



The Pharmacy
Guild of Australia

GUILD DIGEST 2021/

A SURVEY OF INDEPENDENT
PHARMACY OPERATIONS IN AUSTRALIA
FINANCIAL YEAR 2019–20

SUPPORTED BY



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FOREWORD

This year marks the 49th edition of the *Digest* – the pre-eminent publication examining the operation and financial performance of Australian community pharmacies. *The Guild Digest 2021* presents a snapshot of Australian pharmacy business conditions for the 2019–20 financial year.

Community pharmacies continue to play a pivotal role in providing primary healthcare and deliver 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, vaccinations and other preventive care services. We are seeing the role of community pharmacies in accelerating the rollout of the COVID-19 vaccines, with population health and economic benefits as a result. 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 *Guild Digest 2021* are based largely on a sample of 316 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 Rose Health, RSM, Eagle Shared Services, jph Group, Pitcher Pharmacy Accountants, and JRS Pharmacy Bookkeeping. We also extend thanks to National Secretariat staff led by the Health Economics & Policy Group, for their dedication in the preparation of this edition.



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EXECUTIVE SUMMARY

The 2021 *Digest* is based largely on a sample of 316 community pharmacies, representative of the community pharmacy population in Australia.

INDUSTRY SNAPSHOT FOR 2019–20

The Australian community pharmacy industry is a \$19.9 billion health sector which comprises approximately 5,800 community pharmacies as of June 2020.

It directly employs around 67,000 highly skilled staff (including proprietors). The average turnover per pharmacy was \$3.4 million and roughly 63% of pharmacy sales were derived from the sale of prescription medicines. The other 37% includes pharmacy professional services, pharmacy medicines, pharmacist-only medicines, and over-the-counter products.

The gross profit (sales less cost of goods sold) in 2019–20 was \$1.24 million for the average pharmacy and average annual net profit equated to around \$170,000.

Rural pharmacies represented 14% of the total of 5,800 community pharmacies and there was one pharmacy for every 4,400 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 58 hours-a-week, and an average of nine hours per day.

FINANCIAL PERFORMANCE IN 2019–20

During 2019–20

- Average pharmacy sales were \$3.4 million, 63% of which were from prescriptions and the remaining 37% from non-prescription sales.
- Average gross profit as a percentage of pharmacy sales decreased to 36.3%, down from 38.6% in 2018–19.
- Average revenue from other income increased to \$71,000 from the previous year's figure of \$52,000.
- Expenses ended the year at 30% of turnover, down from 31% in 2018–19. Expenses have significantly grown at the rate of 3.1% (CAGR) a year for the past decade.

INDUSTRY SNAPSHOT

2019–20

NATIONAL AVERAGE	INDUSTRY
61,784 PRESCRIPTIONS (NUMBER)	359.70M PRESCRIPTIONS (NUMBER)
12 EMPLOYMENT (NUMBER)	66,993 EMPLOYMENT (NUMBER)
\$3.42M TURNOVER (\$)	\$19.91B TURNOVER (\$)
\$1.24M GROSS PROFIT (\$)	\$7.21B GROSS PROFIT (\$)
\$1.04M EXPENSES (\$)	\$6.05B EXPENSES (\$)
\$171,000 NET PROFIT (\$)	\$998.04M NET PROFIT (\$)

THE YEAR IN REVIEW

In 2019–20, there was a 2% decrease 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 \$171,425 was 12% higher in 2019–20 compared to 2018–19.

The 2019–20 year was the final 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 saw 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 2019–20, the number of PBS-subsidised prescriptions dispensed was flat relative to the year before, growing only 1.3% from 2018-19. Moreover, the number of PBS-subsidised scripts dispensed in 2019–20 was 35 million (or 14.2%) lower than anticipated for 2019–20 at the time of signing the 6CPA. As a result, in 2019–20, 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 0.56% increase in prescription volume per pharmacy in 2019–20, compared with the previous financial year. This result for 2019–20 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 2.6% in 2019–20) 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 2019–20 services paid related to the MedsChecks and Dose Administration Aids programs rose 4% and 16% respectively, relative to 2018–19.

Other notable features of the community pharmacy network landscape in 2019–20 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 5% in 2019–20.

BOX 1

COMMENTARY ON CONTINUED DISPENSING

Under State and Territory law, patients require a prescription from an authorised prescriber in order to access Prescription Only (Schedule 4) Medicines and Controlled Drugs (Schedule 8) from a community pharmacy. Commonwealth law requires a prescription for all items subsidised by the Pharmaceutical Benefits Scheme (PBS) irrespective of whether or not the medicine is Prescription Only.

In situations where urgent supply of a medicine is required in the absence of a valid prescription, pharmacists are able to provide eligible prescribed medicines via 'Emergency Supply' or 'Continued Dispensing' arrangements. Following communication from an authorised prescriber, pharmacists are also able to supply prescription medicines under 'Owing Supply' arrangements with a prescription from the prescriber to follow.

The State and Territory emergency supply arrangements generally allow pharmacists to supply three days' worth of a Prescription Only Medicine based on the pharmacist's professional assessment that it is safe, appropriate and necessary for the patient to have urgent supply. No jurisdiction allows emergency supply of a Controlled Drug. As part of the emergency supply arrangements, some jurisdictions allow pharmacists to supply a standard manufacturer pack of medicines that cannot be broken, such as inhalers, eye drops or creams and ointments. As the PBS does not apply, patients are generally required to pay for these emergency supplies.

As part of the Fifth Community Pharmacy Agreement, the Commonwealth introduced legislation from 1 July 2012 that permitted Continued Dispensing by pharmacists for oral contraceptives and cholesterol medicines (statins). The actual Continued Dispensing arrangements did not formally commence until 1 September 2013 when Commonwealth PBS claims systems for Continued Dispensing were activated. Continued Dispensing also required changes to State and Territory laws and these were changed over the following months and years, with Queensland being the last State to come on board in 2017.

Continued Dispensing only applies to eligible PBS medicines in circumstances when the pharmacist can confirm:

- the medicine was supplied to the patient in the last 6 months and their condition is stable
- the medicine is safe and appropriate for the patient
- there has been no other Continued Dispensing supply for the medicine in the past 12 months
- there is an urgent need for supply and it is not practical for the patient to obtain a prescription.

In response to the 2019 bushfires, the Commonwealth expanded Continued Dispensing to enable pharmacists to urgently assist people who were displaced or affected by the fires with access to their PBS medicines. This arrangement was reciprocated under State and Territory law in a number of jurisdictions.

This was followed by the COVID-19 pandemic and in March 2020, the Commonwealth extended the expanded arrangements, supported by all States and Territories, to allow urgent access to Prescription Only PBS medicines for people who may be unable to see their prescriber. The supply of Controlled Drugs was not permitted under the expanded arrangements. As COVID-19 has remained an ongoing health problem for Australia, at the time of writing the expanded Continued Dispensing arrangements have been extended until 31 December 2021.

The table below summarises Continued Dispensing supplies for 2019–2020, noting that the expanded arrangements were in place nationally for only 4 months of this reporting period.

ATC GROUP LEVEL 1	NSW	VIC	QLD	SA	WA	TAS	NT	ACT	NATIONAL
ALIMENTARY TRACT AND METABOLISM	9,042	4,411	1,219	696	2,150	504	9	678	18,709
ANTIINFECTIVES FOR SYSTEMIC USE	821	359	105	61	185	33		53	1,617
ANTINEOPLASTIC AND IMMUNOMODULATING AGENTS	644 z	178	62	24	112	31	-	42	1,093
BLOOD AND BLOOD FORMING ORGANS	2,538	1,087	407	183	533	116		179	5,043
CARDIOVASCULAR SYSTEM	25,872	14,338	4,307	2,744	6,657	2,342	29	2,230	58,519
DERMATOLOGICALS	447	233	31	26	124	18		41	920
GENITO URINARY SYSTEM AND SEX HORMONES	2,586	1,585	857	509	758	520	7	361	7,183
MUSCULO-SKELETAL SYSTEM	1,976	843	280	180	628	129	-	162	4,198
NERVOUS SYSTEM	9,812	4,850	1,947	938	3,484	886	-	853	22,770
RESPIRATORY SYSTEM	2,994	1,354	1,198	365	706	195	-	214	7,026
SENSORY ORGANS	1,277	743	187	101	362	65		73	2,808
SYSTEMIC HORMONAL PREPARATIONS	1,133	466	191	96	345	68	-	105	2,404
VARIOUS	44	15	-	-	-	-		-	59
TOTAL	59,186	30,462	10,791	5,923	16,044	4,907	45	4,991	132,349

The highest supply categories are:

- Cardiovascular system, inclusive of blood pressure, cholesterol medicines and cardiac therapy
- Nervous system, inclusive of antidepressants, antiepileptics and anti-Parkinson medicines
- Alimentary Tract and Metabolism, inclusive of diabetes oral medicines, intestinal anti-inflammatory agents and reflux medicines
- Genito urinary system and sex hormones, inclusive of oral contraceptives
- Respiratory system, inclusive of asthma and COPD medicines
- Musculo-skeletal system, inclusive of the arthritis and osteoporosis medicines.

Given the incidence of these chronic health conditions in the community, it is expected that the demand for these categories would be high. What this data is not able to show is the number of people with multiple conditions requiring urgent Continued Dispensing for several medicines.

FINANCIAL PERFORMANCE

2019–20 FINANCIAL PERFORMANCE

This section examines the 2019–20 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 2019–20 financial year (based on the national weighted averages) include:

- Average total pharmacy sales were \$3,349,324, 63% of which were from prescriptions; the remaining 37% was from non-prescription sales.
- Average gross profit as a percentage of pharmacy sales was 36.2%, down from 38.6% in 2018-19.
- Average revenue from other income increased from the previous year's figure of \$51,756 to \$71,103 in 2019–20. It is noted that changes to the sample can have significant impact on this figure due to differing business models within community pharmacy, however this figure has been trending up as it includes income from a growing number of professional services.
- Expenses ended the year at 30% of revenue, down from 31% in 2018-19.
- Salaries and wages as a percentage of pharmacy sales increased slightly from 12.6% to 13.3% in 2019–20.
- Rent as a percentage of pharmacy sales was flat at 5.3% of sales.
- Wages and rent combined made up 60% of total expenses (excluding cost of goods).
- Proprietors' notional salary represented 3.9% of turnover, up from 3.4% in 2018-19.
- The average prescription volume per pharmacy increased marginally by 0.56% and remained greater than one thousand per week (1,188) after reaching this milestone in 2008-09.

NATIONAL RESULTS

TABLE 1. Turnover and Profit - Australia

	2018-19	2019-20	ANNUAL CHANGE
TOTAL TURNOVER	3,317,956	3,420,427	3%
TOTAL GROSS PROFIT	1,261,661	1,239,190	-2%
TOTAL GROSS PROFIT %	38.60%	36.23%	-2%
OTHER INCOME	51,756	71,103	37%
6CPA PROGRAMS INCOME	n.p.	32,411	n.a.
GROSS PROFIT & OTHER INCOME	1,313,418	1,342,703	2%
DISPENSARY SALES	2,141,307	2,107,353	-2%
RETAIL SALES**	893,085	1,012,920	13%
OTC/S2/S3 SALES	231,807	229,051	-1%
TOTAL PHARMACY SALES	3,266,199	3,349,324	3%
COST OF GOODS SOLD	2,004,538	2,110,134	5%
COST OF GOODS SOLD %	61.40%	63.00%	2%
SALARIES AND WAGES	409,951	444,035	8%
SALARIES AND WAGES %	12.60%	13.26%	1%
RENT	168,917	176,276	4%
RENT %	5.20%	5.26%	0%
DEPRECIATION	30,049	40,873	36%
DEPRECIATION %	0.90%	1.22%	0%
INTEREST PAID	41,435	46,012	11%
INTEREST PAID %	1.30%	1.37%	0%
ALL OTHER EXPENSES	381,953	331,940	-13%
ALL OTHER EXPENSES %	11.70%	9.91%	-2%
TOTAL EXPENSES	1,032,304	1,039,136	1%
TOTAL INCOME	271,279	303,567	12%
LESS PROPRIETOR'S SALARY	117,652	132,142	12%
NET PROFIT / LOSS	153,627	171,425	12%
EBITDA	244,260	258,310	6%
TOTAL ASSETS	2,097,440	2,194,649	5%
TOTAL LIABILITIES	1,226,371	1,322,746	8%
NET ASSETS	871,069	871,902	0%

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

** Caution should be taken comparing Retail Sales between 2018-19 and 2019-20 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

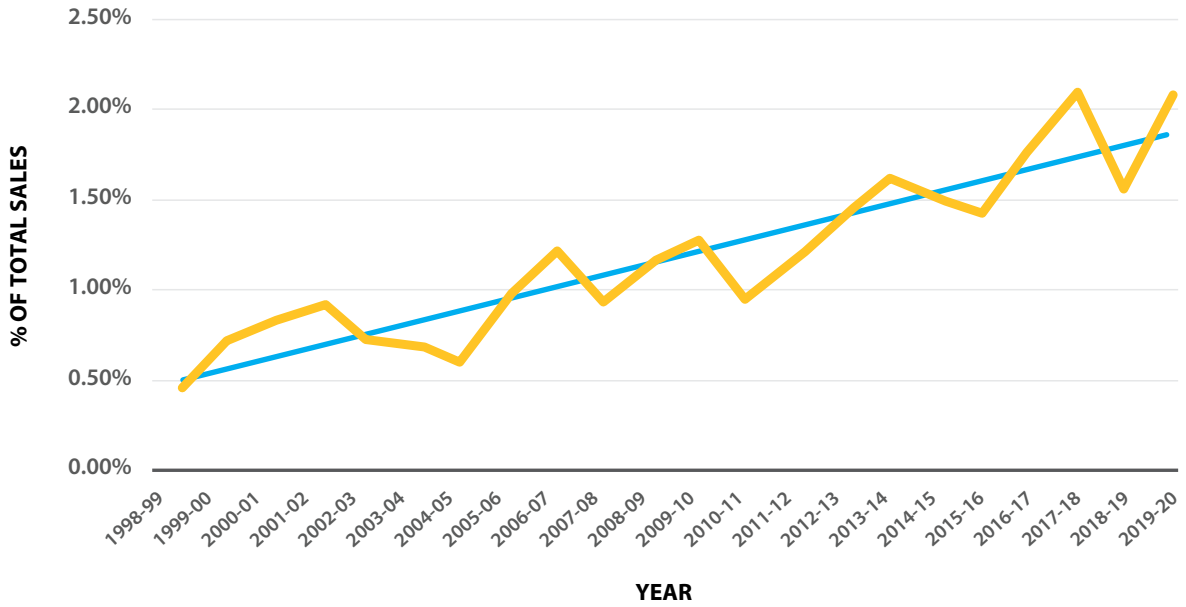
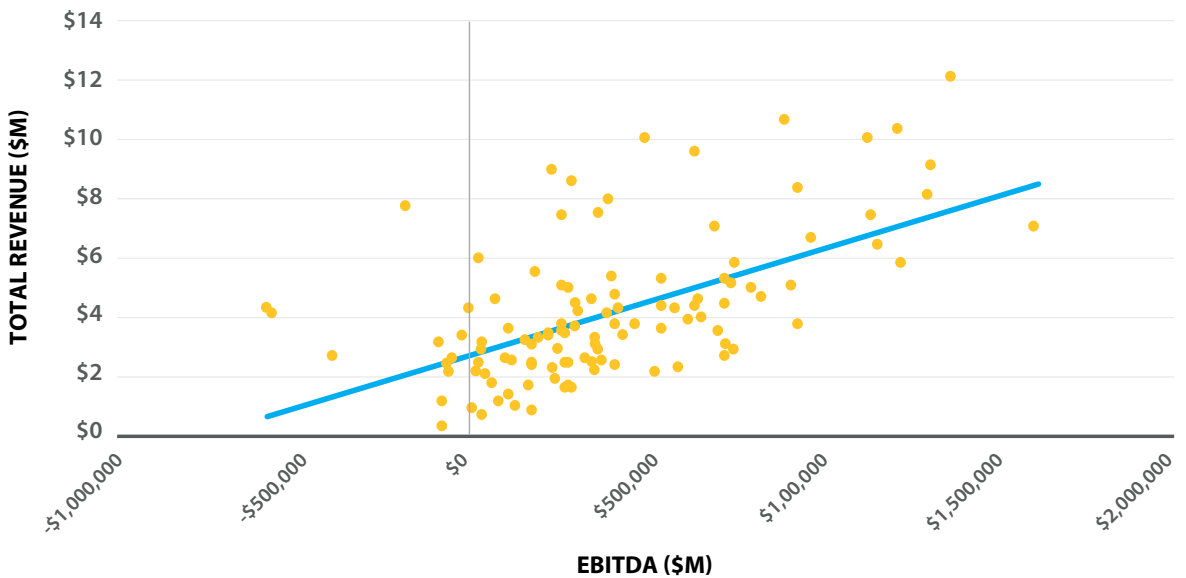


CHART 2. EBITDA vs Total Revenue



RESULTS BY JURISDICTION

TABLE 2. Turnover and Profit - By State / Territory*

	NSW	QLD	SA	TAS	VIC	WA
TOTAL TURNOVER	100%	100%	100%	100%	100%	100%
TOTAL GROSS PROFIT	28%	29%	35%	34%	27%	31%
OTHER INCOME	11%	8%	n.p.	n.p.	2%	4%
GROSS PROFIT & OTHER INCOME	39%	37%	n.p.	n.p.	28%	35%
DISPENSARY SALES	56%	62%	77%	76%	47%	53%
OTC SALES/S2/S3 SALES	24%	25%	23%	22%	25%	35%
RETAIL SALES	10%	6%	n.p.	1%	27%	9%
TOTAL PHARMACY SALES	89%	92%	n.p.	n.p.	98%	96%
SALARIES AND WAGES	11%	13%	14%	18%	10%	14%
RENT	4%	4%	4%	3%	3%	6%
DEPRECIATION	1%	1%	1%	2%	1%	2%
INTEREST PAID	1%	1%	0%	1%	1%	1%
ALL OTHER EXPENSES	4%	5%	4%	3%	3%	5%
TOTAL EXPENSES	21%	25%	23%	26%	18%	28%

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

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

STATE / TERRITORY	LOWER QUARTILE	AVERAGE	UPPER QUARTILE
NEW SOUTH WALES	36,955	62,306	68,809
QUEENSLAND	41,905	62,080	74,852
SOUTH AUSTRALIA	n.p.	64,023	81,408
TASMANIA	31,819	64,646	77,768
VICTORIA	27,380	62,863	88,755
WESTERN AUSTRALIA	33,796	50,754	77,215
NATIONAL AVERAGE	32,815	61,784	82,819

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

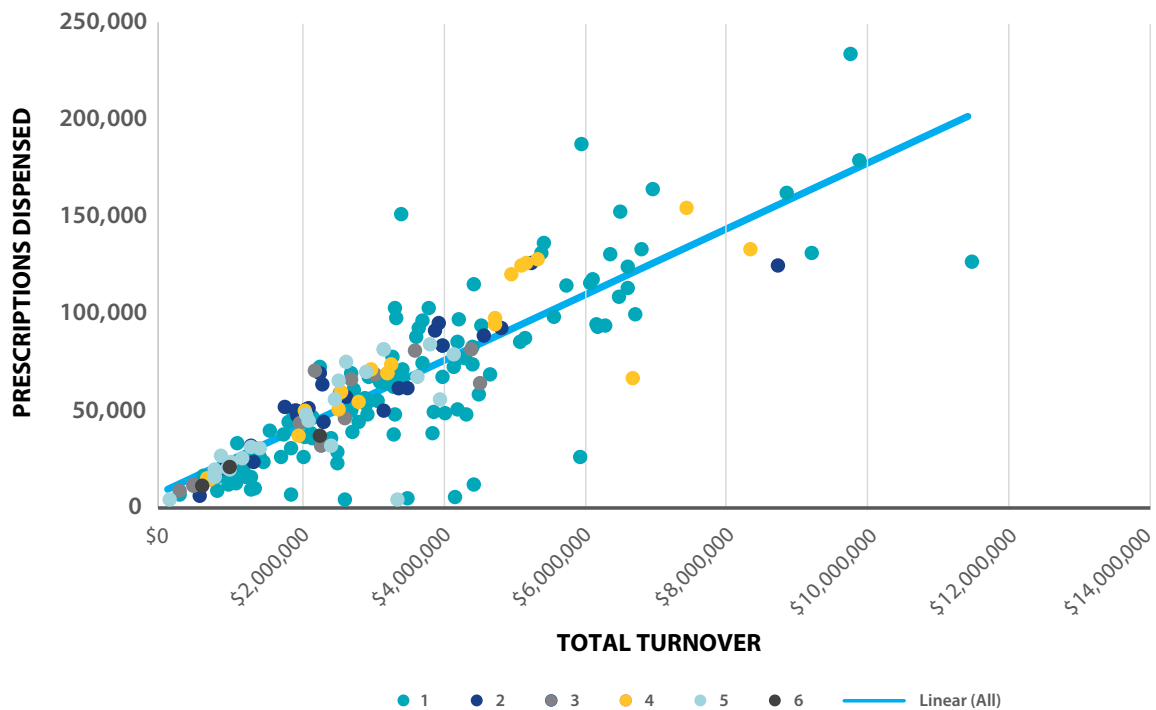
RESULTS BY JURISDICTION

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

STATE / TERRITORY	2018-19	2019-20	ANNUAL CHANGE
NEW SOUTH WALES	61,531	62,306	1.26%
QUEENSLAND	61,864	62,080	0.35%
SOUTH AUSTRALIA	63,361	64,023	1.04%
TASMANIA	64,531	64,646	0.18%
VICTORIA	63,539	62,863	-1.06%
WESTERN AUSTRALIA	50,210	50,754	1.08%
NATIONAL AVERAGE	61,439	61,784	0.56%

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

CHART 3. Total Pharmacy Sales vs Prescriptions Dispensed, by Modified Monash Model Suburb and Locality Classification (1 = Urban, 7 = Very Remote)



RESULTS BY LOCATION

TABLE 5. Turnover and Profit – by Location

METHOD OF OPERATION	ISOLATED	MEDICAL CENTRE	SHOPPING CENTRE	SHOPPING STRIP
TOTAL TURNOVER	2,066,317	2,715,513	4,736,814	3,031,012
TOTAL GROSS PROFIT	744,704	902,747	1,358,238	904,412
TOTAL GROSS PROFIT % SALES	36.51%	33.60%	28.93%	30.03%
OTHER INCOME	3,905	28,634	41,717	19,282
6CPA PROGRAMS INCOME	22,490	14,977	31,468	32,143
GROSS PROFIT & OTHER INCOME	771,100	931,381	1,431,423	955,837
DISPENSARY SALES	1,306,971	1,728,758	2,273,244	1,599,273
RETAIL SALES	670,408	777,212	1,457,605	613,121
OTC SALES/S2/S3 SALES	62,543	180,908	964,249	799,335
TOTAL PHARMACY SALES	2,039,922	2,686,879	4,695,097	3,011,730
SALARIES AND WAGES	300,845	420,214	507,379	332,156
SALARIES AND WAGES %	14.75%	15.64%	10.81%	11.03%
RENT	65,530	110,649	251,677	135,771
RENT %	3.21%	4.12%	5.36%	4.51%
DEPRECIATION	49,501	19,656	60,148	28,756
DEPRECIATION %	2.43%	0.73%	1.28%	0.95%
INTEREST PAID	7,042	26,425	57,567	41,133
INTEREST PAID %	0.35%	0.98%	1.23%	1.37%
ALL OTHER EXPENSES	108,093	50,570	174,852	91,094
ALL OTHER EXPENSES %	5.30%	1.88%	3.72%	3.02%
TOTAL EXPENSES	531,012	627,514	1,051,623	628,908
TOTAL INCOME	240,088	303,868	379,800	326,929
EBITDA	296,632	349,949	497,515	396,817
LESS PROPRIETOR'S SALARY (NATIONAL)	132,142	132,142	132,142	132,142
NET PROFIT / LOSS	107,946	171,726	247,658	194,787
TOTAL ASSETS	524,819	867,495	2,574,347	2,055,541
TOTAL LIABILITIES	321,995	944,539	1,787,294	1,067,280
NET ASSETS	202,825	-77,043	787,053	988,261

All percentages expressed as a percentage of Total Pharmacy Sales.

A CLOSER LOOK AT TOTAL TURNOVER IN 2019–20

In 2019–20, total turnover per pharmacy increased approximately 3% to an average of \$3.42 million per pharmacy. Dispensary sales continued to account for the largest percentage of pharmacy sales (62%), with retail sales comprising a further 30% of sales. The remaining 8% was made up of over-the-counter medications (7%) and other income, including professional services (1%).

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. Total Turnover in Real Terms, 1993 to 2020

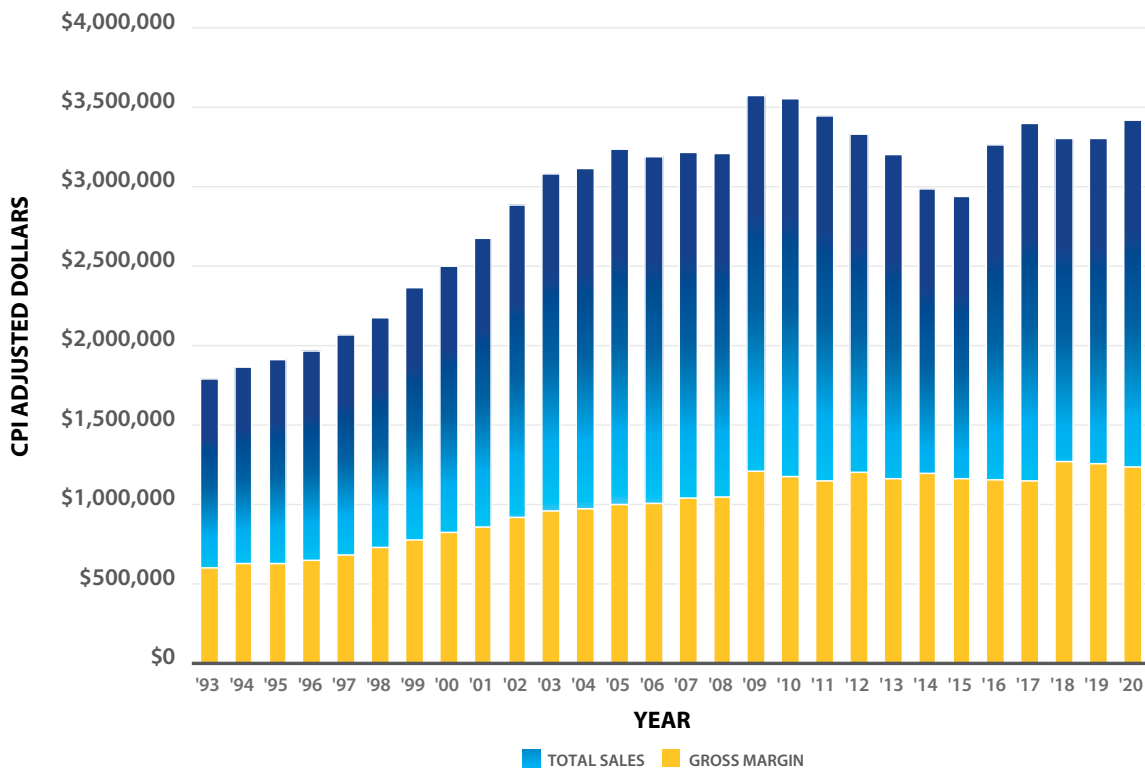


CHART 5. Pharmacy Sales by Sales Category, 2020

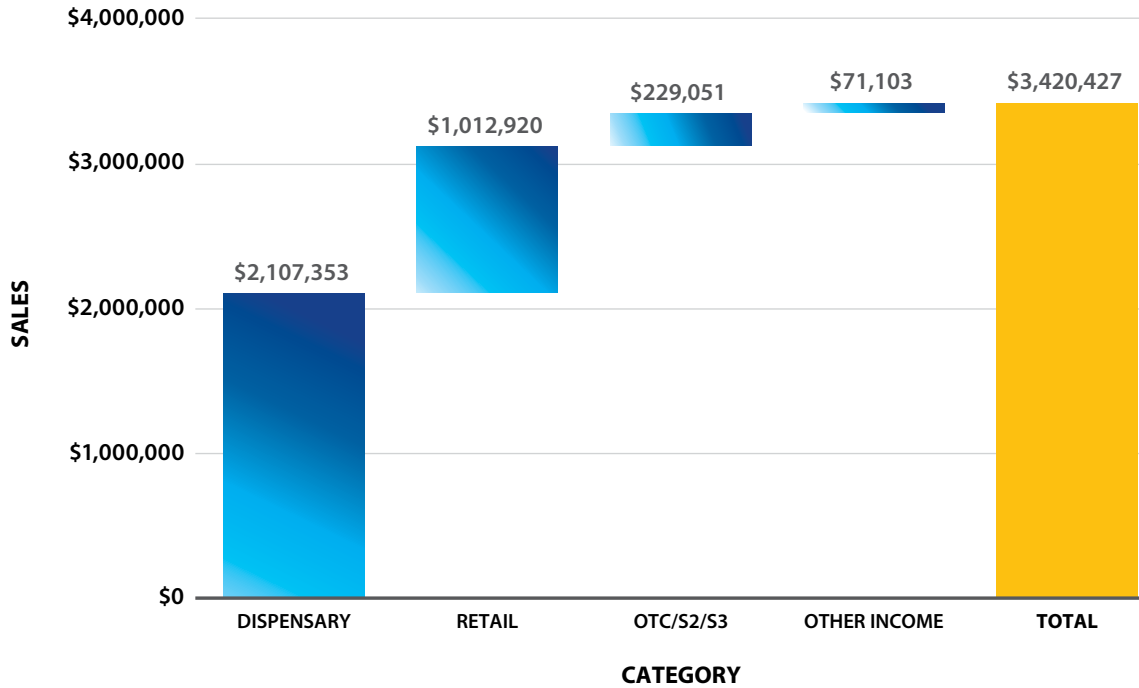
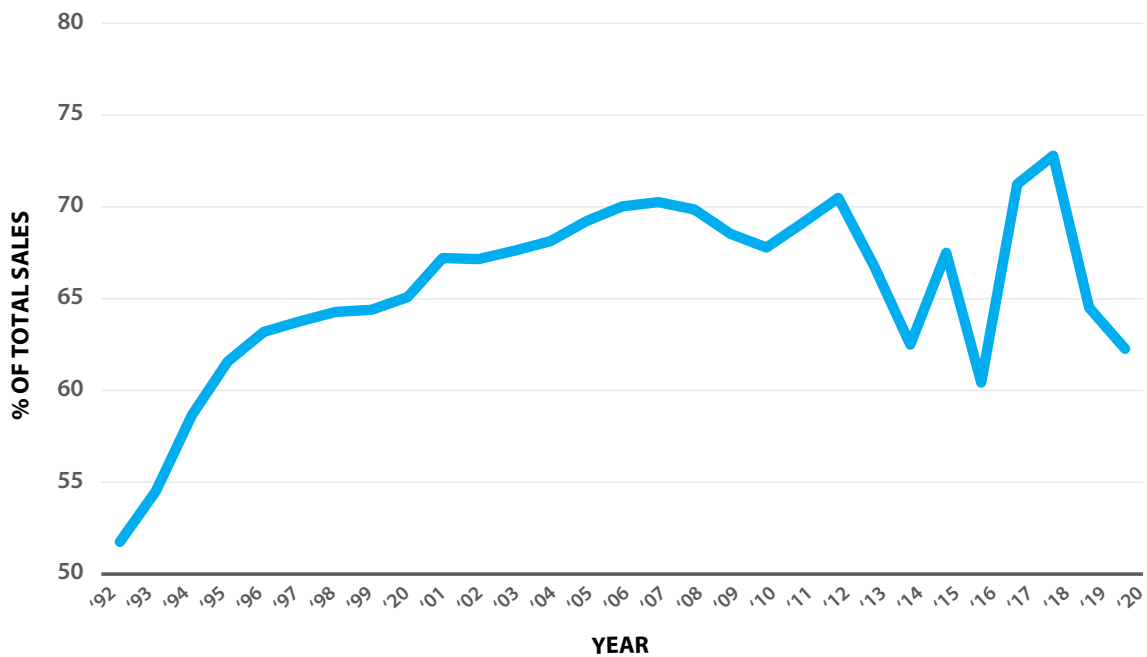


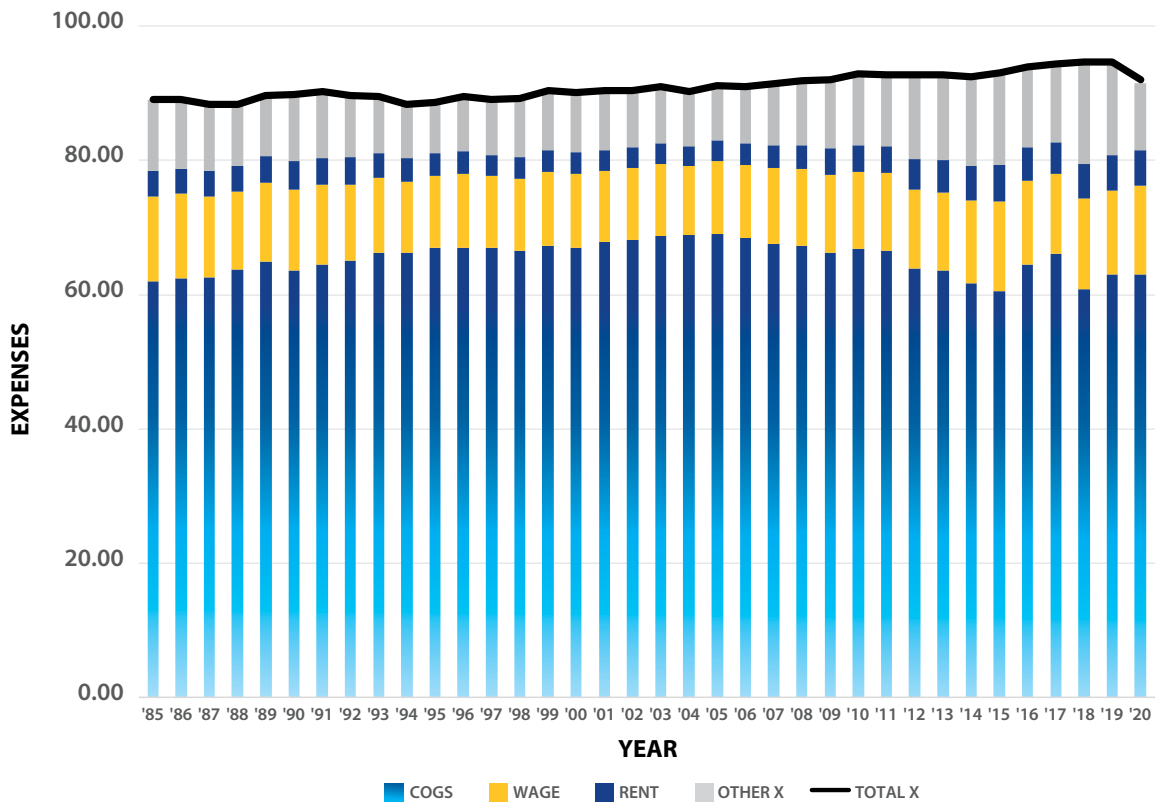
CHART 6. Prescription Sales as % of Total Pharmacy Sales



A CLOSER LOOK AT EXPENSES IN 2019–20

In 2019–20, cost of goods sold continued to be the highest component of all expenses incurred by pharmacies in the course of business, with a slight decrease from the previous year as a percentage of total sales to 63%. Wages comprised the second largest component of expenses, experiencing an increase from 2018-19 to 13.26% of total pharmacy sales. Rent remained static compared to 2018-19, at 5.3% of total pharmacy sales. The slight but steady upwards trend of expenses growth as a percentage of total pharmacy sales continued across the 2019–20 period.

CHART 7. Expenses



FINANCIAL BENCHMARKS

Profitability indicators continued the historical trend in 2019–20, with net profit (before tax) experiencing a minor decrease to 3.86% 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 as a Percentage of Pharmacy Sales

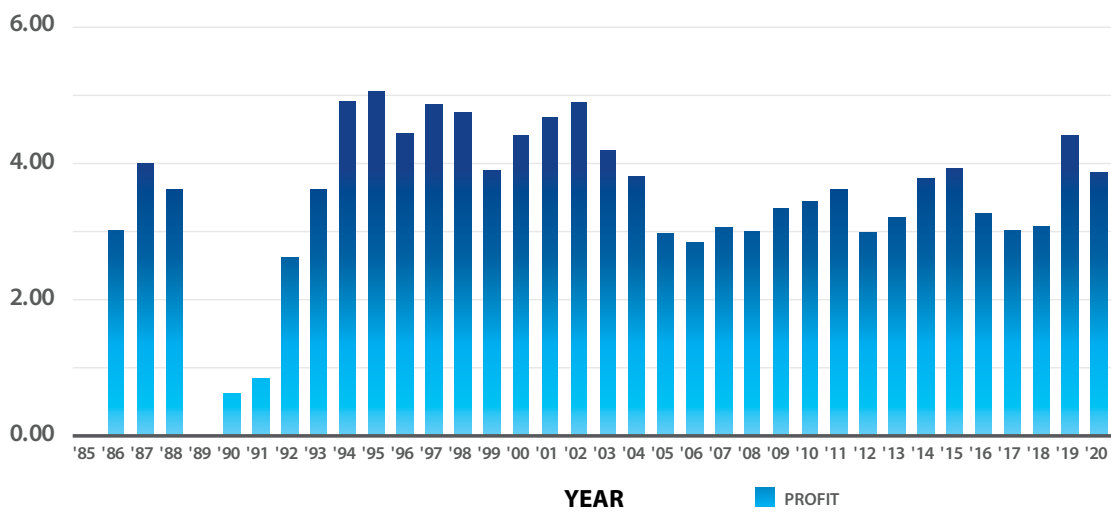
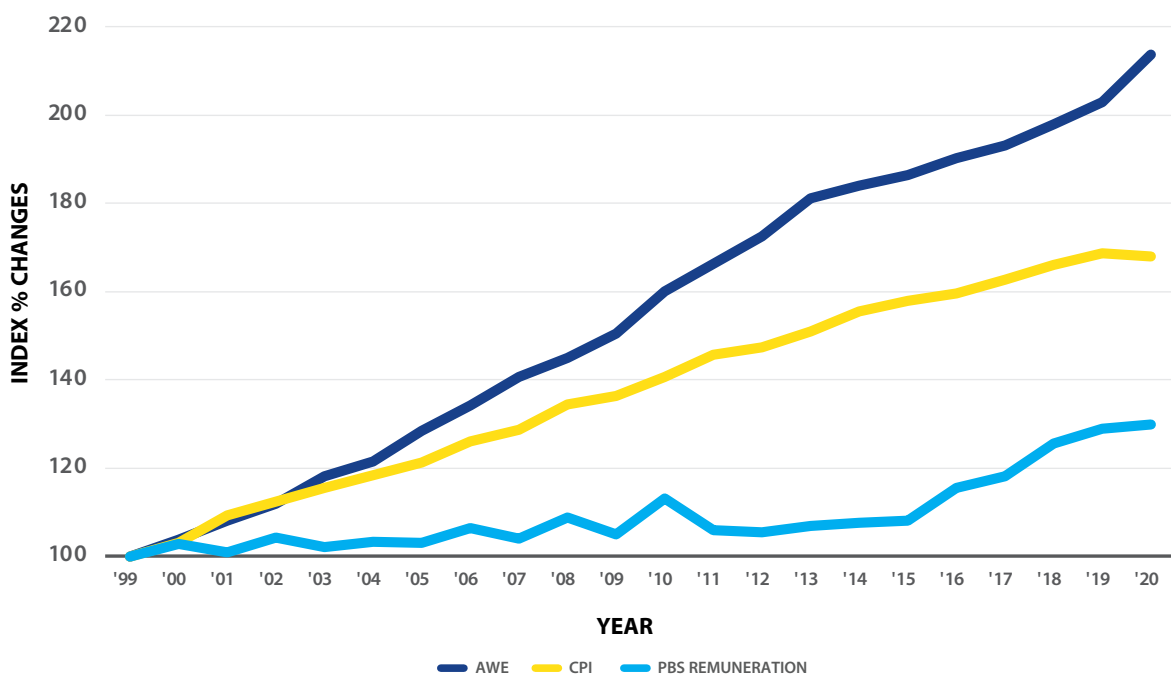


CHART 9. Index of Average Remuneration*

* (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	1.4	2.0
	Hours worked	25.0	30.3	42.3
MANAGERS	Number of staff	1.0	1.1	2.0
	Hours worked	36.0	38.4	40.0
OTHER PHARMACISTS	Number of staff	1.0	2.7	4.0
	Hours worked	14.3	20.7	31.4
OTHER STAFF	Number of staff	3.0	6.4	8.0
	Hours worked	15.8	21.5	27.7
TOTAL*	Number of staff	6.0	11.5	16.0
	Hours worked	91.1	110.9	141.3

(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	2.0	1.0	1.9	6.0	10.9
	Hours worked	16.8	40.8	21.0	25.5	104.1
QUEENSLAND	Number of staff	1.7	0.0	3.8	4.4	9.9
	Hours worked	30.1	0.0	24.2	23.0	77.2
SOUTH AUSTRALIA	Number of staff	1.0	0.0	0.0	2.5	3.5
	Hours worked	42.0	0.0	0.0	20.3	62.3
TASMANIA	Number of staff	1.0	0.0	1.0	3.5	5.5
	Hours worked	45.5	0.0	45.5	26.7	70.5
VICTORIA	Number of staff	1.0	0.0	1.0	4.5	6.5
	Hours worked	36.0	0.0	14.2	13.1	145.2
WESTERN AUSTRALIA	Number of staff	1.2	1.1	3.7	6.2	12.2
	Hours worked	28.2	37.8	22.4	20.1	91.4

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

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

TABLE 8. Pharmacy Opening Hours by State / Territory*

STATE / TERRITORY	LOWER QUARTILE	AVERAGE	UPPER QUARTILE
NEW SOUTH WALES	41.9	54.1	66.9
QUEENSLAND	43.2	54.8	59.3
SOUTH AUSTRALIA	37.3	50.9	60.7
TASMANIA	54.7	56.2	57.6
VICTORIA	49.5	61.0	73.7
WESTERN AUSTRALIA	49.2	56.4	62.6
NATIONAL AVERAGE	47.0	58.7	69.4

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

TABLE 9. Pharmacy Opening Hours by Pharmacy Location

STATE / TERRITORY	LOWER QUARTILE	AVERAGE	UPPER QUARTILE
ISOLATED	41.4	48.6	53.2
SHOPPING CENTRE	44.8	65.6	86.8
MEDICAL CENTRE	55.2	65.7	73.7
SHOPPING STRIP	43.1	52.8	56.8
NATIONAL AVERAGE	47.0	58.7	69.4

FINANCIAL PERFORMANCE TRENDS OVER THE PAST DECADE 2011–2020

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 changed significantly, with a greater number of large banner group pharmacies and a highly competitive environment.

Industry turnover has grown at a 1.41% compounded annual growth rate (CAGR) over the past 10 years, with growth in four of the five most recent years reversing the trend of declining turnover, from 2012 to 2015. Historically, pharmacy turnover was growing at the rate of 4.96% (CAGR) from 2005–2010, significantly higher compared to the 1.57% growth rate of 2011 to 2020. 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

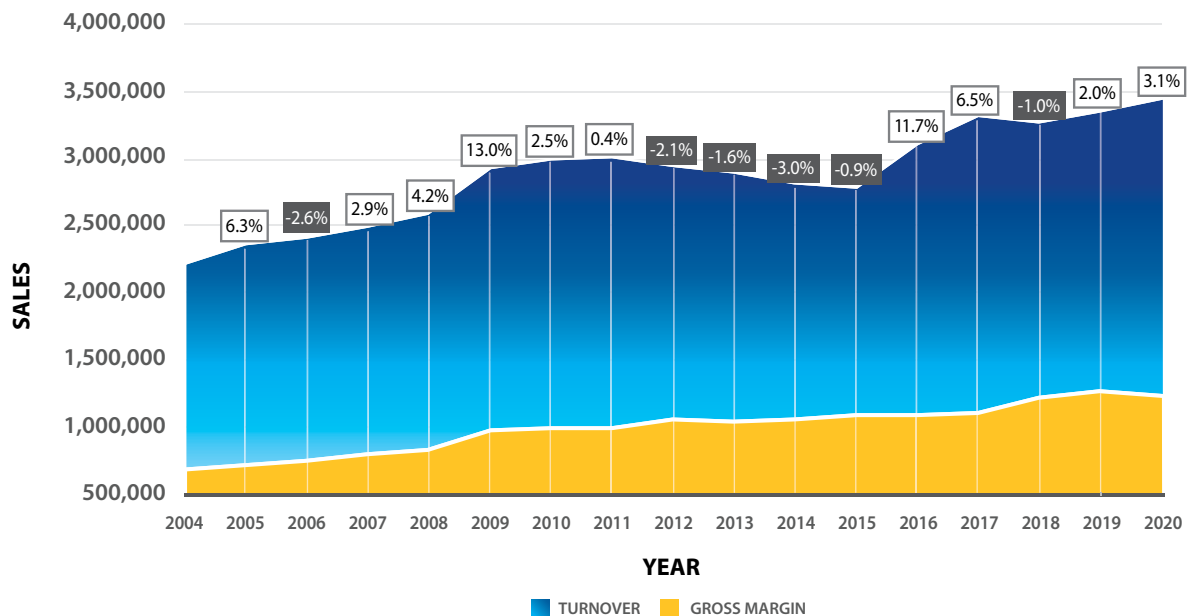


FIGURE 2. Historical Trend in Net Profit / Loss

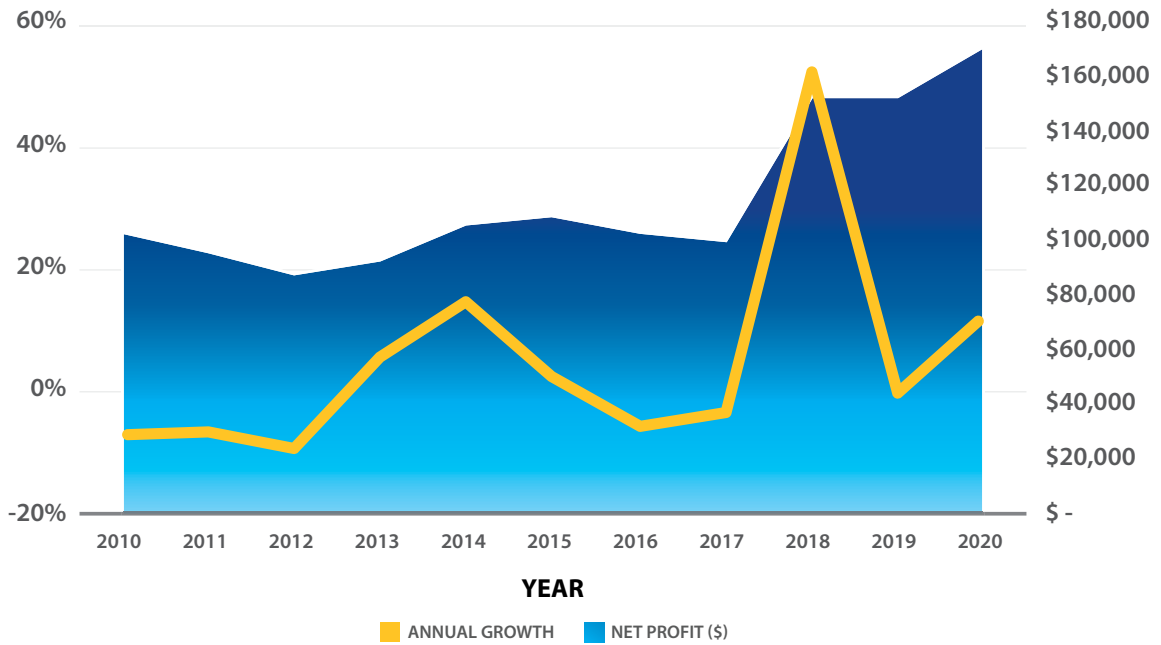
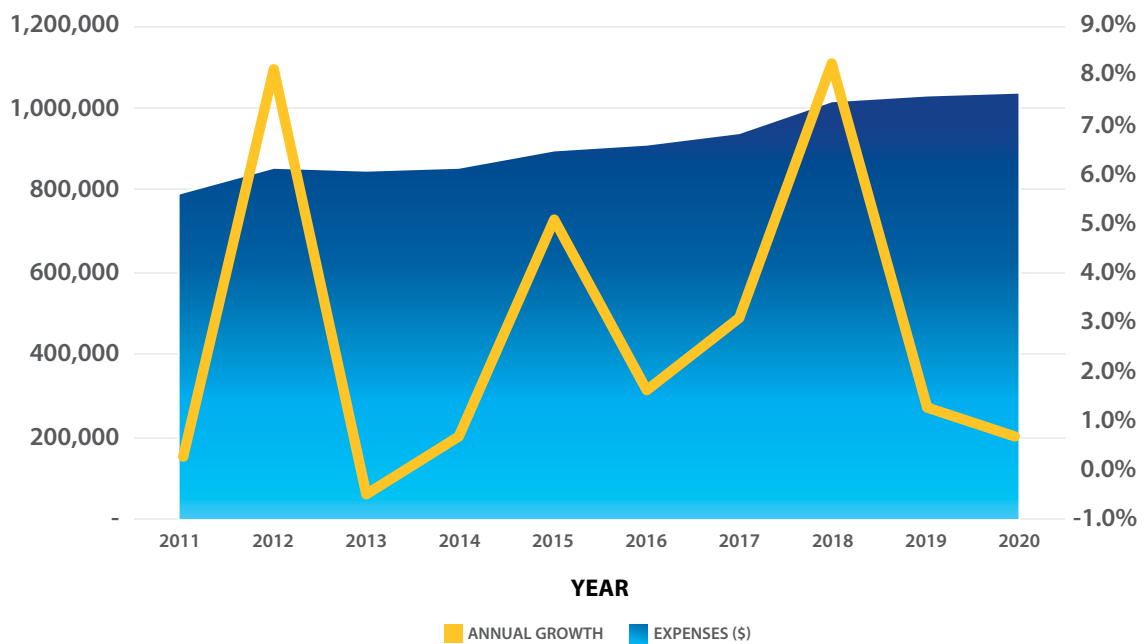


FIGURE 3. Historical Trend in Expenses



Pharmacies are operating on a very small margin, with an average pharmacy net profit of \$171,425. The industry has seen 6.5% annual growth rate (CAGR) over the past 10 years for net profit.

BOX 2 TRENDS IN PBS BRAND PREMIUMS

For PBS items with multiple listed brands, companies may request a brand premium to apply as part of the pricing negotiations. When agreed, the intent is that consumers will have the option to use benchmark PBS items to avoid paying the premium.

The following table is a summary of brand premium information based on the past five annual Department of Health PBS Expenditure and Prescriptions Reports.

ATC GROUP LEVEL 1	2015-16	2016-17	2017-18	2018-19	2019-20
NUMBER OF BRANDS LISTED ON THE PBS	4,993	5,271	5,292	5,282	5,371
NUMBER OF BRANDS WITH A PREMIUM	314	346	358	374	365
% OF BRANDS WITH A PREMIUM	6.3%	6.6%	6.8%	7.1%	6.8%
AVERAGE BRAND PREMIUM	\$2.95	\$4.23	\$4.46	\$4.66	\$4.89
LOWEST BRAND PREMIUM	\$0.19	\$0.19	\$0.25	\$0.25	\$0.25
MAXIMUM BRAND PREMIUM	\$14.20	\$35.30	\$35.30	\$35.50	\$35.50
RX DISPENSED WITH A BRAND PREMIUM	18.0 m	29.9 m	31.3 m	36.5 m	35.7 m
% OF RX DISPENSED WITH A BRAND PREMIUM	19%	21.8%	22%	22.3%	21.2%

As can be seen from the above, recent years have seen upward trends in the number and proportion of brands with a brand premium, and in the size of brand premiums. However, in part due to community pharmacy's engagement with patients to explain their options, the proportion of scripts being dispensed with a brand premium reached a four year low in 2019-20.

Below is a summary of brand premiums applicable to the top 10 PBS medicines by volume for 2019-20 at the time of writing (July 2021):

1. Rosuvastatin – \$2.86 to \$3.83 (Crestor®)
2. Atorvastatin – no brand premiums
3. Pantoprazole – no brand premiums
4. Esomeprazole - \$3.58 (Nexium®)
5. Perindopril - \$9.24 to \$9.82 (Coversyl®)
6. Metformin - \$4.73 to \$4.87 (Diabex®)
7. Pregabalin – no brand premiums
8. Salbutamol - \$5.00 (Ventolin® and Asmol® CFC-Free with dose counter)
9. Amlodipine - \$10.85 to \$10.90 (Norvasc®)
10. Irbesartan - \$2.46 to \$2.50 (Avapro® and Karvea®).

Only three of the Top 10 medicines for 2019–20 do not have a product with a brand premium and for those within this group with a brand premium, the range is from \$2.46 (Avapro®/Karvea®) to \$10.90 (Norvasc®).

Brand premiums are also applied to medicines used for acute conditions, such as antibiotics:

1. Keflex® (Cephalexin) range

- 500mg capsule x 20 - \$5.39
- 250mg capsule x20 - \$3.67
- 125mg/5ml powder for oral liquid 100ml - \$3.88
- 250mg/5ml powder for oral liquid 100ml - \$5.44

2. Amoxil® (Amoxicillin) range

- 500mg capsule x20 - \$3.67
- 250mg capsule x20 - \$3.38
- 125mg/5ml powder for oral liquid 100ml - \$3.22
- 250mg/5ml powder for oral liquid 100ml - \$3.31
- 100mg/ml powder for oral liquid 20ml - \$0.53

3. Augmentin Duo® (Amoxicillin + Clavulanic Acid) range

- Forte 875mg + 125mg tablets x10 - \$6.22
- 500mg + 125mg tablets x10 - \$4.83
- 400mg/5ml + 57mg/5ml powder for oral liquid 60ml - \$4.57

The brand premium is a mandatory charge when the premium brand is dispensed, and we can see from the information above that the additional costs can be a significant increase to the benchmark cost, particularly for concessional patients where the standard co-payment is \$6.60. In some cases, the cost for a concessional patient is more than doubled the standard co-payment.

While the intent is to provide the patient with an option of a benchmark brand without a premium, there are times when patients may not have a choice. This is being seen more and more when there is a supply disruption with the benchmark product/s.

In such situations where reliable supply is for a product with a brand premium, depending on the extent of the supply disruption, the Department of Health may negotiate with the sponsor of the brand premium product to remove the premium for the duration of the disruption. It can take time to implement any agreement to remove a premium and in the meantime, patients may have no option but to pay the brand premium if there is no benchmark product available.

An example of where this has been occurring this year is with Zempreon® CFC-Free metered aerosol with dose counter. This was listed on the PBS in August 2020 as a generic salbutamol inhaler to Ventolin® and Asmol®. At the time of listing, as the sponsor, Alphapharm would be expected to guarantee supply for anticipated market share, noting that at the time, Asmol® did not have a brand premium. However, when a brand premium of \$5.00 was sanctioned for Asmol® from 1 April 2021, Zempreon became the only benchmark product and demand significantly increased. But the guarantee was for a smaller market share. As a result, there is only limited availability from 14 July 2021 for the PBS benchmark product for one of the most commonly used PBS medicines with expected supply to be re-established from 31 August 2021.¹ During this time patients may have no choice but to accept a brand with a premium and to pay the extra cost.

Changes are being made to how supply disruptions are managed, and companies are having to report earlier to the Therapeutic Goods Administration (TGA) of any actual or potential disruptions. This allows the TGA to work with the companies of all available brands to assess ongoing availability. For PBS medicines, the TGA in turn alerts the PBS area within the Department of Health to consider implications for PBS supply and availability of benchmark products.

How can Guild members help?

When aware of an ongoing PBS shortage, alert the TGA medicine.shortages@health.gov.au and the Department of Health Pharmaceutical Benefits section pbs@health.gov.au. If there is no reliable supply of a benchmark brand and patients are having to pay for brands with a premium, ask the patient to notify the Department of Health Pharmaceutical Benefits section pbs@health.gov.au and their relevant patient support group. The patient's voice is ultimately the most powerful in getting action.

¹ Therapeutic Goods Administration Medicines Shortages website; accessed 30/7/2021

PROFILE OF SURVEY RESPONDENTS

TABLE 10. 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	2							11	2
NEW SOUTH WALES	30	3	5	7	7				71
NORTHERN TERRITORY		2						28	2
QUEENSLAND	7	12		1	5	2			67
SOUTH AUSTRALIA	4				3	1		2	8
TASMANIA			3		1			7	6
VICTORIA	72	7	5	10	9			2	145
WESTERN AUSTRALIA	8		2	2				24	15
NOT REPORTED								106	
TOTAL	123	24	15	20	25	3		106	316

TABLE 11. Location Characteristics of Sample

LOCATION	ACT	NSW	NT	QLD	SA	TAS	VIC	WA	NOT REPORTED	TOTAL
ISOLATED		5		2		1	1			
MEDICAL CENTRE		3		5			2	1		26
SHOPPING CENTRE	1	10		2	3	1	29	5	18	89
SHOPPING STRIP	1	6	1	9	2		43	4	6	169
NOT REPORTED		47	1	49	3	4	70	5		52
TOTAL	2	71	2	67	8	6	145	15		316

TABLE 12. Pharmacy Size (m²) by State / Territory

STATE / TERRITORY	AREA (m ²)
AUSTRALIAN CAPITAL TERRITORY	n.p.
NEW SOUTH WALES	235.1
NORTHERN TERRITORY	n.p.
QUEENSLAND	196.9
SOUTH AUSTRALIA	276.0
TASMANIA	n.p.
VICTORIA	300.1
WESTERN AUSTRALIA	191.0
NATIONAL AVERAGE	258.9

HISTORICAL STATISTICS

BOX 3

A BRIEF HISTORY OF COMMUNITY PHARMACY AGREEMENTS

Community Pharmacy Agreements between the Commonwealth and The Pharmacy Guild of Australia have now been in place for over three decades. Their key purpose is to provide for the timely and equitable dispensing of PBS medicines, as well as the provision of other services to patients, through a highly accessible network of professionally-staffed, financially viable community pharmacies across Australia.

Across the three decades the agreements have become progressively broader in scope, in recognition of the value of community pharmacy professional services and of the potential of the community pharmacy network. The growth and longevity of the agreements is evidence of the importance of these agreements to the PBS, to patients, and to the broader health system.

1ST AGREEMENT

1990 to 1995

Settlement of conflict | Micro-economic reforms | Location rules | Restructure of remuneration

The negotiation of the First Agreement arose from a period of turmoil, conflict and legal action between the pharmacy sector, led by the Guild, and the Commonwealth government. This tension resulted from problematic annual reviews of dispensing remuneration by the Pharmaceutical Benefits Remuneration Tribunal. Once it was finally struck with Government and signed on 6 December 1990, the 'Agreement on Remuneration and Structural Reform' (now known as the First Agreement) was a mixture of pain and gain for pharmacy. The pain came with reduced remuneration, primarily through a reduction in mark-up from 25 percent to 10 percent. The gains included a higher dispensing fee (up by 86 cents) and an end to the annual reviews.

The structural reform element of the agreement included pharmacy closure and amalgamation incentives to reduce the number of pharmacies, and restrictions on pharmacy location and numbers – the initialisation of today's location rules. More than 600 pharmacies took advantage of the incentives and opted to close. The agreement also saw enhanced allowances for rural pharmacies.

2ND AGREEMENT

1995 to 2000

Relative stability | Rural and remote allowances | First small steps in professional services

The Second Agreement sought to build on the benefits of the First, allowing community pharmacy a period of relative calm following a decade of upheaval. It also took the first small steps towards recognising and remunerating pharmacists for their expanding role in primary health care and medication management.

There were no changes to the remuneration formula. Closure and amalgamation payments were discontinued, with the Government's micro-economic reform agenda having been well satisfied. The objective changed from reducing the number of pharmacies to encouraging a better distribution of those that remained. More flexible location rules were intended to allow pharmacies to be relocated into areas of need and growth, while the cap on new approvals was maintained.

Other features of the Second Agreement included savings from remuneration of \$100 million over the five years of the Agreement through reduced fee indexation when volumes increased by more than 2.5 percent per year; payment to pharmacists for the provision of medication reviews to nursing home residents; and further enhancements to allowances for pharmacies in rural and remote parts of Australia.

3RD COMMUNITY PHARMACY AGREEMENT

2000 to 2005

Professional services funding | Major rural initiatives | Risk sharing arrangements

The Third Community Pharmacy Agreement (and the first to be formally titled as a CPA) ushered in another period of change and progress. The long list of changes and new initiatives included:

- Reductions from annual fee indexation were allocated to a \$400m Pharmacy Development Program (PDP) to fund professional services and pharmacy accreditation. The PDP represented a huge step forward for pharmacy professional services.
- The Medication Management Program, seeded in the 2nd Agreement, doubled in size. It was expanded to include domiciliary medication reviews (DMMRs, which later were renamed Home Medicine Reviews).
- Significant funds were allocated to encourage accreditation under the Quality Care Pharmacy Program, ensuring pharmacies were meeting expected high standards.
- A package of rural initiatives which provided a three-fold increase in funding for a much larger number of pharmacies in rural and remote parts of Australia.

- A reduction in mark-up on high priced items from 5 percent to 4 percent (this was the only savings to not flow back to the PDP).
- A risk sharing arrangement was introduced which was intended to provide some protection to Government on the upside (PBS growth above estimates) and to pharmacists on the downside (PBS growth below estimates).
- Other elements forming part of the Third Agreement included:
 - simpler and less restrictive rules for new approvals and pharmacy relocations;
 - an increased Dangerous Drug Fee;
 - shorter payment times for PBS claims;
 - a review of PBS regulations;
 - substantial funding for research into community pharmacy practice and future professional services.

4TH COMMUNITY PHARMACY AGREEMENT

2005 to 2010

Wholesaler CSO | Expanded professional services | PBS reforms trigger renegotiation

Commencement of negotiations for the Fourth Agreement were delayed by the October 2004 Federal Election and did not commence until April 2005, resulting in the Third Agreement being extended until the 4CPA was signed on 16 November 2005.

The negotiations were complex and protracted, partly due to the remuneration for wholesalers being covered by the Agreement for the first time. In the end, a major outcome was achieved with the introduction of the Community Service Obligation (CSO) fund of \$150m per year, to ensure the ongoing timely delivery of the full range of PBS medicines to community pharmacies throughout Australia. At the same time, wholesaler markup was reduced from 11 percent to 7.52 percent.

The 4CPA was intended to deliver significant savings for the taxpayer, ongoing stability for community pharmacy and government, and benefits for consumers through the provision of quality professional services (funding for which reached \$500m for the first time), including funding targeting improved health outcomes for indigenous Australians. The Agreement relaxed some location rules to allow more pharmacies to be established in small shopping centres, large medical centres and large one pharmacy towns. The Government confirmed its commitment to community pharmacy and formally agreed to disallow pharmacies from setting up in supermarkets.

However, late in 2006 the 4CPA was thrown into disarray with the announcement of the first set of major PBS pricing reforms. This announcement included the introduction of price disclosure, as well as mandatory price reductions of up to 25% for patent-expired medicines.

The consequences of these changes for community pharmacy were potentially catastrophic, leading to the Guild and government renegotiating major elements of the agreement.

Following this renegotiation, there was a restructure of pharmacy mark-up (including an increase from 10% to 15% on low-cost medicines), a new Premium-free Dispensing Incentive to encourage generic substitution, and a new PBS Online incentive to achieve the government's goal of moving pharmacies to online claiming. There was also a boost to the newly established CSO funding pool to offset some of the impact of the PBS reforms on wholesalers.

5TH COMMUNITY PHARMACY AGREEMENT (5CPA)

2010 to 2015

Savings for taxpayers | Electronic scripts | Elements of 4CPA restructure continue

The 5CPA was negotiated in an extremely difficult fiscal environment, in the midst of the government's budget recovery operation following stimulus measures put in place due to the Global Financial Crisis.

In parallel with a second round of PBS pricing reforms, the 5CPA provided approximately \$1 billion in savings to government. The savings measures included a two-year freeze of the dispensing fee and the discontinuation of the PBS Online Incentive, as well as agreement to flow-on effects of accelerated price disclosure. Other elements of dispensing remuneration, including the revised mark-up structure and PFDI introduced midway through the 4CPA, continued throughout the 5CPA. Unlike the Fourth Agreement, no volume-based risk share applied during the Fifth Agreement.

A highlight of the 5CPA was the further expansion in the range of funded medication management services. This included the introduction of MedsCheck and Diabetes MedsCheck services. There was a small increase in funding for professional services and other programs compared with the 4CPA. The 5CPA was also the first agreement to allow community pharmacists to dispense an additional quantity under the PBS where a patient is unable to acquire a new prescription. This initiative was later named Continued Dispensing.

Additionally, funding of \$75m was allocated for electronic prescriptions, allowing the introduction of barcoded scripts that could be centrally downloaded from a centralised prescription exchange service.

6TH COMMUNITY PHARMACY AGREEMENT

2015 to 2020

Services funding >\$1bn | AHI replaces mark-up | CPI indexing | Remuneration & regulation review

The 6CPA saw perhaps the most significant restructure of dispensing remuneration of any agreement, with a new Administration, Handling and Infrastructure (AHI) fee replacing the pharmacy mark-up that had been the basis for remuneration since the PBS was established in 1960. The AHI saw a flat fee paid for all items up to a price of \$180. This allowed the government to introduce further reforms to PBS pricing while limiting the direct impact on community pharmacy remuneration.

An additional enhancement compared with previous agreements was the introduction of annual fee indexation by the globally recognised Consumer Price Index, rather than the non-transparent, artificially deflated index used for previous agreements.

Funding for professional services and programs received a major boost to over \$1 billion for the full agreement. This included significantly increased funding for dose administration aids and staged supply.

An annual reconciliation of remuneration compared with forecasts resulted in an increase in the AHI of around \$0.35 per script through the 2017 Pharmacy Compact between the Commonwealth government and the Guild, however there was still an unprecedented funding shortfall of approximately \$2 billion compared with the original estimate of \$18.9 billion over five years.

The 6CPA also included a review of pharmacy remuneration and regulation. One of the review's recommendations was that the optional \$1 co-payment discount (which the Guild expressly disagreed to within the 6CPA) should be discontinued to restore universality of access to the PBS.

7TH COMMUNITY PHARMACY AGREEMENT (7CPA)

2020 to 2025

Improved services funding | Remuneration adjustment mechanism | COVID-19 pandemic

The COVID-19 pandemic stopped the world in its tracks in the latter stages of the negotiations for the 7CPA. Amidst a period of unprecedented uncertainty for healthcare and the economy, an agreement was signed that provided some certainty of remuneration.

Indexation of fees was fixed at 0.5% per year for the first two annual indexation periods, then reverting to full CPI. For the first time, following a 6CPA that saw pharmacy funding fall approximately \$2 billion short of the government's original \$18.9 billion estimate, the agreed remuneration for dispensing was effectively guaranteed through a new Remuneration Adjustment Mechanism, which also provides protection for government if total prescription volumes exceed estimates beyond a threshold.

While the Premium-free Dispensing Incentive was discontinued after 12 years, there were immediate increases to the dispensing fee and to the AHI fee payable for high-cost items, and a 54% increase in the dangerous drug fee. Meanwhile, for the first time wholesalers were provided with a floor for their mark-up, at a minimum of \$0.41 per item, while CSO funding continued into its fourth agreement cycle.

Importantly, funding for professional services and programs continued to increase from agreement to agreement, with \$1.2 billion allocated for the five years. This includes increased investment in regional, rural and remote areas through the Rural Pharmacy Maintenance Allowance and increased investment in programs to increase access to PBS medicines for Aboriginal and Torres Strait Islander peoples through the Closing the Gap PBS Co-payment measure and the provision of uncapped access to Dose Administration Aids. There was also agreement to a doubling of the base cap per pharmacy for Dose Administration Aids.

COMMUNITY PHARMACY

1990 vs 2020

How does the average pharmacy now compare with the average pharmacy in the year before the First Agreement?

The table below shows how much has changed. Pharmacies are larger in size and open longer hours. Pharmacies are more focused on the dispensary compared with front-of-shop, and the professional services now funded through the CPA have the main contributor to the massive increase in other income.

AVERAGE PHARMACY PROFILE: 1990 VS 2020

STATE / TERRITORY	1989–90 1991 GUILD DIGEST	2019–20 2021 GUILD DIGEST
SALES	\$658,752	\$3,349,324
GROSS MARGIN	36.4%	36.2%
OTHER INCOME (INCLUDING PROFESSIONAL SERVICES)	\$5,658	\$71,103
SALARIES AND WAGES	\$80,745	\$444,035
RENT	\$27,769	\$176,276
PRESCRIPTIONS DISPENSED PER YEAR	27,446	61,784
PHARMACY SIZE (M ²)	118	259
HOURS OPEN PER WEEK	55	59
PRESCRIPTION SALES AS A PERCENTAGE OF TOTAL SALES	50%	63%

STRUCTURE OF PHARMACISTS' REMUNERATION

PHARMACEUTICAL BENEFITS SCHEME

TABLE 13.

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	

* 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 & 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 14.

| 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                                |
| January 2020   | MAX \$41.30    | 24                           | \$6.60              | 17                                |

## PBS REMUNERATION PER PRESCRIPTION

TABLE 15.

| 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                          | 1.01                       | 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                              |

\* 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 16.

| 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                          |
| 2020           | 25,694,393   | 5,822                | 4,412                          |

## TRENDS IN POPULATION TO PHARMACY RATIOS

TABLE 17.

| STATE OR TERRITORY | 30 JUNE 2019      |                      |                       | 30 JUNE 2020      |                      |                       | % CHANGE IN POPULATION TO PHARMACY RATIOS |
|--------------------|-------------------|----------------------|-----------------------|-------------------|----------------------|-----------------------|-------------------------------------------|
|                    | POPULATION ('000) | NUMBER OF PHARMACIES | POPULATION / PHARMACY | POPULATION ('000) | NUMBER OF PHARMACIES | POPULATION / PHARMACY |                                           |
| NSW                | 8,089.5           | 1,886                | 4,289.2               | 8,164.1           | 1,898                | 4,308.2               | 0.4%                                      |
| VIC                | 6,594.8           | 1,369                | 4,817.2               | 6,694.9           | 1,389                | 4,819.9               | 0.1%                                      |
| QLD                | 5,095.1           | 1,151                | 4,426.7               | 5,174.4           | 1,167                | 4,433.9               | 0.2%                                      |
| SA                 | 1,751.7           | 459                  | 3,816.3               | 1,769.3           | 460                  | 3,846.3               | 0.8%                                      |
| WA                 | 2,621.7           | 626                  | 4,188.0               | 2,661.9           | 636                  | 4,185.4               | -0.1%                                     |
| TAS                | 534.3             | 153                  | 3,492.2               | 540.6             | 155                  | 3,487.7               | -0.1%                                     |
| NT                 | 245.9             | 40                   | 6,147.5               | 246.0             | 40                   | 6,150.0               | 0.0%                                      |
| ACT                | 426.7             | 78                   | 5,470.5               | 431.1             | 80                   | 5,388.8               | -1.5%                                     |
| <b>TOTAL</b>       | <b>25,364.3</b>   | <b>5,762</b>         | <b>4,402</b>          | <b>25,687.0</b>   | <b>5,822</b>         | <b>4,412</b>          | <b>0.2%</b>                               |

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

## PHARMACIES DISPENSING PHARMACEUTICAL BENEFITS

TABLE 18. States and Territories 2009–2020

| STATE OR TERRITORY | 2009         | 2010         | 2011         | 2012         | 2013         | 2014         | 2015         | 2016         | 2017         | 2018         | 2019         | 2020         |
|--------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| NSW                | 1,731        | 1,738        | 1,762        | 1,794        | 1,820        | 1,831        | 1,853        | 1,864        | 1,878        | 1,886        | 1,895        | 1,886        |
| VIC                | 1,184        | 1,204        | 1,226        | 1,247        | 1,282        | 1,299        | 1,317        | 1,346        | 1,360        | 1,369        | 1,389        | 1,369        |
| QLD                | 1,017        | 1,052        | 1,048        | 1,070        | 1,088        | 1,100        | 1,118        | 1,130        | 1,138        | 1,151        | 1,167        | 1,151        |
| SA                 | 414          | 418          | 423          | 432          | 439          | 439          | 448          | 454          | 454          | 459          | 460          | 459          |
| WA                 | 516          | 521          | 540          | 556          | 574          | 584          | 591          | 611          | 623          | 626          | 636          | 626          |
| TAS                | 133          | 139          | 141          | 146          | 148          | 149          | 150          | 149          | 153          | 153          | 155          | 153          |
| NT                 | 30           | 31           | 32           | 33           | 33           | 34           | 35           | 36           | 39           | 40           | 40           | 40           |
| ACT                | 63           | 64           | 68           | 72           | 72           | 74           | 75           | 75           | 78           | 78           | 80           | 78           |
| <b>TOTAL</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> | <b>5,822</b> | <b>5,762</b> |

Numbers as at 30 June 2020.

## PRICING AND EARNING INDICES

**TABLE 19.**

| 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     |
| June 20 | 116.60                   | 1.57      | 110.30  | 2.22       | 1304.70                     | 5.40     |

(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 2019–20 was 316. 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 2019–20, 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 percent 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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