

## CHF Appraisal of the Sixth Community Pharmacy Agreement (2015-2020) and the wider PBS Access and Sustainability Package

This is an initial analysis of the [Sixth Community Pharmacy Agreement \(2015-2020\)](#) (the Agreement) and the wider [PBS Access and Sustainability Package](#) from the Consumers Health Forum of Australia. To achieve better outcomes for health consumers we will vigorously pursue the issues highlighted with Government and the Department of Health. **As CHF members, we encourage you to submit your views on the revised role of pharmacists in primary care using this [survey](#), and any comments on the broader reforms via email at [info@chf.org.au](mailto:info@chf.org.au) or phone 02 6273 5444.**

The Agreement is the centrepiece in a wider set of pharmacy reform measures announced this week as the PBS Access and Sustainability Package by the [Minister](#). The Package was billed by the Government as being a big win for consumers however, as the following top-line analysis shows, the bigger winners were pharmacy and the Government.

Measure	Consumers	Guild Pharmacists	Government
<a href="#">Overall</a>	?	✓	✓
<a href="#">Comprehensive Review</a>	✗	✓	✓
<a href="#">Pricing Policy Changes</a>	?	✓	✓
<a href="#">Optional discounting of co-payments by pharmacies to a maximum of \$1</a>	✓	✗	✓
<a href="#">Transfer of the National Diabetes Services Scheme to wholesalers CSO</a>	?	✓	✓
<a href="#">Delisting of some OTC medicines</a>	?	✓	✓
<a href="#">Community Pharmacy Programmes</a>	✓	✓	✓
<a href="#">Governance and Consultation</a>	✗	✓	✓

### Summary

This week the [Minister for Health, Sussan Ley, announced](#) the signing of the 6<sup>th</sup> Community Pharmacy Agreement (6CPA) and a number of broader pharmacy reform measures. Some measures had been previously announced in the lead up to the Federal Budget however it wasn't until this week that CHF has been privy to the package as a whole.

While there are some positive points of difference between 5CPA and 6CPA both in its design and the process by which the Agreement was negotiated, the current Agreement does not go far enough to drive improvements in terms of greater competition and innovation in this sector, resulting in greater accessibility and affordability for consumers.

Although the Government has identified savings for its bottom line and greater revenue for community pharmacists, *the direct consumer contribution to the fund pharmacy sector is set to*

increase as a proportion from 29% (\$4.8 billion) to 34% (\$8.2 billion)<sup>1</sup>. This means that general non-concessional patients will incur significantly higher out-of-pocket costs for medicines priced below the \$37.70 co-payment amount.

We are disappointed by the terms of the independent comprehensive review of location rules, pharmacy remuneration and wholesaler arrangements, as outlined in the 6CPA. In spite of the Minister describing it as a public review, it is not clear what role the public will play through consumer representation and public consultation.

Overall, we have welcomed:

- potential for some popular medicines to be cheaper for consumers as a result of the changes to PBS pricing policies and price disclosure, particularly steps to bring prices more in line with the international market,
- the \$1.3 billion in announced new listings and the provision of \$2.9 billion in savings for future new PBS listings
- optional \$1 discount on PBS co-payment for prescription medicines,
- allocation of the \$1.26 billion in funding for patient-focused professional programmes (patient services in pharmacy),
- review of programmes for cost-effectiveness assessment by MSAC or PBAC,
- formal tender process to provide administration of community pharmacy programmes after the first year, and
- shift towards greater public transparency in the 6CPA in the form of the Government's commitment to an independent review.

## **Review of Location Rules, Pharmacy Remuneration and Regulation**

**The Good:** CHF has consistently advocated for an independent review of this funding agreement and welcome the Minister's announcement of an independent comprehensive review to be completed between 1 September 2015 and 1 March 2017.

**Concerns:** We are concerned that the scope and terms of reference for this review appear to be determined solely by the Minister and the Guild, with no mention of consumer representation and consultation (although factsheets issued by the Guild indicate that a public process is envisaged). The public accountability of this review is important to consumers and taxpayers as funders of this \$18.9 billion agreement.

This is especially critical after the recently published [National Commission of Audit, ANAO report](#), the [Harper Competition Policy Review](#) and the Productivity Commission's [Efficiency in Health Discussion Paper](#). All four have independently concluded that major aspects of the previous Agreement were poorly managed and grossly inefficient. The 6CPA does not state that the review process or the final report will be made available to the public.

Another shortcoming of the proposed review is in the clause stating that no changes will be made to the location rules during the 5 year term of the Agreement ending 2020, although the review will be completed by 1 March 2017.

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<sup>1</sup> The Agreement forecasts a 16% rise in scripts over the five years and does not account for the rise in proportion contributed by patients directly to pharmacists when purchasing low cost drugs (under \$37.70).

The changes to the pricing policy and the remuneration of pharmacists must be evaluated as part of this review to determine whether consumers are benefiting from the reduction in cost of some medicines or whether the benefit stops at the pharmacy level with consumers paying higher out-of-pockets. This is discussed later in more detail.

**CHF Recommendation:** *The Government should appoint a skilled consumer representative on the review panel. The scope and terms of reference for the review should be agreed upon by a broader group of stakeholders including; consumer organisation such as CHF and a professional body such as the Pharmaceutical Society of Australia.*

*The review process and the report must be published publicly and open for consultation.*

## **PBS Access and Sustainability Package**

The Government will implement numerous new measures to achieve savings of \$6.6 billion over 5 years, of which \$2.9 billion will be reinvested into the pharmacy sector and the PBS.

### **Pricing Policy Changes**

**The Good:** The one-off 5% price reduction to some medicines after five years and the changes to price disclosure will lower the cost of popular medicines. Consumers could benefit from these measures but this will be contingent on pharmacies passing on the savings.

**Concerns:** Experts predict that although the price at which a medicine comes into pharmacy will be lowered due to these pricing changes, the mark-ups by pharmacists in form of the new administration, handling and infrastructure fee (AHI fee) and the additional charges for medicines below maximum co-payment will in fact result in higher out-of-pockets for some consumers.

**CHF Recommendation:** *The Government should include the evaluation of the impact of this policy on general consumer out-of-pocket costs in the scope of the Comprehensive Review.*

### **Optional discounting of co-payments by pharmacies to a maximum of \$1**

**The Good:** The Government is seeking to pass legislation that will allow pharmacies to discount the patient co-payment by a maximum of \$1. If the pharmacy chooses to offer this discount then the consumer will save up to \$1 on their out-of-pocket costs. The current maximum co-payment is \$37.70 for non-concessional and \$6.10 for concessional patients.

**Concerns:** The community pharmacy sector has publicly expressed its aversion to this policy change and the Guild has officially stated that it will not facilitate support for the measure. As the measure is optional and the Government has not negotiated implementation with the sector, there is great risk that it will only be taken up in areas of high pharmacy concentration where competition is at its fiercest. The measure is designed to save the Government approximately \$400 million over 5 years as consumers see a delay in the time taken to reach the safety net threshold.

We are also wary of the fact that the Government has not formally withdrawn the existing proposal, from Budget 2014-15, to increase the PBS co-payment to \$42.70 (general) and \$6.90 (concessional) and increase Safety Net thresholds from its legislative program, despite public assurances from the Minister that these and the PBS Access and Sustainability measure are not linked. If the PBS co-payment and Safety Net thresholds are increased then both general and concessional patients are likely to be faced with increased out-of-pocket expenses.

**CHF Recommendation:** *The Government should work to educate consumers on the possible discount and with the sector on its implementation and uptake.*

### **Transfer of the National Diabetes Services Scheme to the wholesalers CSO**

**The Good:** The redirection of product supply and delivery funding from the National Diabetes Services Scheme run by Diabetes Australia to pharmacies and wholesalers will achieve savings for the Government and in turn the taxpayers.

**Concerns:** : There is a lack of information on how the patient support and education services currently provided by Diabetes Australia and other services which cannot be provided within pharmacy will be maintained under the new arrangements. This is especially to patients in rural and remote areas and those that do not have ease of access to community pharmacies.

**CHF Recommendation:** *Government to clarify what arrangements will be made to address the removal of the current patient support and education services accessed by millions of consumers.*

### **Delisting of some OTC medicines based on PBAC recommendations**

**The Good:** The removal of some low-cost over-the-counter (OTC) medications, such as paracetamol, from PBS will bring down the price of these drugs below the \$6.10 PBS concessional co-payment. The decisions about which drugs will be removed will be made by the independent expert Pharmaceutical Benefits Advisory Committee (PBAC). The savings will be used to subsidise more high cost medicines on the PBS.

**Concerns:** In 2013-14 there were 6.7 million scripts for paracetamol issued on the PBS, if paracetamol is delisted from the PBS then these costs will be directly incurred by consumers. CHF will evaluate the impact of this measure on a case by case basis as the medicines for delisting are identified. We will be seeking your input on this topic. Delisting of some OTC medications may disadvantage those with complex chronic diseases such as arthritis who are reliant of higher volumes of these medications.

### **Community Pharmacy Programmes**

**The Good:** The Government has doubled its funding for community pharmacy programmes to \$1.26 billion (patient services). The focus of the programmes will remain on Aboriginal and Torres Strait Islander peoples and consumers in rural and remote areas. This measure includes additional funding of \$50 million for a Pharmacy Trial Programme and up to \$600 million to support new and expanded primary care style patient services delivered through community pharmacies. The programmes will now be subject to cost effectiveness assessment by an independent health technology assessment body, such as PBAC or MSAC, as determined by the Minister.

**Concerns:** This funding arrangement is narrow in its rollout, limiting itself to clinical services provided by pharmacists employed by community pharmacies even though consumers are set to benefit more if services were extended to non-community pharmacists in general practices. The evidence suggests that better health outcomes and patient experience of care is achieved through a strong primary health care system with care coordinated and integrated in the general practice setting (patient centred health care home). This limitation is contrary to the Minister's intention to give pharmacist a greater role in provision of primary care.

In addition, the E-health electronic prescription incentive has not been removed despite evidence to show that it is an ineffective method to increase e-prescription uptake.

**CHF Recommendation:** *We support exploration of new primary health care delivery models in pharmacy. We have always promoted integrated care models and supported the role of pharmacist in general practices. In addition we also support, in principle, the [AMA's proposal](#) to Government on making 'non-dispensing pharmacists' an integral part of the general practice team. This proposal will benefit consumers especially in medication management, education on medicine use and reducing chances of adverse reactions.*

*Over the review period of June 2015-2017, the Government should analyse data on the uptake of electronic scripts processing by community pharmacies. The Department should consult with community pharmacies (including non-Guild members) and professional groups to identify barriers to uptake and effective approaches to address those barriers.*

## **Governance and Consultation**

**The Good:** We have welcomed the Minister's intention to establish a Pharmaceutical Services Federal Committee of Inquiry to investigate the allegations of non-compliance with PBS approval requirements. We are also pleased with the announcement that the Government will conduct a formal tender process to seek administration support for the community pharmacy programmes component of the Agreement

**Concerns:** The lack of a clause requiring a publicly available evaluation of the 6CPA persists in spite of the ANAO report's outcomes. The Department of Health reported to the ANAO, on its administration of programs, that payments were generally made upon acceptance of each report without any independent evaluation of the report against measurable the performance indicators. The ANAO concluded that, in effect, "the Pharmacy Guild self-reported its performance against the program aims, activities and timeframes". The self-reporting and self-implementing of costly programs by single organisation (the Guild) that represents the interests of pharmacy businesses has presented many difficulties for the Department, Government or public to scrutinise and assess whether public money was spent effectively and for the purpose it was intended.

The Agreement Consultative Committee (ACC), responsible for management, monitoring and evaluation of all aspects of the 6CPA, will continue to consist of the Guild and the Government. The 6CPA is not clear on the role of consumer groups in the evaluation of programmes and input into development and monitoring groups. We seek the Minister's clarification on this matter.

**CHF Recommendation:** *The Government should include monitoring and evaluation requirements in the 6CPA, with dedicated funds. The sub-agreements should contain clearly defined key performance indicators and timelines for evaluations. They should also define roles and responsibilities of the pharmacies in providing timely access to data. All evaluations and data collected should be made public in an accessible form.*

## **CONCLUSION**

CHF has welcomed the shift away from the closed contract management between the Pharmacy Guild and the Department of Health and towards some improvements to delivery of consumer health outcomes. We believe that this has been a missed opportunity to get a more sustainable, transparent, value for money and flexible agreement and reform package to accommodate evolving consumer needs.

## Additional information

Minister's announcement – [‘Pharmaceutical Benefits Scheme to be reformed’](#)

[National Health Amendment \(Pharmaceutical Benefits\) Bill 2015](#)

Pharmacy Guild Fact Sheet – [The PBS Access and Sustainability Package](#)

Pharmacy Guild Fact Sheet – [Pharmacy and Wholesaler Remuneration](#)

Pharmacy Guild Fact Sheet – [Location Rules](#)

Pharmacy Guild Fact Sheet – [6CPA Programs](#)

Pharmacy Guild Fact Sheet – [Benefits of the Sixth Community Pharmacy Agreement](#)

## CHF Contacts

Leanne Wells

Chief Executive Officer

[l.wells@chf.org.au](mailto:l.wells@chf.org.au)

Phone (02) 6273 5444

Jo Root

National Policy Manager

[j.root@chf.org.au](mailto:j.root@chf.org.au)