

**Review of Pharmacy Remuneration and Regulation**  
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Australian Government, Department of Health  
Pharmacy Review Secretariat

To the review panel,

**RE: Review of Pharmacy Remuneration and Regulation-Submission To The Review**

I am writing to you in relation to the interim report of pharmacy remuneration and regulation.

As the proprietor of two section 90A pharmacies in Arncliffe, namely Nile pharmacy and Arncliffe pharmacy located at [REDACTED] and [REDACTED] respectively, I have significant concerns with regards to a number of suggestions made in the interim report.

I have commented on aspects covered in the interim report below which I feel has a detrimental impact to the pharmacy industry, consumers and the government:

**1. Young Pharmacists**

As a young pharmacist myself, I am able to sympathise with many of my discontent young pharmacist colleagues who are horrified by the current pay conditions of pharmacists.

I note that the review panel received many responses from individuals who have left the pharmacy profession out of discontent. Some of these individuals have left the profession and entered "more lucrative" industries, while some of them have moved to alternative pharmacy careers outside community pharmacy where pay conditions are higher. Although my pharmacies are paying well above award rates for pharmacists, I strongly believe that my pharmacists are deserving of a higher pay rate. Unfortunately, I cannot offer them higher rates due to many pressures currently faced by community pharmacy owners.

It is beyond me that despite the numerous responses and remarks of young pharmacists, the panel has gone onto make suggestions that would only worsen such conditions for the many pharmacists that would still be remaining in the profession. Without adequate profitability for pharmacist proprietors, pay conditions will never improve. Many suggestions covered in this interim report has a negative impact on the profitability of many pharmacies who will be forced to close their doors and will in turn provide a market dominated by only a few major players, of which will have a heavily price driven model. In such circumstances, these major operators will be able to drive down wages further as pharmacists will have little choice of who they may be

employed by. Young pharmacists will also have little incentive to pursue pharmacy ownership despite reducing the barriers of entry as it will be extremely difficult for them to compete with the “giants” of the industry and would be a highly risky investment for them.

## **2. Community Pharmacy Remuneration**

The panel has made a suggestion that the government should mandate that a pharmacy approved to supply PBS medicines provide accounting information to the government each financial year. I cannot think of a more inappropriate suggestion to be made with regards to determining a fair remuneration to pharmacies. No other healthcare professionals are expected to provide financial information to the government in order to receive remuneration for their services. I am not sure why the panel is seeking such information as they are already aware of the financial conditions of pharmacies. Pharmacists are not scared of providing such information to the panel as a means to hide their alleged “excessive profits”. In fact the availability of such accounting information will only tell the panel what they already know in that the most profitable pharmacies are only earning normal rates of return on their investment and that 15 per cent of pharmacies are not earning taxable profits as per the interim report. If the government intends on seeking accounting information to determine an adequate remuneration for services rendered, then it should do so without discriminating any particular health professional. As such it would be expected that doctors, dentists and any other healthcare professional be required to produce the same level of accounting information.

The panel has made a suggestion that the remuneration for dispensing a medicine should be based on the costs of dispensing for an efficient pharmacy. By adopting this mentality, the government is treating medicine as any ordinary commodity. In fact, the interim report has used the electricity industry as a benchmark that pharmacy should follow in terms of efficiency. However, the reality is that the dispensing of medicines cannot be likened to delivering electricity to consumers. There are a vast array of complex factors that vary from pharmacy to pharmacy which are required in the dispensing process and cannot be discounted to the level of determining an efficient dispense cost based purely on accounting indicators. The definition of an efficient pharmacy” is unclear from the report. Although a pharmacy may be deemed “inefficient” based on the accounting principles decided upon by the review panel, this does not discount the fact that such pharmacies are providing many additional value added services to patients which are not remunerated for and are being covered by the dispensing fees given by the government. Many of these additional services form part of the dispensing process which highlights the complex nature of dispensing medicines and therefore cannot be remunerated based on an efficiency policy.

## **3. Pharmacy Location Rules:**

The pharmacy location rules, contribute to the overall objective of the National Medicines Policy. The success of this policy relies on equitable access to quality subsidised medicines. Location rules ensure that PBS pharmacies are located in areas where there is an unmet need and not just where it is perceived to be profitable. As such, allowing pharmacies to open in areas already adequately serviced, will create reduced

consumer access to pharmacies in areas of need and a cluster in areas perceived to be profitable but already providing adequate access to medicines for consumers.

By reducing the regulation required to open a pharmacy in an urban area, there will be more pharmacies which will open in these urban areas which has already been shown to have a cluster issue when it comes to the spread of pharmacies. This will in no way assist in ensuring that areas of need are adequately serviced and that there is incentive for pharmacists to open in such areas.

The only plausible argument to relax the current location rules would be to ensure that there is enough competition in the industry. Currently, the pharmacy market is facing ever growing competition from major pharmacy banner groups and discount chains. The pharmacy market is by no means non-competitive. Consumers are given access to multiple pharmacies in a suburb of which have different models catered for different consumer choices. Therefore current regulation has provided for adequate competition and has not compromised access to medicines. Any such changes are therefore not necessary and would only serve to disturb a network of pharmacies that are meeting the needs of consumers in Australia.

#### **4. Community Service Obligation Removal:**

As a pharmacy owner, I am concerned that the removal of the CSO would result in increased costs being placed on community pharmacies by wholesalers to compensate for their lost revenue. Any such changes to the CSO requires careful consideration in ensuring that it does not negatively impact both the access of medicines by pharmacies and does not add substantial costs to the cost of medicines which will defeat the purpose of making any such changes.

In summary, I would like to state that the current model of pharmacy is achieving positive results for both consumers and the government. Although change can often improve things, changing the current model of pharmacy based on many of the recommendations in the interim report will only serve to dismantle a well-functioning model of pharmacy.

Kind Regards,

Tamer Hanna (B.Pharm Hons)