

Review of Pharmacy Remuneration and Regulation
#189_BHLF-58KW-N52H-C

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Damien Gance
Proprietor – Chemist Warehouse
44 Raglan St
Preston, Victoria
Australia

Dear Professor Stephen King, Ms. Jo Watson and Mr. Bill Scott,

I would like to thank the Panel for its work to date and the preparation of its interim report. In accordance with Panel's desire to receive further written submissions from interested parties in response to the interim report please find attached a submission made on behalf of all proprietors of all Chemist Warehouse retail pharmacies.

The positions articulated in this submission are those for which all proprietors for all Chemist Warehouse stores hold a unanimous and unified view. The submission has been drafted such that the views presented at all times endeavor to reflect our focus upon ensuring consumers have reliable and affordable access to medicines.

Whilst the submission does not canvass all proposals and options raised in the interim report it has been drafted to provide a succinct, evidence and experience based response to those issues raised which Chemist Warehouse believes have the greatest potential to either harm or enhance patient outcomes.

We thank the Panel for their efforts to date and wish you all the best in your ongoing work drafting your final report. Should you require any additional information or clarification of anything contained in this submission, please do not hesitate to contact me directly.

Yours truly,

Damien Gance

Option 2-1

The payment made by any particular consumer for a PBS listed medicine should be the co-payment set by the government for that consumer or the dispensed price for that medicine, whichever is the lower. A community pharmacy should have no discretion to either raise or lower this price.

Option 2-2

The government should abolish the \$1 discount on the PBS patient co-payment.

As stated on the Department of Health's website the "Australia's National Medicines Policy (NMP) is a cooperative endeavour to bring about better health outcomes for all Australians, focusing especially on people's access to, and wise use of, medicines. The term "medicine" includes prescription and non-prescription medicines, including complementary healthcare products." (<http://www.health.gov.au/nationalmedicinespolicy>, 16/7/2017). The Panel has adopted the definition provided by the World Health Organization (WHO) for medicine access. The WHO definition provides that access has three distinct dimensions; accessibility, affordability and acceptability. Chemist Warehouse agree that this definition is the appropriate and correct one to apply to the NMP.

As per the Panels Interim Report, access in so far as it relates to affordability, "is a measure of peoples ability to pay for services without financial hardship" it is not the absolute need for every consumer to pay the exact same price for every medicine. It could be argued that the WHO definition of access dictates that a maximum cap should exist on the price paid by a consumer for a medicine and this is precisely what we have today. Today the PBS arrangements cap the maximum a consumer will pay for the supply of a PBS medicine. Chemist Warehouse contend affordability in so far as it relates to access is in no way benefited nor enhanced by enforcing a blanket prohibition on discounting of a patient's co-payment. Chemist Warehouse further contends that such a prohibition actually acts to lessen not improve access. If, for someone in financial hardship, a pharmacy wishes to reduce the cost of a patient's medication in order to provide ongoing access and to assist them with their medication compliance this proposal would prohibit such compassionate acts. How could this possibly be deemed improved access?

Many academic papers published throughout the world expressly conclude that reducing the cost of medicines, improves not only access but also medication compliance with prescribed regimes. No paper that Chemist Warehouse has seen suggests that the contrary is true; that increasing medicine prices results in improved compliance and access for patients. Regulation that necessitates that Chemist Warehouse increase it prescription prices will therefore inevitably lead to diminished access, reduced medication compliance and is therefore entirely inconsistent with the NMP. Chemist Warehouse is unsure why the Panel would be seeking to advise government to pursue a regulatory path that leads to a detrimental outcome for the millions of customers who visit Chemist Warehouse pharmacies every week.

Chemist Warehouse accepts that not all Australians are currently able to access a bricks and mortar Chemist Warehouse pharmacy to avail themselves to our competitive prescription pricing however we do not accept that denying this pricing to every Australian is the appropriate remedy to this failing. Chemist Warehouse looks to the Panel to address the cause and not the symptom. The root cause of Chemist Warehouse's inability to provide competitive prescription pricing to every Australian is

the Pharmacy Relocation Rules. Removal of these antiquated, anti competitive and nonsensical rules will immediately free up Chemist Warehouse to bring its competitive medicine pricing to many of the communities for whom we are currently unable to serve. Beyond access to the Chemist Warehouse bricks and mortar retail network, Chemist Warehouse supports the Panels recommendations to move toward an electronic prescription system and the unleashing of the potential of online pharmacy to provide affordable prescription medicines to all Australians regardless of their place of residence.

Chemist Warehouse believes that it should be free to pass on to the consumer any economies of scale, efficiency gains or other savings it is able to achieve through its processes, its buying or its supply chain directly on to our customers. The Panels position that PBS scripts can be made private prescriptions should a pharmacy wish to discount the patient payment is entirely unworkable and contrary to the WHO definition of access and hence the NMP. A patient should not be forced to forgo their PBS Safety Net in order to receive their medicine at reduced cost. A patient should be able to receive their medicine at the most competitive price they are able to find without the need to forgo their fundamental right to have their PBS medicine expenditure capped by the PBS Safety Net. It should not be a choice of discount or Safety Net the patient should be entitled to both. Chemist Warehouse contend that forced to make this choice patients will not have all the necessary information required to make such a determination readily available to them. Further the patient may be exposed to receiving incorrect or at best unbalanced information from other pharmacies about how best to make this choice, leaving the patient confused and unsure. The only consideration a patient should have to make when wishing to access discounted PBS medicine is the price, they should not have to contemplate the PBS Safety Net and the likelihood of them or their family having more PBS medicine during the year and therefore the likelihood or otherwise of them reaching their Safety Net.

The affordability dimension of access talks to ensuring patients do not suffer financial hardship in accessing their medicine. It does not speak to the denial of price discounts to some, rather it insists on avoiding the price gauging of any. Chemist Warehouse contends that the discounting of PBS patient contributions does not create inequity it creates competition. Affordable medicine is not about stopping price reduction it is about stopping price increases, PBS patient payment discounting must be allowed to continue.

Option 3-2

Community pharmacies are encouraged to;

(a) display complimentary medicines for sale in a separate area where customers can easily access a pharmacist for appropriate advice on selection and use.

(b) provide appropriate information to consumers on the extent of, or limitations to, the Therapeutics Goods Administration (TGA) role in approval of complementary medicines. This could be achieved through the provision of appropriate signage (in the area in which these products are sold) that clearly references any limitations on the medical efficacy of these products noted by the TGA.

The Panel's interim report expressly states, "this review has not been concerned with the specifics of implementation." Whilst Chemist Warehouse appreciates that the Panel must be given the conceptual and intellectual freedom to consider all possibilities and consider all potential recommendation to government Chemist Warehouse contend that option 3-2 (a) and (b) are both practically sub optimal bordering on unworkable.

3-2 (a)

It is possible to display most complimentary medicines in a separate area away from scheduled medicines however for various reasons this will not be the case for all complimentary medicines. For some products it is unclear whether they are to be considered complimentary medicines or not and as such it is unclear where these would be displayed under this option. If a products classification is unclear, which government agency is to be empowered to determine the classification and hence where a product can and cannot be displayed? Does the Panel envisage that such determinations are absolute and final or will the product sponsor or any other interested party have a right of appeal? Who will be charged with policing and enforcing compliance to this merchandising standard? How often will this enforcement agency visit every pharmacy in the country to ensure compliance? Does the benefit to the consumer of product segregation justify all this administrative, legal and compliance expense? Chemist Warehouse does not believe so. Product scheduling clearly delineates scheduled medicines from complimentary medicine, if there is a failing in understanding, with patients unclear of the difference between complimentary and non complimentary medicines, the failing is simply that consumers are not adequately and fully informed about the existing scheduling laws and what they mean. If it is the Panels position is one of concern for the lack of understanding by the general public an appropriate recommendation would be that government engage in an awareness and education campaign to inform the public about our existing scheduling laws and scheduling regime. Public education would not simply be a more practical solution but in the long run would be a more economical one too.

The Panels interim reports states that "**when dispensing medicines** community pharmacies are acting as agents of government" (emphasis added) given that the only time that a pharmacy is an agent of the government is during the dispensing

process should the government dictate practices that have nothing to do with dispensing? Chemist Warehouse wholeheartedly supports the government in its desire to enforce minimum acceptable standards in so far as they relate to the supply of PBS medicines and the safe supply of medicine more generally yet Chemist Warehouse is less supportive of regulation that acts to stand in the way of the free market where no free market failure is apparent. Chemist Warehouse is unaware of any evidence either presented to the Panel or elsewhere that suggests the sale of vitamins by pharmacies from many and varied locations within their stores results in unsafe or suboptimal health outcomes. Whilst some consumers may not believe in the health benefit of complimentary medicines and desire to purchase their medicines from pharmacies that do not stock these items, that is their prerogative and they should be free to do so. If a sufficient quantum of like-minded individuals exists in a community, market forces should result in the emergence of a pharmacy in that community that does not stock complimentary medicines. On the other hand if a consumer believes in the benefits of complimentary medicine and wishes to walk through an extensive vitamin section in their pharmacy they should be able to visit a pharmacy that is allowed to freely display an exhaustive range of complimentary medicine how and where they so choose. If a sufficient quantum of like-minded individuals exists in a community market forces should result in a pharmacy that stocks an extensive range of complimentary medicines emerging in that community. Market forces dictate that this is precisely what would occur in the absence of the restrictive, anti competitive and consumer sub optimal relocation rules.

Government intervention in how and where complimentary products are displayed in a retail pharmacy should not be an area of concern for the government nor the Panel.

3-2 (b)

The Panels interim report states the Panels belief that customers have limited understanding of the TGA approval process for complimentary medicines and deems an appropriate remedy is to charge retail pharmacy with the responsibility of filling this education gap. Whilst Chemist Warehouse has not seen any evidence that the Panels belief is well founded, regardless of the validity of the belief, Chemist Warehouse does not consider the proposed solution is either workable or appropriate.

If the Australian public has limited understanding about the workings of a government agency then, if it is beholden upon anyone, it should be beholden upon that government agency or the government more broadly to inform the public about its workings.

Supermarkets do not display signage explaining the Heart Foundation tick of approval.

Work wear retailers do not display signage explaining WorkSafe requirements.

White goods retailers do not display signs explaining the energy efficiency rating system.

Banks do not display signage explaining the workings of the Australian Prudential Regulation Authority (APRA).

They don't and they should not, neither should it be beholden upon pharmacy to display signage explaining the workings of the TGA.

Option 3-3

Access to Pharmacy Only and Pharmacist Only medicines should be clearly separated from complimentary medicines within a pharmacy. Options to achieve this might include;

a. ensuring that all Pharmacy Only and Pharmacist Only medicines may be accessible from “behind the counter” in community pharmacy so that consumers must always seek assistance or advice in obtaining these medicines.

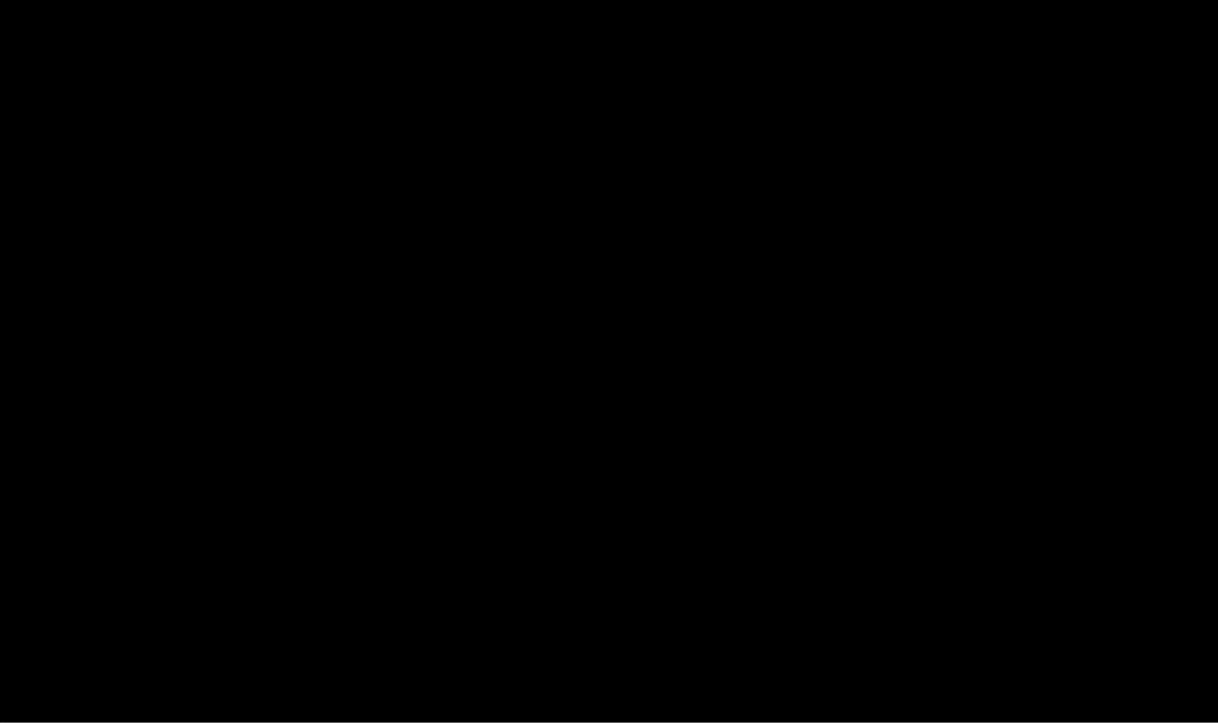
b. requiring that complimentary medicines are not displayed “behind the counter” in a community pharmacy.

Chemist Warehouse is unaware how the Panel came to the position stated in the opening paragraph of this section that “complimentary medicines pose a risk to consumers when they are not clearly separated from Pharmacy Only and Pharmacist Only medicines.” This statement is penned as an irrefutable evidence based fact and yet Chemist Warehouse has not seen, neither in the interim report nor any other reputable publication any evidence that would support this assertion. Chemist Warehouse does not accept that complimentary medicines pose a risk to consumers when they are not clearly separated from Pharmacy Only and Pharmacist Only medicines and as such is unaware of any evidence that would support this recommendation.

The Panel asserts that the practice of keeping Pharmacy Only (*recommendations about Pharmacist Only medicines will not be addressed as the suggestion is that these products remain “behind the counter” which is the current requirement) medicine behind a counter would produce a better therapeutic outcome when compared to having them freely available for self selection in the pharmacy, Chemist Warehouse is unaware of any evidence that supports this view. As the Panel rightly identifies in its interim report this method of handling Pharmacy Only medicines is the current method in both Western Australia and Queensland. If this manner of handling the supply of Pharmacy Medicines resulted in a better therapeutic outcome for patients or less medicine misadventure this should be borne out in the health data from these jurisdictions. Chemist Warehouse does not believe that the health data from these two states reflects a statistically significant and material improvement in either of these key health metrics. Chemist Warehouse has not seen any data to suggest less medicine misadventure is occurring in either Queensland or Western Australia, nor that better therapeutic outcomes are occurring for patients in these states.

Chemist Warehouse like all pharmacies in Western Australia and Queensland must abide by this Pharmacy Medicine storage requirements mandated in these state. Whilst Chemist Warehouse has no evidence that this storage and supply requirement results in better health outcomes, Chemist Warehouse does have evidence as to the additional cost burden of complying with this regulation.

COMMERCIAL IN CONFIDENCE



Should a recommendation be put by the Panel and adopted by Government that would see additional cost borne by the retailer this would eventually and inevitably be passed through to the customer, reducing medicine affordability and hence access, resulting in an outcome contrary to the intention of the NMP.

Option 3-4

Homeopathy and homeopathic products should not be sold in PBS-approved pharmacies. This requirement should be referenced and enforced through relevant policies, standards and guidelines issued by professional pharmacy bodies.

Chemist Warehouse is unaware how the Panel came to the position stated in the opening paragraph of this section that homeopathic products pose an “unacceptable risk where community pharmacies are allowed to sell homeopathic product.” No evidence of any such risk is elucidated or explicated in the interim report and yet this opinion is presented as unequivocal and substantiated fact. Chemist Warehouse contend that this risk is a perceived or potential risk at worst not an actual risk and this statement is one of philosophical opinion and not scientific fact. Chemist Warehouse is unaware of any homeopathic medical misadventure resulting in material detrimental health outcomes for any patient. Chemist Warehouse is further unaware of any evidence where if such homeopathic misadventure has occurred that a determinative factor in the patient’s consumption of the homeopathic medicine was related directly or indirectly to the availability of the product from pharmacy.

The Panel contends that many patients perceive a medicinal halo is shone upon homeopathic product because it is sold in pharmacy and yet no evidence of such a halo is presented. The Panel has pursued a path of intellectual rigor throughout the process of its review and sought evidence to support any argument put to the commission and yet in arriving at this Option 3.4 it appears the Panel has come to a position based on belief and opinion rather than fact.

If the Panel deem that homeopathic product, due to the risk it confers to the public (risk Chemist Warehouse is unaware of any evidence to support) should be unavailable for sale in Australia, then it should be unavailable for sale through all retail outlets, pharmacy or otherwise. Given that Chemist Warehouse does not accept the halo argument put by the Panel there is no reason why Pharmacy should be treated differently to any other retailer when it comes to the sale of homeopathy. Chemist Warehouse would contend that the danger posed by homeopathy in no means justifies a nationwide all retailer ban on its sale. All other non-scheduled, legal product that does not have a proven detrimental effect on a patient’s health should be able to be sold as and where the market decides.

The Terms of Reference for the Panel state that “the Review of Pharmacy Remuneration and Regulation (the Review) will provide recommendations on future remuneration, regulation including pharmacy location rules, and other arrangements that apply to pharmacy and wholesalers for the dispensing of medicines and other services, including the preparation of infusions or injections for chemotherapy, provided under the Pharmaceutical Benefits Scheme (PBS), to ensure consumers have reliable and affordable access to medicines.” Chemist Warehouse is unclear as to how Options 3-2 and 3-4 fall under these terms of reference. These Options do not deal with the sale of scheduled medicines or the provision of pharmacy services, these Options are about retail activities that do not involve scheduled medicines. Whilst Chemist Warehouse wholeheartedly supports the government and the Panel in its desire to enforce minimum acceptable standards in so far as they relate to the supply of PBS medicines and the safe supply of medicine more generally we are less supportive of regulation that acts to stand in the way of the free market where no free

market failure is apparent and where such regulation stands outside of the Panels Terms of Reference. Chemist Warehouse is unaware of any evidence either presented to the Panel or elsewhere that suggests the sale of vitamins or homeopathic product by pharmacies is resulting in unsafe or suboptimal health outcomes or market failure with regard to the delivery of these products. Chemist Warehouse is heartened to read the Panels statement that they are “concerned with the sustainability of the pharmacy network that demonstrates innovation and positive change and **is not constrained by unnecessary regulation**” (emphasis added). As such Chemist Warehouse contend that 3-2 and 3-4 are inappropriate Options for the Panel to present in its final report as they constitute unnecessary regulation. Chemist Warehouses position on 3-4 should not be read as direct advocacy for homeopathy, rather it is an argument presented against unnecessary regulatory overreach encroaching on the free market.

Option 5-1

The government should remove the location rules for community pharmacies. It should replace the rules with one of the alternatives presented.

Option 5-2

Alternative 1

The government should undertake an analysis (as per Option 4-2) to determine and implement efficient remuneration for the dispensing of PBS medicines. Following the implementation of efficient remuneration and a suitable transition period (no later than 31 December 2020), the government should remove any restrictions to limit the ability of any qualified pharmacist or pharmacists to establish a pharmacy to dispense PBS medicines at any location in urban areas.

Alternative 2

The government should replace the location rules in urban areas in two stages:

1. For the first five years, the government should:

a. establish an independent statutory authority (the Pharmacy Location Board (PLB)) of five members, at least two of whom are persons who have been, but are no longer, engaged either directly or indirectly in community pharmacy. No PLB member may be a current pharmacy owner. Any pharmacist wishing to establish a new pharmacy in an urban location would be required to apply to the PLB for a provider number. The PLB would assess all such applications and engage in relevant consultation as it sees fit. The PLB would issue a provider number if (and only if) in the opinion of the PLB, this would materially improve consumer access to PBS medicines.

b. undertake an analysis (as per Option 4-2 above) to determine and implement efficient remuneration for the dispensing of PBS medicines.

2. Prior to the end of the five-year period, the government should assess whether the PLB is required in urban areas or whether consumer access to PBS medicines would be appropriately served by removing any remaining restrictions that limit the ability of any qualified pharmacist or pharmacists to establish a pharmacy to dispense PBS medicines at any location in urban areas.

Alternative 3

New pharmacy location rules should be introduced based on existing rules. This includes:

- 1. retention of the prohibition within the location rules relating to the co-location of approved pharmacies in supermarkets***
- 2. the establishment by the Department of Health and the Guild of a joint working group with the aim of identifying and addressing any anomalies that have arisen over time, to ensure the location rules remain responsive to the evolving needs of the community.***

Option 5-3

Alternative 1

The government should replace the pharmacy location rules in non-urban areas by establishing an independent statutory authority (the Pharmacy Location Board (PLB)) of five members, at least two of whom are persons who

have been, but are no longer, engaged either directly or indirectly in community pharmacy. No PLB member may be a current pharmacy owner. Any pharmacist wishing to establish a new pharmacy in a non-urban location would be required to apply to the PLB for a provider number. The PLB would assess all such applications and engage in relevant consultation as it sees fit. The PLB would issue a provider number if (and only if), in the opinion of the PLB, this would materially improve consumer access to PBS medicines.

The PLB would also work with the local Primary Health Network (PHN) in any relevant region to determine areas where there is a lack of appropriate pharmacy services and work with the PHN to initiate a tender to seek options by pharmacists to provide the identified services. The government would appropriately fund PHNs and the PLB to carry out these tenders and, where relevant, to provide any subsidy determined through the tender process.

Alternative 2

New pharmacy location rules should be introduced based on existing rules. This includes:

1 retention of the prohibition within the location rules relating to the co-location of approved pharmacies in supermarkets

2 the establishment by the Department of Health and the Guild of a joint working group with the aim of identifying and addressing any anomalies that have arisen over time, to ensure the location rules remain responsive to the evolving needs of the community.

The Panel through its review has been charged with making “recommendations on **future** remuneration, regulation including pharmacy location rules, and other arrangements that apply to pharmacy and wholesalers for the dispensing of medicines.” The Panels remit is not ring bound by current government policy, the Terms of Reference do not dictate that any recommendations for the future be aligned with existing government policy, ministerial statements or the regulatory status quo. On the contrary the invitation to make recommendations to government by its very nature is imploring the Panel to without fear or favour, without regard to existing arrangements and or policy positions, to make bold recommendations for the future. Chemist Warehouse notes that throughout the interim report recommendations are made that are contrary to governments stated policy position and yet these recommendations and Options are tabled. The Panel is charged with the preparation of a final report that the government should use to help frame a new policy framework not a report that sits neatly within the existing one.

The Panel has rightly found that “certain aspects of the location rules are limiting competition and are unnecessary” Chemist Warehouse agrees. In fact Chemist Warehouse contend that the market distorting effects caused by the relocation rules produce results that are plainly inconsistent with the NMP. It is undeniable that Chemist Warehouse sells not only its prescription but also its non-prescription and complimentary medicines at prices far below those of most if not all of its competitors. The department of Health’s website states that “Australia’s National Medicines Policy is a cooperative endeavour to bring about better health outcomes for all Australians, focusing especially on people’s access to, and wise use of, medicines. The term “medicine” **includes prescription and non-prescription medicines, including complementary healthcare products.**” Both the NMP itself and the Panels interim

report talk about affordability being a key aspect to access. The relocation rules have and continue to restrict Chemist Warehouse from opening stores across the country. Denying Chemist Warehouse access to communities it wishes to serve, denies those communities access to (more) affordable healthcare which by definition is a denial of access and hence contrary to the NMP. Chemist Warehouse thus implores the Panel to include Option 5-1 Alternative 1 as its sole recommendation to government with regard to the relocation rules in its final report.

The relocation rules are not peripheral issues to this review, in fact it is a primary area of focus for which the Panel is directed to consider and is singularly called out in the Terms of Reference. The Terms of Reference state that the government is seeking for the Panel to “provide recommendations on future remuneration, regulation **including pharmacy location rules**”. Relocation rules are the only piece of regulation expressly called out by the government for which they are seeking review. For the Panel to suggest that existing policy positions should hamstring its recommendation with respect to relocation rules is plainly incorrect and inconsistent with the government desired outcomes from the review. The government is plainly asking for advice on the future direction for the relocation rules, it is not seeking affirmation of the status quo. Regulation that acts to limit supply, protect the incumbent and diminish competition, the relocation rules, do so at an undeniable and immediately apparent direct cost to society it is beholden upon the Panel as an independent advisory board to government to call this out.

In the absence of market failure competitive free market forces will achieve an optimal outcome for society, the relocation rules are market distorting and their continuation post this review is indefensible. Chemist Warehouse implore the Panel to be bold and make the necessary recommendations to government, Option 5-1 Alternative 1, which demonstrate that the Panel is driven to recommend a path forward that is right by the consumer and not the one which is most easily politically palatable.

Chemist Warehouse note that in the Panel’s review of the relocation rules the Panel seems to view pharmacy as a uniform, homogeneous beast. It is implied throughout that all pharmacies are the same, the fact that a community is serviced by a pharmacy, any pharmacy, is sufficient and infers that the rules are functioning appropriately and providing the community with what they want. Chemist Warehouse contends that not all pharmacies are alike, not all pharmacy provide the same service or value to a community. Chemist Warehouse believe that rules that act to stifle market entry irrespective of whether or not that market is already served by an sufficient incumbent pharmacy or pharmacies is detrimental to society and certainly suboptimal. If a community is currently serviced by a traditional pharmacy this will not unto itself necessarily result in that community not wishing to be served by another pharmacy with a differing offer such as Chemist Warehouse.

In a 2015 survey the residents of Wagga were asked which retailers they would most like to have come to their town. It was found that they were most keen to have a Chemist Warehouse open, they saw the range of product available and the pricing offered by Chemist Warehouse represented a vastly superior pharmacy offer to that of the incumbents.

(<http://www.dailyadvertiser.com.au/story/2929882/retail-bid-ikea-chemist-warehouse-among-waggas-most-wanted-retailers/>) Wagga and the area of greater Wagga currently has 12 pharmacies serving the community. Whether or not the 12 pharmacies constituent adequate access based on the demographic population spread and the geographic distribution of the pharmacy network does not paint the full picture of the impacts of the relocation rules. The 12 pharmacies currently within the Wagga region may or may not be sufficient

based upon a helicopter like geospatial analysis but these are 12 non Chemist Warehouse pharmacies and the community want a Chemist Warehouse. Not all pharmacies are the same. Chemist Warehouse has previously shared with the Panel dozens of emails and inquiries from communities across the breadth of the nation wanting Chemist Warehouse to open in their community. All these communities have existing pharmacies, what they are wanting for their community is greater competition in their local pharmacy market, what they want is not simply a chemist, it is Chemist Warehouse. Why should these communities' pleas be forced to fall on deaf ears? Having a pharmacy is not always sufficient; a community should be empowered to choose its preferred pharmacy of pharmacies based upon their ability to direct their patronage to a pharmacy of their choosing. Any and all pharmacy models, types and brands should have the legal right to enter into any market and compete with their incumbents in adequate numbers as determined by some demographic statistician or not.

Whilst Chemist Warehouse believes that the Panel should recommend to government the abolition of the relocation rules, other options proposed in the interim report should not occur include 5-2 and 5-3. Option 5-2 and 5-3 recommend the establishment of the Pharmacy Location Board (PLB) who would be charged with the responsibility of determining whether or not a new pharmacy business can or should be allowed to be open. The proposed test as to whether a new pharmacy should be allowed to open is one of whether the proposed pharmacy "would materially improve customer access to PBS medicine." Chemist Warehouse contends that this criterion is inappropriate and any new business should not have to improve access, it should simply not diminish it. Should Chemist Warehouse wish to open in Wagga and wish to do so near another pharmacy, Chemist Warehouse should be able to do so. This new Chemist Warehouse pharmacy may not "materially improve customer access to PBS medicine" but it would not diminish it either. If the intent under any Option is to unshackle the industry and allow for more robust competition, the rules must be structured to enable such competition.

OPTION 6-1

COMMUNITY SERVICE OBLIGATION REMOVAL, RETENTION OR REPLACEMENT

ALTERNATIVE 1:

The government should remove the Community Service Obligation (CSO), and suppliers of PBS-listed medicines should be placed under an obligation to ensure delivery to any community pharmacy in Australia within a specified period of time (generally 24 hours), with standard terms of trade offered to the pharmacy (such as four weeks for payment) using one or more of a specified panel of wholesalers as follows:

a. an initial Panel of around five wholesalers would be approved. It is expected that these will include the existing CSO Distributors

b. the relevant terms of trade and other supply conditions may vary between medicines. For example, for high-cost medicines or medicines that have cold-chain supply requirements, the supply conditions may differ from those for low-cost medicines to ensure that there is not an unreasonable risk or cost placed on either community pharmacy or consumers

c. a cap should be placed on the amount that a community pharmacy contributes to the cost of a medicine. This cap should be in the range of \$700 to \$1000.

The Panels has presented a case for the removal of the CSO and that as an alternative model suppliers of PBS medicines should be placed under an obligation to ensure the timely delivery of their listed medicines. Chemist Warehouse believes that this model will see retail pharmacy paying more for the medicines it purchases and this increased cost of goods will inevitably make its way to the patient or government.

Under the proposed model product sponsors will negotiate with approved wholesalers for the delivery of their medicines to pharmacy. Whilst not expressly articulated Chemist Warehouse believe that this supply model would also include an agreed price to pharmacy being the maximum a wholesaler can charge a PBS pharmacy for a PBS medicine. The product sponsor would then choose a distribution partner who was able to provide the necessary and mandated logistics at the lowest cost to the product sponsor. The wholesalers will compete with each other to be the logistics partner for a given product (or sponsor) and the final distribution fee charged to the product sponsor will quickly fall to the marginal cost of supply. The wholesaler will have no capacity to pass on favorable trading terms to any retail pharmacy, with the pharmacy having lost their trading term, the goods supplied have when considered in their entirety will have cost the pharmacy more. This increased cost of goods will need to be reflected in either the reimbursed price for the PBS medicines supplied or this price rise will have to flow through to other medicines sold by the pharmacy.

Wholesalers will tender aggressively to supply medicines on behalf of a product sponsor and in so doing economics will flow from the retail pharmacy, where trading terms previously may have been available, to the product sponsor. Value has been

transferred from patient to multi national pharmaceutical company. Further as each wholesaler may now hold some PBS products (or product sponsors) exclusively, each pharmacy will need to receive some stock from each wholesaler. With pharmacies now forced to trade with all wholesalers, pharmacies will not be in the position to negotiate favorable trading terms (as they are now compelled to deal with all wholesalers, who knowing this will not offer any terms) adding to the pharmacy's cost of goods. The new supply chain which would in all likelihood see all 5 wholesalers needing to visit every pharmacy in the country every day, will add significant cost to the system and this cost will need to be born by participants and ultimately patients.

Chemist Warehouse contend that any distribution model that;

- returns greater profits to the pharmaceutical companies through them achieving reduced negotiated distribution rates with their logistics partners,
- costs the wholesale network more, through the need for every wholesaler to visit every pharmacy every day and do so for reduced margin for PBS products,
- costs pharmacies more through reduced trading terms and increased administrative burden in dealing with multiple wholesalers and additional cost in managing supply from 5 separate wholesale channels,
- costs patients more as pharmacies are compelled to pass through the additional direct and indirect costs of this policy,

is not a policy that the Panel should put to government nor one that government should consider. The Panel should ensure that any structure proposed does not add additional cost to the system and continues to enable the existence of full line wholesalers from whom a pharmacy is able to purchase all of its PBS needs.

OPTION 7-4

COMMUNITY PHARMACY AGREEMENT PARTICIPANTS

The parties invited to participate in future Community Pharmacy Agreements must include the Pharmacy Guild of Australia (as a representative of the majority of approved pharmacists), the Consumers Health Forum of Australia (as the peak representative consumer body in Australia on health-related matters) and the Pharmaceutical Society of Australia (as the peak representative body for pharmacists in Australia).

Chemist Warehouse contends that any future Community Pharmacy Agreement negotiations must also include Chemist Warehouse. Chemist Warehouse and Chemist Warehouse proprietors interests are not represented by The Pharmacy Guild Australia, nor any other named party as per Option 7-4. Given the current and growing proportion of Australian medicine sales and that of PBS supply, which Chemist Warehouse represent it, is important that Chemist Warehouse have a voice at the table.

OPTION 8-2

COMMUNITY PHARMACY PROGRAM – KEY PRINCIPLES

The range of programs offered by community pharmacy should be underpinned by the following principles:

a. be based on evidence of effectiveness

b. may or may not involve government paying for some or all of the cost of the service to some or all patients

c. may in some cases be offered on the basis of each community pharmacy choosing whether or not to offer the program (with all community pharmacies being eligible to offer the program). In other cases, the program will only be available (with government payment) through pharmacies/pharmacists that are selected by the government (for example, through a tender process or as a result of negotiation between the government and the relevant pharmacies or pharmacists)

d. for some programs, government remuneration for the program will be channelled through the users of the program (or their representatives) so that the users will decide which community pharmacies (or pharmacists) to use to deliver the program

e. adequate funding for the above needs to be found outside PBS expenditure

Chemist Warehouse contends that an additional Key Principle should be that any community pharmacy programs either existing or proposed are initiated, maintained, run and managed throughout their entire term by truly independent agencies. Access to some 6CPA program funding is currently restricted to those pharmacies accredited by an approved Pharmacy Accreditation Program. The only approved Pharmacy Accreditation Program that Chemist Warehouse is aware of is the Quality Care Pharmacy Program (QCPP). QCPP accreditation is a Pharmacy Guild of Australia (PGA) initiative, and it is the PGA who determines the standards and eligibility criteria for accreditation. Chemist Warehouse contends that it is entirely inappropriate for QCPP accreditation to be a mandatory precondition for access to government funded pharmacy services when the program is run and owned by a non-independent non-government agency. Chemist Warehouse is unaware of any reason why, should they choose to do so the PGA could not add as a condition of accreditation that a QCPP pharmacy may not discount medicines or advertise at sporting venues or have its own radio show... thus directly excluding Chemist Warehouse from obtaining QCPP accreditation. Whilst these are all hypothetical situations, Chemist Warehouse is unaware of any reason or regulation, which would deny the PGA the autonomy to do so. The PGA appear to have complete discretion and sovereignty to determine and dictate standards under the QCPP and this is an unacceptable risk to Chemist Warehouse and we would contend an equally unacceptable position for government.

All pharmacies wishing to claim 6CPA Dosage Administration Aid supply payments or 6CPA payment for the provision of Clinical Interventions must be QCPP approved. Whilst Chemist Warehouse accept the need for minimum standards to be met to be

eligible for payment it does not believe QCPP or any program designed, owned and or operated by a non statutory authority is the right mandatory standard. The current fee structure for QCPP highlights the conflict;

Accreditation date on or before 30 June 2017	2017 fees ex. GST	2017 fees incl. GST
Guild Members	\$1829.12	\$2012.04
Accreditation fee	\$800.00	\$880.00
Assessment fee	\$2629.12	\$2892.04
Total		
Non-Guild Members	\$2223.39	\$2445.73
Accreditation fee	\$800.00	\$880.00
Assessment fee	\$3023.39	\$3325.73
Total		

Chemist Warehouse does not accept that it is right that to be able to access government funded program payments it should have to pay more for its accreditation purely on the basis of its non PGA membership status.

If the government wish to mandate minimum standards in order to be eligible for program funding Chemist Warehouse look to the government to develop and monitor such standards through an appropriately resourced statutory body. This position of independence and not having the PGA be the gate keeper should extend beyond program payments and should be a universal policy for all interactions however they come to be, between government and pharmacy.