

# Dispensing Remuneration

The Seventh Community Pharmacy Agreement (7CPA) supports consumer access to Pharmaceutical Benefits Scheme (PBS) subsidised medicines through community pharmacies across Australia.

THE 7CPA HAS AN OVERALL FUNDING ENVELOPE OF

**\$18.35 billion**

**COMPRISING:**



**\$16 billion**

in pharmacy remuneration for dispensing PBS subsidised medicines



**\$1.2 billion**

for professional programs



**\$1.15 billion**

for the **Community Service Obligation** and **National Diabetes Services Scheme** product distribution arrangements

## Fees growth – aggregate

The Guild has secured an estimated \$1.132 billion increase relative to the 6CPA in dispensing remuneration for community pharmacies for above co-payment prescriptions dispensed. This equates to an estimated 9% increase relative to the 6CPA.

Aggregate community pharmacy PBS remuneration will increase in every year of the 7CPA, driven by the indexation of per-script fees and projected growth in PBS medicine dispense volumes.

Taken together with NDSS funding, wholesaler mark-up and CSO, the overall 7CPA is an estimated \$1,484 million increase relative to the 6CPA. This excludes remuneration received for below co-payment prescriptions where the Commonwealth does not contribute to the patient's cost of the medicine being dispensed.

## Fees growth – per script

Average remuneration per PBS prescription will increase in every year of the 7CPA. The dispense fee, Tier 1 AHI fee and dangerous drug fee will be indexed on 1 July each year. The indexation rate is set at 0.5% for each of 2021-22 and 2022-23, providing certainty and stability to the community pharmacy network in a time of global economic volatility. Indexation will be returned to full CPI in 2023-24 and 2024-25.

## Risk adjustment mechanism

### **A remuneration guarantee for the first time**

A dispensing remuneration guarantee is being introduced for the first time in a CPA. Should prescription volumes fall short of current estimates over the course of the 7CPA there will be further increases to the AHI fee, giving the community pharmacy network security over the next five years.

This will ensure that there will not be a repeat of the shortfall in total dispensing remuneration that occurred over the 6CPA. Any adjustments to remuneration flowing from this mechanism will take place on 1 July each year from 2021, the same dates as for fee indexation.



## Changes to existing fees (AHI, DD)

From 1 July 2020:

- » The dispense fee will increase from \$7.39 to \$7.74 on 1 July 2020, a 5% increase.
- » The dangerous drug fee will increase from \$3.11 to \$4.80 on 1 July 2020, a 54% increase.
- » The AHI tiers have been revised. The revised Tier 1 AHI, applicable for drugs with a price to pharmacist of less than \$100, will be increased from \$4.09 to \$4.28. The 35c Additional AHI introduced for five years in the 2017 Pharmacy Compact has now been permanently incorporated into the AHI.
- » There are also remuneration increases in the revised AHI Tiers 2 and 3. For example, recognising that community pharmacies are dispensing more higher cost and specialised medicines, the revised Tier 3 AHI will be increased to \$99.28 (AHI Tier 1 + \$95) from \$74.79.

## Additional Fees

Approved pharmacists will continue to have the discretion to include additional fees for non-claimable (under co-pay) General PBS prescriptions. This includes a Safety Net Recording Fee (SNRF) as well as an additional charge of 10% of the General co-payment plus 29 cents, provided the total payment does not exceed the maximum General co-payment. For 1 July 2020, this equates to:

- » Ready Prepared Prescriptions – SNRF of \$1.29 and Additional Charge up to \$4.39
- » Extemporaneously Prepared Prescriptions – SNRF of \$1.66 and Additional Charge up to \$4.39.

The Safety net recording fees will be indexed throughout the life of the 7CPA on 1 July every year. Allowable fees will increase every 1 January in line with increases in the General co-payment.

There is an expectation that consumers will be made aware of these discretionary pharmacy charges and the Guild will be developing support resources during the first year.

## Premium Free Dispensing Incentive

From 1 July 2020, the Premium-free Dispensing Incentive (PFDI) will be discontinued, with funding reallocated to other 7CPA components including the significant increases to the dispensing fee, AHI and dangerous drug fee.

## Processing PBS Claims

In submitting a PBS claim, approved pharmacists continue to confirm that they are compliant with all Commonwealth and state or territory regulatory requirements as well as relevant professional standards and codes.

During the 7CPA, the Guild and Government will consider means to improve the payment times for the online processing of PBS claims, including for prescriptions dispensed under the Section 100 Remote Area Aboriginal Health Services program (S100 RAAHS).

## NDSS

Community Pharmacy Access Points will continue to be paid \$1 per item for supply of NDSS products.

## How will fees and charges change on 1 July?

### CASE STUDY 1: Rosuvastatin 10mg (2628H)

	30 June 2020	1 July 2020
Official Manufacturer's Price	\$5.14	\$5.14
Wholesaler Markup Fee	\$0.39	\$0.39
<b>Price to Pharmacy</b>	<b>\$5.53</b>	<b>\$5.53</b>
Dispense Fee	\$7.39	\$7.74
AHI	\$4.09	\$4.28
<b>Subtotal Pharmacy Disp. Remuneration</b>	<b>\$11.48</b>	<b>\$12.02</b>
PFDI (only applied to eligible brands)	\$1.81	\$0.00
<b>Total Pharmacy Remuneration incl PFDI</b>	<b>\$13.29</b>	<b>\$12.02</b>
<b>Commonwealth Price (excludes PFDI)</b>	<b>\$17.01</b>	<b>\$17.55</b>
<i>Max Allowable Additional Patient Charge</i>	\$5.85	\$5.68
<b>Maximum Price to Concessional Patients</b>	<b>\$6.60</b>	<b>\$6.60</b>
<b>Maximum Price to General Patients</b>	<b>\$22.86</b>	<b>\$23.23</b>

### CASE STUDY 2: Oxycodone 10mg modified release tablet (8386J)

	30 June 2020	1 July 2020
Official Manufacturer's Price	\$18.12	\$18.12
Wholesaler Markup Fee	\$1.36	\$1.36
<b>Price to Pharmacy</b>	<b>\$19.48</b>	<b>\$19.48</b>
Dispense Fee	\$7.39	\$7.74
AHI	\$4.09	\$4.28
Dangerous Drug Fee	\$3.11	\$4.80
<b>Subtotal Pharmacy Disp. Remuneration</b>	<b>\$14.59</b>	<b>\$16.82</b>
<b>Commonwealth Price</b>	<b>\$34.07</b>	<b>\$36.30</b>
<i>Max Allowable Additional Patient Charge</i>	\$5.85	\$4.70
<b>Maximum Price to Concessional Patients</b>	<b>\$6.60</b>	<b>\$6.60</b>
<b>Maximum Price to General Patients</b>	<b>\$39.92</b>	<b>\$41.00</b>



## Changes to Wholesaler mark-up

From 1 January 2021, the structure of wholesaler mark-up arrangements will be revised, accommodating a price floor to protect wholesalers against medicine price decreases. The wholesaler mark-up will be \$0.41 per item for Section 85 (S85) PBS medicines where the Ex-Manufacturer Price is up to and including \$5.50. For S85 PBS medicines where Ex-Manufacturer Price is over \$5.50, wholesalers will receive 7.52% of the Ex-Manufacturer Price up to a cap of \$54.14. No indexation will be applied to wholesaler mark-up arrangements during the 7CPA.

## Wholesaler CSO

The CSO will continue in the 7CPA with \$1.083 billion allocated to support the distribution of PBS medicines and NDSS items. The CSO funding pool for the first year is increasing to \$223 million and will be paid to eligible wholesalers in accordance with deeds entered with the Department of Health.

The Guild will be consulted on any material changes to CSO standards. CSO wholesalers will continue delivering PBS medicines and NDSS items to any community pharmacy in Australia in a timely manner and at the listed price.

## Electronic Prescription Fee

The EPF will continue to be paid through approved pharmacists for the first year of the 7CPA, after which payments will be made directly between the Department of Health and Prescription Exchange Service providers, simplifying the administration of electronic prescription arrangements.

## Patient Choice

As electronic prescriptions evolve during the 7CPA, patient choice on where prescriptions are filled will remain a priority and the Department of Health and the Guild will continue to work together to ensure this is not compromised.

## Closing The Gap

There is new funding to enhance the Closing the Gap PBS Copayment Measure for Aboriginal and Torres Strait Islander people. It is intended during the 7CPA to enhance CTG measures by expanding the range of health care professionals who can register patients for CTG and to enable Aboriginal and Torres Strait Islander patients to register regardless of where they are located or their chronic disease status.

## Discretionary \$1 discount

The Guild was unable to negotiate the removal of the discretionary \$1 discount so it will continue unchanged beyond 30 June 2020. The Guild continues to advocate for its removal given it undermines universality of access to the PBS and creates inequities.

## Patient co-payments

The Guild sought to achieve reductions in co-payments as a means of achieving More Affordable Medicines for all Australians. While this outcome was not achieved, the Guild will continue to advocate for reform.

## How will fees and charges change on 1 July?

### CASE STUDY 3: Denomusab 60mg (5457F)

	30 June 2020	1 July 2020
Official Manufacturer's Price	\$239.66	\$239.66
Wholesaler Markup Fee	\$18.02	\$18.02
<b>Price to Pharmacy</b>	<b>\$257.68</b>	<b>\$257.68</b>
Dispense Fee	\$7.39	\$7.74
AHI	\$6.81	\$12.16
<b>Pharmacy Dispensing Remuneration</b>	<b>\$14.20</b>	<b>\$19.90</b>
<b>Commonwealth Price</b>	<b>\$271.88</b>	<b>\$277.58</b>
<i>Max Allowable Additional Patient Charge</i>	<i>\$0.00</i>	<i>\$0.00</i>
<b>Maximum Price to Concessional Patients</b>	<b>\$6.60</b>	<b>\$6.60</b>
<b>Maximum Price to General Patients</b>	<b>\$41.00</b>	<b>\$41.00</b>

### CASE STUDY 4: Fingolimod 500µg (5262Y)

	30 June 2020	1 July 2020
Official Manufacturer's Price	\$2,058.29	\$2,058.29
Wholesaler Markup Fee	\$69.94	\$54.14
<b>Price to Pharmacy</b>	<b>\$2,128.23</b>	<b>\$2,112.43</b>
Dispense Fee	\$7.39	\$7.74
AHI	\$74.79	\$99.28
<b>Pharmacy Dispensing Remuneration</b>	<b>\$82.18</b>	<b>\$107.02</b>
<b>Commonwealth Price</b>	<b>\$2,210.41</b>	<b>\$2,219.45</b>
<i>Max Allowable Additional Patient Charge</i>	<i>\$0.00</i>	<i>\$0.00</i>
<b>Maximum Price to Concessional Patients</b>	<b>\$6.60</b>	<b>\$6.60</b>
<b>Maximum Price to General Patients</b>	<b>\$41.00</b>	<b>\$41.00</b>



The Pharmacy  
Guild of Australia