) by State / Territory

STATE / TERRITORY	AREA (m <sup>2</sup> )
AUSTRALIAN CAPITAL TERRITORY	n.p.
NEW SOUTH WALES	246.0
NORTHERN TERRITORY	n.p.
QUEENSLAND	227.2
SOUTH AUSTRALIA	n.p.
TASMANIA	215.6
VICTORIA	274.3
WESTERN AUSTRALIA*	213.6
NOT REPORTED	24
<b>NATIONAL AVERAGE</b>	<b>258.2</b>

\* Results for Western Australia are not comparable with previous years due to sample differences.

# HISTORICAL STATISTICS

## STRUCTURE OF PHARMACISTS' REMUNERATION - PBS

TABLE 15.

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	

\* 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 mark-up 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 and 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.

## BOX 2

### COMMENTARY ON TRENDS IN PBS CO-PAYMENTS: AUSTRALIA IS FALLING BEHIND IN AFFORDABILITY AND UNIVERSALITY

Table 16 details the increase in PBS co-payment levels over the past five decades. The table shows that since their introduction, co-payments have never been reduced. Co-payments have increased annually by inflation (CPI), with some additional larger increases as a result of policy decisions, such as in 1997 (increases of at least 15%) and 2005 (increases of 21%).

Over time, medicine prices have tended to increase at a faster pace than economy-wide inflation. Over the long-term, this has meant that co-payment levels as a proportion of the cost of the medicine have trended down. This trend has reversed in recent years, mainly due to price disclosure and the expiry of patents on many high-volume medicines, both of which have led to price reductions. This reversal is evident in the final column of the table, with the concessional co-payment (as a proportion of the total drug cost) hitting levels in recent years that have been the highest since the early 1990s.

The effects of the falling price of medicines is also evident through the percentage of general patient prescriptions that are government-subsidised. This has fallen from an already low 28% in 2013 (the first available year of official data) to just 16% in 2019. This means that general patients must cover the entire cost for 84% of prescription medicines dispensed.

At these levels, and with the current trends, the PBS is no longer a universal system, and co-payments are long overdue for a review. Medicine affordability is important for medication adherence, and medication adherence is crucial to the cost-effectiveness of Australia's healthcare system. Most community pharmacists have, unfortunately, encountered patients who ask for their advice about which of their family's prescriptions will be least harmful to forego due to cost. ABS statistics back this up: almost a million Australian adults made a choice to delay or completely forego at least one prescription in 2018–19 because of cost<sup>1</sup>. This is also evidence that the introduction of the optional \$1 co-payment discount in 2016 has not improved affordability. Instead, it has further eroded the universality of the PBS.

When compared with similar medicine subsidy schemes in other developed countries the PBS is also lagging behind international standards for affordability and universality. For example:

- ▶ New Zealand's maximum co-payment is just NZ\$5.00<sup>2</sup>, capped at NZ\$100 annual cost per family.
- ▶ In England, approximately 90% of prescription medicines are free of any charge, as are all prescription medicines in Scotland, Wales and Northern Ireland<sup>3</sup>.

<sup>1</sup> <https://www.abs.gov.au/AUSSTATS/abs%40.nsf/DetailsPage/4839.02018-19?OpenDocument>, Table 5.1, Row 70

<sup>2</sup> <https://www.health.govt.nz/our-work/primary-health-care/primary-health-care-subsidies-and-services/pharmaceutical-co-payments#:~:text=Everyone%20who%20is%20eligible%20for,covers%20for%20%24%20co%20payments.>

<sup>3</sup> <https://researchbriefings.files.parliament.uk/documents/CBP-7227/CBP-7227.pdf>

- In Germany, patients are generally required to contribute to the costs of pharmaceuticals through a 10% co-insurance rate (10% of the cost of the medicine) which is capped at a maximum of €10 per prescription<sup>4</sup>.
- In Ireland, the maximum co-payment under the Medical Card Scheme is set at just €2.00 per item prescription charge (up to a maximum charge of €20.00 per family per month), with lower rates for many people, including those aged over 70 (€1.50, up to a maximum charge of €15 per month) and no prescription charge for children in care<sup>5</sup>.
- France's co-payments are capped at a maximum cost of €50 for the entire year<sup>6</sup>.

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<sup>4</sup> <https://www.oecd.org/health/health-systems/Pharmaceutical-Reimbursement-and-Pricing-in-Germany.pdf>

<sup>5</sup> <https://www2.hse.ie/services/medical-cards/prescription-charges-for-medical-card-holders.html>

<sup>6</sup> <https://www.commonwealthfund.org/international-health-policy-center/system-features/how-does-universal-health-coverage-work>

## CHANGES IN THE LEVEL OF PATIENT CONTRIBUTION

TABLE 16.

| DATE OF CHANGE | AMOUNT GENERAL | % OF AVERAGE COST OF GENERAL | 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                           | \$5.90              | 15                                |
| January 2014   | MAX \$36.90    | 35                           | \$6.00              | 16                                |
| January 2015   | MAX \$37.70    | 31                           | \$6.10              | 17                                |
| January 2016   | MAX \$38.30    | 21                           | \$6.20              | 19                                |
| January 2017   | MAX \$38.80    | 24                           | \$6.30              | 16                                |
| January 2018   | MAX \$39.50    | 25                           | \$6.40              | 16                                |
| January 2019   | MAX \$40.30    | 25                           | \$6.50              | 17                                |

## PBS REMUNERATION PER PRESCRIPTION

TABLE 17.

| 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                          | 0.91                       | 10.30                   | 23.75                              | 181,836                              |
| 2009/10 | 45.47                         | @@ | 3.57          |    | 6.42                          | 1.11                       | 11.10                   | 24.41                              | 183,911                              |
| 2010/11 | 46.18                         | @@ | 3.57          |    | 6.42                          | 0.75                       | 10.74                   | 23.25                              | 188,144                              |
| 2011/12 | 45.59                         | @@ | 3.47          |    | 6.42                          | 0.79                       | 10.68                   | 23.42                              | 194,898                              |
| 2012/13 | 42.90                         | @@ | 3.22          |    | 6.52                          | 0.93                       | 10.67                   | 24.88                              | 211,407                              |
| 2013/14 | 41.68                         | @@ | 3.07          |    | 6.63                          | 1.04                       | 10.74                   | 25.77                              | 214,526                              |
| 2014/15 | 40.05                         | @@ | 2.75          |    | 6.76                          | 1.13                       | 10.64                   | 26.56                              | 215,406                              |
| 2015/16 | 37.75                         | @@ | 3.82          |    | 6.93                          | 0.62                       | 11.37                   | 30.13                              | 214,384                              |
| 2016/17 | 40.68                         |    | 3.91          |    | 7.02                          | 0.71                       | 11.64                   | 28.62                              | 209,283                              |
| 2017/18 | 48.45                         |    | 4.47          |    | 7.15                          | 0.74                       | 12.36                   | 25.52                              | 210,388                              |
| 2018/19 | 47.22                         |    | 4.57          |    | 7.29                          | 0.84                       | 12.69                   | 26.88                              | 210,776                              |

\* 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). Includes the Dangerous Drug Fee from 2008/09.

@ 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 18.

| YEAR (30 JUNE) | POPULATION * | NUMBER OF PHARMACIES | POPULATION :<br>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                          |

## TRENDS IN POPULATION TO PHARMACY RATIOS

TABLE 19.

| STATE OR TERRITORY | 30 JUNE 2018      |                      |                       | 30 JUNE 2019      |                      |                       | % CHANGE IN POPULATION TO PHARMACY RATIOS |
|--------------------|-------------------|----------------------|-----------------------|-------------------|----------------------|-----------------------|-------------------------------------------|
|                    | POPULATION ('000) | NUMBER OF PHARMACIES | POPULATION / PHARMACY | POPULATION ('000) | NUMBER OF PHARMACIES | POPULATION / PHARMACY |                                           |
| NSW                | 7,987.3           | 1,878                | 4,253                 | 8,089.5           | 1,886                | 4,289                 | 0.8                                       |
| VIC                | 6,459.8           | 1,360                | 4,750                 | 6,594.8           | 1,369                | 4,817                 | 1.4                                       |
| QLD                | 5,012.2           | 1,138                | 4,404                 | 5,095.1           | 1,151                | 4,427                 | 0.5                                       |
| SA                 | 1,736.4           | 454                  | 3,825                 | 1,751.7           | 459                  | 3,816                 | -0.2                                      |
| WA                 | 2,595.9           | 623                  | 4,167                 | 2,621.7           | 626                  | 4,188                 | 0.5                                       |
| TAS                | 528.1             | 153                  | 3,452                 | 534.3             | 153                  | 3,492                 | 1.2                                       |
| NT                 | 247.3             | 39                   | 6,341                 | 245.9             | 40                   | 6,148                 | -3.1                                      |
| ACT                | 420.9             | 78                   | 5,396                 | 426.7             | 78                   | 5,471                 | 1.4                                       |
| <b>AUST</b>        | <b>24,992.4</b>   | <b>5,723</b>         | <b>4,367</b>          | <b>25,364.3</b>   | <b>5,762</b>         | <b>4,402</b>          | <b>0.8</b>                                |

Sources: Medicare Australia and Australian Bureau of Statistics  
NB: National population value includes Other Territories.

## PHARMACIES DISPENSING PHARMACEUTICAL BENEFITS

TABLE 20. States and Territories 2008–2019

| STATE OR TERRITORY | 2009         | 2010         | 2011         | 2012         | 2013         | 2014         | 2015         | 2016         | 2017         | 2018         | 2019         |
|--------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| NSW                | 1,731        | 1,731        | 1,738        | 1,762        | 1,794        | 1,820        | 1,831        | 1,853        | 1,864        | 1,878        | 1,886        |
| VIC                | 1,170        | 1,184        | 1,204        | 1,226        | 1,247        | 1,282        | 1,299        | 1,317        | 1,346        | 1,360        | 1,369        |
| QLD                | 1,011        | 1,017        | 1,052        | 1,048        | 1,070        | 1,088        | 1,100        | 1,118        | 1,130        | 1,138        | 1,151        |
| SA                 | 404          | 414          | 418          | 423          | 432          | 439          | 439          | 448          | 454          | 454          | 459          |
| WA                 | 508          | 516          | 521          | 540          | 556          | 574          | 584          | 591          | 611          | 623          | 626          |
| TAS                | 131          | 133          | 139          | 141          | 146          | 148          | 149          | 150          | 149          | 153          | 153          |
| NT                 | 29           | 30           | 31           | 32           | 33           | 33           | 34           | 35           | 36           | 39           | 40           |
| ACT                | 62           | 63           | 64           | 68           | 72           | 72           | 74           | 75           | 75           | 78           | 78           |
| <b>AUST</b>        | <b>5,046</b> | <b>5,088</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> |

Numbers as at 30 June 2019.

## PRICING AND EARNING INDICES

TABLE 21.

| YEAR    | CONSUMER PRICE INDEX (A) |           |         |            | AVERAGE WEEKLY EARNINGS (B) |          |
|---------|--------------------------|-----------|---------|------------|-----------------------------|----------|
|         | INDEX*                   | % CHANGE* | INDEX** | % CHANGE** | \$ AMOUNT                   | % 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     |

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

(b) Males and Females.

\* All Groups

\*\* Pharmaceuticals

## 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 2018–19 was 336. 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.

## DEFINITIONS

### **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 2018–19, the normal hourly rate was estimated at \$70.35 for the first 38 hours, equivalent to an annual salary of \$139,018. Additional hours were calculated at time-and-a-half rate to reflect overtime. 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 per cent 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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