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UTS: pharmacy **barometer**

October 2015

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BACKGROUND

UTS: Pharmacy

UTS: Pharmacy was established in 2011 to address emerging needs of the pharmacy profession. As the first course area within the UTS Graduate School of Health (GSH), it provides an innovative, practice-based option for pharmacy education and research that integrates scientific rigour with technology and pharmacy practice. After four years it is successfully established as the program of choice for graduates who wish to have a career as pharmaceutical services providers and managers. The GSH is a leader in various areas of research including the design, evaluation and implementation of community pharmacy business and professional practice models. UTS:Pharmacy is committed to producing career-ready graduates. Integrated problem-based learning, simulated environments and interdisciplinary workshops are used to help students apply the theory they learn and build their considerable skill set. A wide range of interdisciplinary electives give students the choice to specialise or diversify their skills to best suit their career needs. Committed to collaborative research that has a real impact on the pharmacy profession, our focus is on innovative practice-oriented research that improves the quality use of medicine and informs health policy.

IMS Health

Creating Connected Solutions for Better Healthcare Performance

IMS Health is a leading global information and technology services company providing clients in the healthcare industry with end-to-end solutions to measure and improve their performance. Our 7,500 services experts connect configurable SaaS applications to 10+ petabytes of complex healthcare data in the IMS One™ cloud platform, delivering unique insights into diseases, treatments, costs and outcomes. The company's 15,000 employees blend global consistency and local market knowledge across 100 countries to help clients run their operations more efficiently. Customers include pharmaceutical, consumer health and medical device manufacturers and distributors, providers, payers, government agencies, policymakers, researchers and the financial community.

As a global leader in protecting individual patient privacy, IMS Health uses anonymous healthcare data to deliver critical, real-world disease and treatment insights. These insights help biotech and pharmaceutical companies, medical researchers, government agencies, payers and other healthcare stakeholders to identify unmet treatment needs and understand the effectiveness and value of pharmaceutical products in improving overall health outcomes. Additional information is available at www.imshealth.com.

Bankwest

Bankwest Pharmacy Banking specialists have an in-depth knowledge of the pharmacy industry in Australia and make it their role to be financial experts to the industry. They have built solid, long standing relationships by understanding the specific issues and in particular the legislation facing practitioners in the Pharmacy industry. Bankwest Pharmacy Banking Specialists work as part of an industry team that regularly discusses trends and best practices both internally and with industry experts. This enables them to create genuinely innovative products and services specifically for the Pharmacy industry. With the goal of being simple and transparent, Bankwest can provide effective, value for money solutions. Building a depth of knowledge takes a lot of dedication which is why you may find some of their team attending the same industry conferences and meetings as yourself. This level of involvement means they can assist your business by leveraging our strong knowledge and contacts within the industry. Their specialists understand the cash flow, acquisition and equipment finance funding requirements of Pharmacy businesses and can recommend and implement tailor made financial packages to meet your business needs. Their products are innovative, yet simple to understand and use, and their structuring expertise delivers flexible financing solutions.

The challenging environment for Australian pharmacies

A number of major reforms have had and will continue to have, impact on the delivery, focus and funding of health in Australia. Government-led national health care and PBS reforms have significantly affected the distribution, funding and provision of pharmaceutical products and services. Specific examples of such changes include;

- > Expanded and Accelerated Price Disclosure (EAPD) price reductions
- > Generic substitution
- > Changing remuneration systems
- > Discount pharmacy models
- > Primary health care networks
- > Wholesaler terms and conditions
- > Direct distribution
- > Professional shift from product based to service based
- > Retail trade trends
- > Patient self-management
- > Ageing population
- > Increased use of medications
- > Increased policies directed at preventative services
- > Coordination and integration of primary care providers
- > Sharing of electronic health data
- > 6th Community Pharmacy Agreement

The 6th Community Pharmacy Agreement can be considered to be a watershed moment for the payment of services and products in community pharmacy. The move away from the

reimbursement dependence on cost of medication, through essentially the deletion of the mark-up component and the increased funds available for services, for the first time, clearly changes the paradigm to a policy of service provision. One would expect further differentiation in terms of the professional and business models favouring health service provider model. The impact of all these factors on community pharmacy business and professional practice, and on individual community pharmacists and their supporting infrastructure, are still generally unclear but one would expect acceleration in transition models. What is clear is that community pharmacist employees, community pharmacy owners and managers, and the pharmaceutical industry cannot continue with the current business and professional model.

Business models in community pharmacy are differentiating, driven initially by the retail success of the expert discounters, but now accelerated by the expected decline or at best maintenance of profits from dispensary income and the recent appearance of new professional service models. The depth of knowledge and impact of these coming changes on and by individual pharmacy owners and employees is uncertain. Concurrently, the business model adopted by many pharmaceutical companies for acquiring

loyalty, market share and sales through pure discounting mechanisms alone is being challenged.

Accompanying all these changes there has been much debate, in the scientific literature, professional and trade journals and professional pharmacy and other stakeholder organisations, of the potential impact they will have on the pharmacy industry as a whole. An understanding of the perceived and the eventual impact of all these changes and their future effect on the professional and business strategy concerns many players including:

- > Community pharmacy owners and practitioners
- > Pharmaceutical companies and manufacturers (branded and generic)
- > Pharmaceutical wholesalers
- > Professional organisations
- > Pharmacy educators and researchers
- > State and federal governments
- > Finance industry including banks, lending institutions and investors

All these stakeholders will require accurate feedback and information on how this \$15 billion industry is thinking and how it is likely to evolve.

The UTS Community Pharmacy Barometer

With industry challenges and perceived gaps in knowledge by pharmacists on the impact these upcoming changes may have on their business and professional practice, the UTS Pharmacy School and Cegecim Strategic Data (CSD) (now integrated into IMS Health) developed the Community Pharmacy Barometer.

The UTS Community Pharmacy Barometer™ is the only comprehensive research tool available to all the stakeholders in the Australian Pharmacy industry designed to track the confidence, perceptions and opinions of pharmacy owners and employees.

Each year, the UTS Community Pharmacy Barometer™ tracks the viability of the pharmacy business, the profession, perceptions and opinions of the impact of the coming changes on the current and future value of pharmacies as well as researching in depth a key topic at each wave.

The UTS Community Pharmacy Barometer™ will measure opinions, perceptions, potential behaviours and ideas with data and verbatim comments from pharmacists and expert commentary from key leaders of Australian Pharmacy. The expert panel includes, Head of the UTS GSH and Professor of Pharmacy Practice, Professor Charlie Benrimoj, UTS Adjunct Professor John Montgomery and Warwick Plunkett, Pharmaceutical Society of Australia (PSA) Director. In addition to furnish financial advice we have added to the expert panel Mario Saia, State Manager NSW & ACT, Bankwest Business, whose dedicated team of pharmacy specialists provide a full range of end to end banking and financial services to pharmacy clients and Alan Langford, a Bankwest Chief Economist.

For the initial benchmark UTS Community Pharmacy Barometer study, the focus topic was Price Disclosure. In the second wave service provision was addressed. This included exploring both successful and unsuccessful services currently or previously offered, as well as services to be offered in the future. Following on from covering services in general in the third wave a specific range of services, minor ailment services, as well as the advertising of Pharmacist Only, schedule 3 medications, were explored. In addition, four questions were added to explore the financial management of community pharmacy. In the fourth wave the additional subject investigated was pharmacists' opinions on the distribution of funds in the impending sixth Community Pharmacy Agreement (6CPA). The 6CPA has now been signed, therefore in this fifth wave, the additional topic focusses on pharmacists' opinions of the agreement and particularly those components which incurred major changes from the 5th to 6th CPA.

“The 6th CPA, although providing a more stable foundation for the industry in the area of dispensing remuneration, will inevitably produce much change in community pharmacy. If it does not, the future of community pharmacy as a provider of health services will be damaged”

Charlie Benrimoj

The questions were designed to assess the confidence of pharmacists of their business in the short (one year) and medium-term (three years). The first wave report was completed in April 2012 with the additional topic focussing on Expanded and Accelerated Price Disclosure (EAPD). One of the most interesting findings in the inaugural study was the feedback surrounding a service-based model. The focus of the second wave, completed in October 2012, was therefore decided to be on service provision in community pharmacy. The third wave, completed a year later in October 2013, delved deeper into a specific range of services, focussing on minor ailment services. In the fourth wave the topic of the sixth Community Pharmacy Agreement was addressed, during the period of its negotiation. Wave five, explores the sixth Community Pharmacy Agreement post ratification. The survey for UTS Community Pharmacy Barometer™ was created in collaboration between Cegedim Strategic Data, now integrated into IMS Health, University of Technology Sydney pharmacy expert panel and Bankwest financial experts.

Data collection occurred in September 2015, with the online questionnaire emailed to the pharmacists on IMS's online panel (a sample from the panel of 1,000 pharmacists that is nationally representative of the general community pharmacy population). Participants included those who identified themselves as working in community pharmacy (majority of the time), and were either an owner (17%), owner-manager (21%), pharmacist-in-charge/pharmacy manager (44%) or employed pharmacist (18%). The questionnaire also captured the type of pharmacy in which the pharmacist worked (independent (50%), banner (40%) or buying group (10%)).

The survey was closed when 201 pharmacists had participated. Open-text questions were coded into themes that could communicate the main topics raised by the pharmacists. Tables were produced for all questions with the following groups: Type of pharmacist [Owner (combination of owner & owner-managers) vs. Employed (combination of pharmacist-in-charge & employed pharmacist)]; Age [three age categories] and Type of pharmacy [Independent vs. Group (combination of banner and buying groups)].

Certain questions were only offered to 'decision makers' (owner, owner-managers and pharmacist-in-charge/pharmacy manager n=165). The data were tested for statistically significant differences (z-tests for proportions and t-tests for means; both using a 95% confidence interval). Certain questions were analysed as cross-tabs, to investigate potential relationships and themes.

The UTS Community Pharmacy Barometer™ measure was derived using the following questions:

1. Do you believe the value of your pharmacy will increase, decrease or remain the same in the **next year**?
2. Do you believe the value of your pharmacy will increase, decrease or remain the same in the **next 3 years**?
3. On a scale of 1 to 10 where 1 is extremely pessimistic and 10 is extremely optimistic, how confident are you in the future viability of community based pharmacy?

The first two questions were only asked of 'decision makers' (owner, owner-managers and pharmacist-in-charge/pharmacy manager n=165), while the third was asked of all pharmacists (n=201). For the calculation of the Barometer measure only those who answered all three questions were included (n=137).

For each of the first two questions above, responses were assigned the following values:

- Increase = 2
- Remain the Same = 1
- Decrease = 0

The sum of the values was calculated for each question and the sum divided by the total number of pharmacists who selected one of the three options for that question (i.e. an option other than 'not sure').

For the third question responses were assigned the following values:

- Optimistic (rating of 8-10) = 2
- Neutral (rating of 4-7) = 1
- Pessimistic (rating of 1-3) = 0

The first two questions provided insights into the 'value' pharmacists foresee for their pharmacy and the third gives an emotional insight into their confidence in the future. We used 'value' + 'emotional insight' = 'Pharmacy Barometer' as the basis for providing a 50% weighting to the two value questions and a 50% weighting to the emotion (pessimism - optimism scale) question. As the first question refers to 'next year' (more immediate) and the second to 'next three years' (further away, shadowed with uncertainty), it was decided to distribute the 50% weighting for 'value' as 35% for next year and 15% for three year timeframes. The UTS Community Pharmacy Barometer incorporates these three weighted scores.

Sixth Community Pharmacy Agreement (6CPA)

Thirteen questions were used to evaluate pharmacists' opinions on the recently signed sixth community pharmacy agreement:

1. The method of payment for dispensing has been essentially changed away from a dispensing fee + mark-up to dispensing fee + fixed administration and handling & infrastructure fee. What is your opinion of the change?

Strongly Disagree Neutral Strongly Agree
1 2 3 4 5 6 7 8 9 10

2. a) As a result of the 6th CPA, how likely is it that you will make changes to your business model?

Not at all likely Extremely likely
1 2 3 4 5 6 7 8 9 10

b) If you answered 5 or more would the changes drive you more to?

- Discount model Yes / No
- Health destination service based model Yes / No
- Dispensing based model Yes / No
- Other
Please state...

3. a) As a result of the 6th CPA, it has been suggested that the pharmaceutical wholesalers' profitability may be negatively impacted by as much as \$400m and they could change their trading terms with pharmacists to compensate. Are you planning for this potential change?

- Yes
- No
- I am not aware that there might be a change in wholesaler terms

b) Please comment...

4. a) As a result of Government policy pharmacies will be allowed to discount the patient contribution to a maximum of \$1. Do you intend to apply this discount to patients?

- Yes
 - No
 - Depends
- b) Please comment...

5. a) Would you prefer the number of Medscheck and Home Medications Review to be capped in the 6th CPA?

- Number of Medscheck Yes / No
- Number of Home Medication review Yes / No

b) If yes, at what level?

- Medscheck...
- Home Medication review...

c) Please comment

6. The 6th CPA includes \$50 million for Pharmacy Trial Program for new services. Which type of professional services would you be interested in being trialled? Please rank them in order of importance to you from 1 to 5

7. a) Around the world there are various forms of payment for professional services. For Australia which forms of payment would you support?

Fee for service

A system of payment related to a specific service delivery

No support Strongly support
1 2 3 4 5

Capitation funding

Fixed prepayment depending on the number of patients registered in the scheme

No support Strongly support
1 2 3 4 5

Pay-for-performance

Payment is related to defined measurable health outcomes in the patient

No support Strongly support
1 2 3 4 5

b) Would you prefer these payments to be made through: (tick one only)

- Community pharmacy
- Pharmacist provider
- Combination of A & B
- Other ...

8. a) Should pharmacists delivering professional services receive the same or higher remuneration than dispensing pharmacist?

- Same
- Higher

b) If answered higher by

- 10%
- 20%
- 30%
- Other %

Sixth Community Pharmacy Agreement (6CPA)

9. Should the additional requirements support for professional services be in the form of;

- Clinical training Yes / No
- Accreditation Yes / No
- Program tools Yes / No
- Standards of practice Yes / No
- Additional pharmacist Yes / No
- Implementation support Yes / No
- Consumer marketing and promotion Yes / No

10.a) Do you support having pharmacist working in GPS surgeries? (yes/no)

b) If answered yes;

- On a sessional basis by local community pharmacists Accreditation
- Employed pharmacist by the GP surgery

11. a) A number of reviews have been agreed as part of the process of the 6th CPA. How do you feel about the following issues?

Changes to Location Rules

Not concerned Very Concerned
1 2 3 4 5

Wholesaler remuneration

Not concerned Very Concerned
1 2 3 4 5

Evaluation of 5th agreement professional services

Not concerned Very Concerned
1 2 3 4 5

b) Please comment

12. What is your level of satisfaction with the 6th CPA on an

a) Economic level?

Strongly Dissatisfied Neutral Strongly Satisfied
1 2 3 4 5 6 7 8 9 10

b) Professional level?

Strongly Dissatisfied Neutral Strongly Satisfied
1 2 3 4 5 6 7 8 9 10

13. How do you feel about the future of community pharmacy after the signing of the 6th CPA.

- More secure
- About the same
- Less secure

Members of the UTS Community Pharmacy Barometer Expert Panel



Professor Shalom (Charlie) Benrimoj
Head, GSH & Professor of Pharmacy Practice

University of Technology Sydney and Emeritus Professor, the University of Sydney. Professor S.I. (Charlie) Benrimoj B.Pharm (Hons), Ph.D. F.P.S., FRPSGB, FFIP is Head of the GSH University of Technology Sydney 2011 to present). He was the Foundation Professor of Pharmacy Practice, Dean of the Faculty of Pharmacy and Pro-Vice Chancellor (Strategic Planning) University of Sydney. He is a visiting professor at the University of Granada. He graduated with B. Pharm. (Hons) 1976, followed by completion of a Ph.D. 1980, University of Bradford, U.K. His research interests encompass the future of community pharmacy and professional cognitive pharmaceutical services from community pharmacy. These include the provision of drug information to consumers, clinical interventions, patient medication reviews, disease state management systems, Pharmacy and Pharmacist only medications, change management and international pharmacy practice. Research interests involve the clinical, economic and implementation aspects of cognitive pharmaceutical services from community pharmacy in current and emerging health care systems. He has published over 140 papers in refereed journals, 20 major research reports and presented and co-authored 200 conference presentations. He has co-authored a book "Community Pharmacy: Strategic Change Management" (2007). He was the Australian Pharmacist of the year in 2000. He was awarded the Andre Bedat 2010 by International Pharmacy Federation (FIP). He was elected a Fellow of three distinguished international and national societies in 2008 - Pharmaceutical Society of Australia, 2008 - Royal Pharmaceutical Society of Great Britain, 2007 - International Pharmacy Federation.



UTS Adjunct Professor John Montgomery

John Montgomery has over 35 years' experience in the pharmaceutical industry including the US, UK, Australia and Japan. John was CEO of Alphapharm and Regional Director, Asia Pacific for Merck Generics, and then President, Mylan Asia Pacific from 1999 to 2010. Since then, John was General Manager of Pfizer Established Products for Australia and NZ and then Managing Director of STADA Pharmaceuticals Australia. Before Alphapharm, he spent 20 years with Warner Lambert in a variety of roles including Regional President Australia and NZ. He was Chairman of the Generic Medicines Industry Association (GMiA) for 5 years.



Warwick Plunkett

Director and Immediate Past-President, Pharmaceutical Society of Australia

Warwick Plunkett is a director of the PSA, having served as National President for the past three years. He is also proprietor and partner in Newport Pharmacy on Sydney's northern beaches, former CEO of Plunkett Pharmaceuticals and a consultant to a pharmaceutical company. As a director of PSA, Warwick has a day-to-day involvement in the broad scope of all matters involving pharmacists but on a personal level he lists his three main areas of interest as being community pharmacy, organisational pharmacy and the pharmaceutical industry. His major achievements include the establishment of the Self Care program, and the unification of PSA.



Mario Saia

State Manager NSW/ACT, Bankwest Business

With a career spanning more than 20 years, Mario has an extensive range of financial experience gained working mostly in Institutional, Corporate and Business Banking, both in Sales and Risk Management. Prior to joining Bankwest as State Manager NSW/ACT in February 2013, Mario held the role of Regional Executive Manager in the Corporate Division of the Commonwealth Bank.



Alan Langford

Chief Economist, Bankwest

Alan Langford joined Bankwest in 1989 as an Economic Research Officer, and was appointed Economist in 1990. Alan provides advice to the Bank on the implications of economic and financial market trends. Alan is actively involved with a number of professional advisory bodies including; State Councilor for the Committee for the Economic Development of Australia (CEDA), WA branch Member, advisory board of the School of Economics and Finance at Curtin University and a Senior Fellow, Financial Services Institute of Australia. Alan holds a Bachelor of Business Degree majoring in Financial Management and Economics from Curtin University, and a Graduate Diploma in Applied Corporate Finance and Investment from the Financial Services institute of Australia (Finsia).

Executive Summary

The UTS Community Pharmacy Barometer™ was created by UTS Pharmacy. It is an ongoing study that will be conducted periodically to track the confidence and opinions of pharmacy owners and employees as well as investigate in depth a current topic. The focussed topic for this study concerns the recently signed sixth community pharmacy agreement (6CPA).

The 5th wave of the barometer was conducted in September 2015, with 201 pharmacist respondents drawn from the IMS Health panel.

Results were:

- > **The UTS Pharmacy Barometer™ score was 93.2 out of 200** (a score of 100 represents neutral confidence) indicating community pharmacy confidence has substantially improved but is still neutral about the future of pharmacy.
- > The overall confidence has increased 12% in the past year. When the Barometer began in 2012 a negative, although fairly neutral Barometer score was recorded (84.8 in wave 1 and 86.0 in wave 2), subsequently a pessimistic turn occurred in the following two years 2013 and 2014, (61.2 in Wave 3 and 68.9 in Wave 4). A year later in this Barometer the score has bounced back to a more optimistic, but neutral stance of 93.2 possibly due to the stabilisation effect of the 6th CPA.
- > Compared to the previous two waves, more pharmacists indicated that they believe the value of their pharmacy in the next year will remain the same (38% in wave 5, up from 27% in wave 4 and 24% in wave 3), or will increase in value (19% in wave 5, up from 11% in wave 4 and 6% in wave 3) while less believe their pharmacy will decrease in value (36% in wave 5, down from 57% in wave 4 and 63% in wave 3).

- > Pharmacists' predictions of the value of their pharmacies in three years' also showed increased optimism with more pharmacists believing their pharmacies will remain the same (26% in wave 5, versus 20% in wave 4), will increase in value (22% in wave 5, versus 14% in wave 4), and a marked decrease in those believing their pharmacies will decrease in value (37% in wave 5, versus 58% in wave 4). A 7% increase was also seen in those who were unsure (15% in wave 5, versus 8% in wave 4).
- > Pharmacists who predicted their pharmacies would increase in value in the coming twelve months believed on average the value increase would be 13.1%, an improvement compared to 9.7% in wave 4.
- > A bounce back was also seen by those that predicted their pharmacies would decrease in value expected in the next twelve months with a predicted average decrease of -14.8%, compared to -17.7% twelve months prior in wave 4.
- > The expected change in value of their pharmacy in three years' time, by pharmacists' who believe their pharmacies will increase in value, has remained fairly stable (16.1% wave 5 versus 16.8% in wave 4). However there was a reduced expected decrease in value of pharmacies in three years by those that predicted their pharmacies would decrease in value, -18.1% in wave 5 versus -23.8% in wave 4.

Executive Summary

- > Almost all respondents identified professional services and increasing patient focus (including fostering pharmacist-patient interaction and advice) as the greatest opportunities for community pharmacy over the next three years.
- > Overall pharmacists were fairly neutral (mean of 6.15 out of 10 (SD: 2.17)), about the 6CPA dispensary remuneration change, from a mark-up to a fixed administration and handling and infrastructure fee. There needs to be further education and information so that pharmacies fully understand the value of the changed remuneration model as negotiated in the 6th CPA.
- > The majority of pharmacists were either neutral (57%) or not likely to change their business model (10%) as a result of the 6CPA. On the contrary about a third are likely to change (33%).
- > Pharmacists indicated the direction of a business model change as strongly orientated towards a health destination service based model (82%), over a dispensary based model (18%), or a discount model (9%).
- > Despite a large number of pharmacists indicating a lack of knowledge around the potential loss of wholesaler profitability under the 6CPA, 41% of pharmacists stated they are planning for potential changes, while 38% were not aware and 20% were aware, but not planning for changes.
- > Only a small percentage of pharmacists (18%) intend to apply the \$1 discount allowed on the patient contribution at this stage and a proportion of these were not embracing the change voluntarily, but felt they were being pushed by discounters. The most common response was "depends" (49%), with comments also suggesting they did not want to implement the discount, but due to the competitive environment felt they may be forced. Over a third of pharmacists (32%) stated they would not implement the discount.
- > The majority of pharmacists believed there should not be a cap on the number of MedsChecks (62%) nor HMRs (63%). Out of those who preferred a cap the mean suggested number for a cap was 19.33 (SD: 14.60) for MedsChecks and 17.43 (SD: 12.55) for HMRs.
- > Pharmacists support was fairly evenly spread across all forms of payment for services, 3.97 out of 5 for fee-for-service, 3.05 for capitation funding and 3.06 for pay-for-performance.
- > Pharmacists showed greater support for services payment to come through community pharmacy agreements (42%), than via direct pharmacist provider payments (18%), although pharmacists also appeared enthusiastic about a combination system or a mixed model (40%).
- > Almost two thirds of pharmacy managers/pharmacists-in-charge (66%) and employed pharmacists (61%) believe pharmacists delivering professional services should receive higher remuneration than dispensing pharmacists. This figure was lower for owner/owner managers, but still more than half (51%) believed service providers should receive greater remuneration.
- > The most common percentage increase in remuneration by those who believed service providers should receive greater remuneration was 20% (43% of respondents), closely followed by a 30% increase (35% of respondents).
- > Pharmacists clearly indicated additional requirements should be provided to support professional services with strong support for implementation support (93%), program tools (91%), standards of practice (91%), clinical training (89%), consumer marketing and promotion (89%), and although less support, accreditation (72%) and additional pharmacists (69%) were also sought.
- > The concept of pharmacists working in medical practices was supported by all pharmacy types (65% owners/owner managers supported, 71% of pharmacy managers/pharmacists-in-charge, and 67% of employed pharmacists).
- > Opinion was split on a local community pharmacist working on a sessional basis or a pharmacist being employed by the GP surgery. It appears both models should be trialed.
- > Concern was felt for all of the three issues raised for review as part of 6CPA (changes to location rules, wholesaler remuneration and evaluation of the 5th agreement professional services), with a score between three and four (1 being not concerned and 5 being very concerned).
- > More than three-quarters (77%) of all pharmacists are neutral, neither satisfied nor dissatisfied about the 6CPA on an economic level. Only one in seven pharmacists (13%) are satisfied and one in ten (10%) are dissatisfied.
- > Similarly almost three-quarters of pharmacists expressed a neutral (74%) opinion on their satisfaction with the 6CPA on a professional level. Only 19% of pharmacists are satisfied and 7% dissatisfied.
- > Approximately 2/3 of all pharmacists (60%) felt the same level of security about the future of community pharmacy after the signing of the 6CPA, almost one quarter of pharmacists (22%) felt more secure and 18% felt less secure.
- > The feeling of increased security is particularly strong amongst owners/owner managers (25%), a little less common for pharmacy managers/pharmacists-in-charge (23%), and less again for employed pharmacists (14%).

"I feel there are three key points from this wave of the Barometer (1) confidence is up, (2) pharmacists are feeling more secure and (3) they feel that their pharmacies will be worth more than before. Whether this is sustainable is another matter, but for the moment they're feeling better about things."

John Montgomery

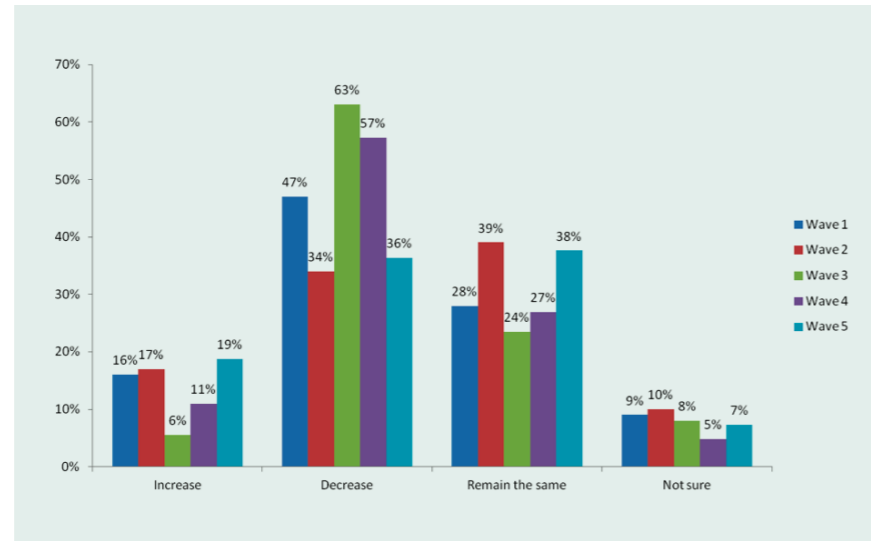
“Will the value of your pharmacy increase, decrease or remain the same at one year and three years from now?”

Expert commentary

“No light at the end of the tunnel...at least not yet...but most appear to see stability back in the market for the next 5 years.”

Warwick Plunkett

Figure 1: Expected value of pharmacy in the next year



* Note: Answered only by Owners, Owner managers, Pharmacy managers and Pharmacist-in-charge; n=165

Wave 5 of the UTS Community Pharmacy Barometer™ shows a marked change in pharmacists’ belief on the value of their pharmacy in the next year, with an optimistic shift from that seen in the previous two years (waves 3 in 2013 and wave 4 in 2014). More pharmacists (owners, owner managers, pharmacy managers and pharmacists-in-charge) are indicating that they believe the value of their pharmacy will remain the same (38% in wave 5, up from 27% in wave 4 and 24% in wave 3) or increase in value in the next year (19% in wave 5, up from 11% in wave 4 and 6% in wave 3), and less believe the pharmacy will decrease in value (36% in wave 5, down from 57% in wave 4 and 63% in wave 3). The percentage who are unsure has remained fairly stable, currently at 7%.

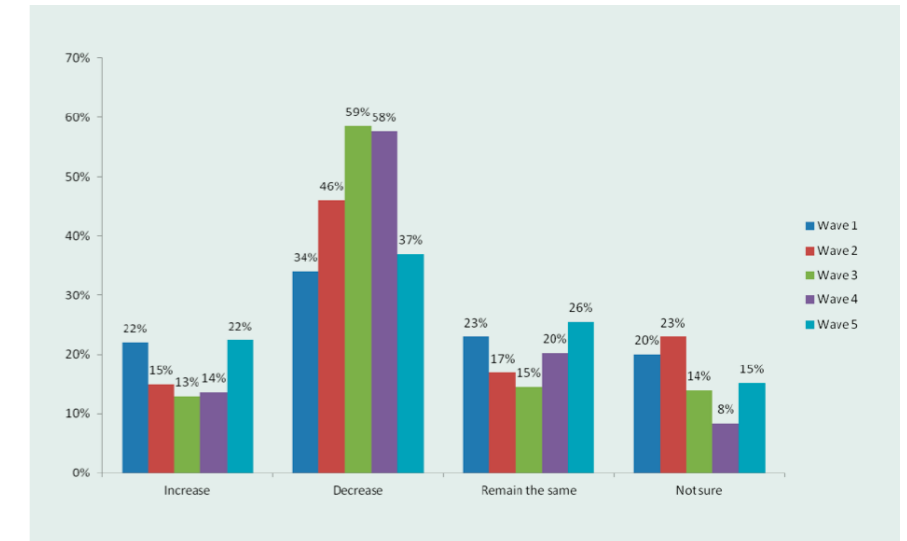
The most dramatic change is 19% fewer pharmacists believe their pharmacy will decrease in value in the proceeding twelve months compared to wave 4. It is unclear whether this is because their pharmacies have already decreased in value and are now stabilising, or there is a general stabilisation of the pharmacy market place. Either way it appears pharmacists feel more stable and secure in their financial situation in the following twelve months.

Expert commentary

“The agreement appears to have created a relief rally, in that dispensing remuneration has been fixed, but maybe the services side is still somewhat of a mystery.”

John Montgomery

Figure 2: Expected value of pharmacy in the next three years



* Note: Answered only by Owners, Owner managers, Pharmacy managers and Pharmacist-in-charge; n=165

Pharmacists’ predictions of the value of their pharmacies in three years’ time follows the trend of greater optimism expressed for twelve months. There was an increase in the percentage of pharmacists who believed their pharmacies will increase in value (22% in wave 5, versus 14% in wave 4), also an increase in those that believe their pharmacies will remain the same (26% in wave 5, versus 20% in wave 4) and a marked decrease in those believing their pharmacies will decrease in value (37% in wave 5, versus 58% in wave 4). A 7% increase was also seen in those who were unsure (15% in wave 5, versus 8% in wave 4) perhaps due to the uncertainty of the impact of a new agreement.

The terms in the 6CPA appears to have provided financial security or at least stability for pharmacies for the time being. The new dispensing remuneration arrangement has stabilised the market. This has resulted in a large number of pharmacists who believed their pharmacies would lose value in the previous two waves (59% in wave 3 and 58% in wave 4), as a result of price disclosure and the loss of profits from the dispensary, has now reduced (37% in wave 5). The increase in those that are unsure may indicate that there is still uncertainty around the full implications of the agreement at this stage. The shift looks to be from those that believe their pharmacies will remain the same in twelve months to being unsure at three years’ time and therefore it may suggest that there is lack of confidence around the sustainability of the terms over the duration of the agreement as changes were imposed midway through the fifth agreement.

Expert commentary

"It appears that pharmacists are feeling reasonably stable with regard to their dispensing income with a minimum base. Breathing a sigh of relief that major income source is stable. However, it will be interesting to see how the discounting business model reacts to this new agreement and environment."

Charlie Benrimoj

Figure 3: Average changes in value expected in the next year

		Wave 1	Wave 2	Wave 3	Wave 4	Wave 5 (n=31)
Expected value of pharmacy will INCREASE in the next year	Maximum	30%	30%	50%	50%	50%
	Mean	15%	10%	17%	9.7%	13.1%
	Minimum	2%	0%	2%	0%	0%
		Wave 1	Wave 2	Wave 3	Wave 4	Wave 5 (n=60)
Expected value of pharmacy will DECREASE in the next year	Maximum	-40%	-50%	-90%	-61%	-95%
	Mean	-16%	-17%	-20%	-17.7%	-14.8%
	Minimum	-5%	0%	0%	1%	0%

The average expected change in value of pharmacies in the next year has slightly improved. Those pharmacists that predicted their pharmacies would increase in value in the coming twelve months believed on average the value increase would be 13.1%, which is an increase compared to 9.7% in wave 4 (2014). Similarly those that predicted their pharmacies would decrease in value in the next year, expected on average the percentage value decrease to be -14.8%, which is less than twelve months ago (-17.7% in wave 4).

It appears pharmacists are feeling more financially secure after the signing of the sixth agreement. Pharmacists appear to see that there is greater potential to increase the value of the businesses or at least, if their pharmacies are to decrease in value, the decrease in value will be less.

Expert commentary

"Financial situation appears to be stabilising, however there is still a downwards trend in the predicted value of pharmacies. Is this a false sense of security and what will be the impact of the possible \$1 discount?"

Charlie Benrimoj

Figure 4: Average changes in value expected in the next 3 years

		Wave 1	Wave 2	Wave 3	Wave 4	Wave 5 (n=37)
Expected value of pharmacy will INCREASE in the next year	Maximum	50%	30%	50%	65%	100%
	Mean	18%	15%	17%	16.8%	16.1%
	Minimum	5%	7%	3%	2%	1%
		Wave 1	Wave 2	Wave 3	Wave 4	Wave 5 (n=61)
Expected value of pharmacy will DECREASE in the next year	Maximum	-50%	-60%	-90%	-50%	-95%
	Mean	-19%	-20%	-24%	-23.8%	-18.1%
	Minimum	-5%	-4%	-1%	5%	0%

The expected increase in value of their pharmacy in three years' time, by pharmacists who believed their pharmacies will increase in value, has remained fairly stable (16.1% in wave 5 versus 16.8% in wave 4). However, pharmacists who predicted their pharmacy will decrease in value in three years' time expected the percentage decrease to be -18.1% in wave 5 versus -23.8% in wave 4, another indication of stability. This reduced decrease in value may indicate pharmacists are seeing the new agreement as offering greater financial stability. In addition in wave 4 there was a fourfold greater number of pharmacists who believed their pharmacies would decrease in value compared to those who believed they would increase. In the current wave 5 this margin has reduced by almost half.

The view from pharmacy

Pharmacists were asked to indicate the reasons for their predicted change in value of their pharmacy.

Predicted an increase in value

The most prominent themes for those that predicted an increase in value were:

- > Location/demographics of pharmacy
- > Increase in dispensing remuneration in 6CPA
- > Connections for residential care or medical centres
- > Professional services
- > Public awareness of services

"Suburb with lots of new families and always new housing coming up"

"Professional services, opening of medical centre, major residential complex being built"

"Integration with medical practise and focus on HMR"

"New pharmacy services roles and funds available through 6CPA"

"Implementation of professional services focused on customer's health issues"

"More payment from professional services and the indexation of the dispensing fees"

"New dispense fees increasing profitability short term"

"Very minimal new approval numbers and plenty of graduates"

"General raise in the business value plus upgrade of the pharmacy role in the society"

"Reduction of rent and expenses by \$350k to increase EBIT [earnings before interest and taxes]"

"Being a big group, the strong buying power can make the difference"

"Solid business model, independent of PBS funding"

"Increased opportunity to tap into pharmacy services"

"Consumers are more health conscious, accessibility to speaking to a pharmacist or trained assistant is easier than waiting 3 hours at a medical centre for a doctor/minor health ailments."

"AHI and professional programs remuneration"

Predicted a decrease in value

The most prominent themes for those that predicted a decrease in value were:

- > Uncertainty surrounding stability of 6CPA
- > PBS cuts
- > Reduced medication pricing (price disclosure)
- > Competition, particularly from discounters

"6CPA very untrustworthy due to unstable government"

"As the length of a Pharmacy Agreement shortens, uncertainty increases"

"Further declining PBS revenue. Government can change and further not fund agreements. 6CPA does not have any direction where money will be spent in the second half"

"NHS will continue to reduce. Current figures show 20% increase in script numbers and a 10% reduction in NHS return. This trend will continue due to PBS reforms and the new agreement will not make up the difference so price based on ROI must lead to value decrease"

"Reduced remuneration from dispensing of prescriptions. Effort and staff commitment is involved in implementing the professional services and it is hard to motivate the staff"

"\$1 discount on claimable prescriptions and further price reductions"

"I don't think it will change a lot, but I think if there is any movement it is on the downside. I think the effects of price disclosure will further erode dispensary returns which is the main profit area of the pharmacy"

"Reduced profitability of drugs due to Price Disclosure. Reduced customer numbers \$1 discounting of co-payment script costs being introduced increasing expense base not matched by an increase in income"

"Decrease in net profit due to the reduction in PBS remuneration combined with a fear that my pharmacists struggle with the concept of a dramatic change in their role"

"There will be no new molecule on PBS! The current molecule prices will be cut six times per year"

"Decreasing PBS revenue, increasing costs of operation and intensifying competition"

"Increase competition from discount pharmacies"

"Larger pharmacies taking over due to buying power"

"We are still in the phase of getting paid less for doing the same or even more work"

“On a scale of 1 to 10 where 1 is extremely pessimistic and 10 is extremely optimistic, how confident are you in the future viability of community based pharmacy?”

Confidence in the Future

Expert commentary

“A clear bounce in confidence, but still a lot of pharmacists sitting on the fence.”

John Montgomery

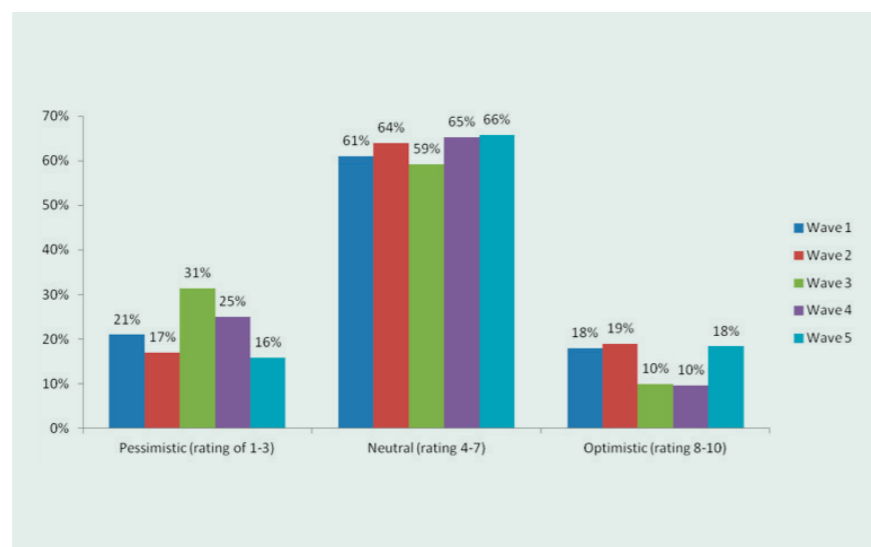
“The mass of pharmacists have not changed their views due to the agreement but certain groups feeling happier. The 6th agreement appears to keep owners happy but has not affected the views of employees. In the long term owners are dependent on employee satisfaction!!!”

Charlie Benrimoj

“Most appear not to see the 6CPA to be big step forward for expansive growth, but rather stabilisation.”

Warwick Plunkett

Figure 5: Pharmacists confidence in the future viability of community-based pharmacy (n=201)



Since October 2014 there has been an 8% shift of pharmacists' confidence in the future viability of community-based pharmacy. The pessimistic ratings between 1 and 3 have decreased (16% in wave 5 down from 25% in wave 4), and optimistic scores between 8 and 10 have increased (18% in wave 5 up from 10% in wave 4). Neutral ratings between 4 and 7 have remained largely constant increasing 1% from wave 4 (65%) to wave 5 (66%).

On average the overall confidence was 5.6, returning to a similar level of confidence to that seen three years ago prior to price disclosure, wave 1 (5.4) and wave 2 (5.7). After price disclosure there was a decrease in overall confidence in wave 3 (4.8), and wave 4 (5.05). It is pleasing to see confidence is being restored in the community pharmacy profession, however overall the low confidence may be having negative consequences for new entrants (students) to the profession, those choosing to select community pharmacy as a site for their professional practice, and for new buyers of community pharmacies.

There was a trend for employed pharmacists to have lower confidence in the future viability of community pharmacy (4.92) compared to pharmacy manager/pharmacist-in-charge (5.75) and owner/owner managers (5.86). The main message of the sixth agreement has been that it has successfully fixed issues associated with dispensary remuneration.

UTS Community Pharmacy Barometer™

Expert commentary

“Marked increase in confidence to a record level, however it is from a relatively small number of people and the majority of pharmacists are neutral and see no difference or great awakening.”

John Montgomery

“We're seeing an increase in confidence and an increase in security in the future, but it appears all linked to security around dispensary income. When you consider services, there is a feeling they are almost starting to forget about them again, as they feel more secure again with their dispensary remuneration. Pharmacy owners feel more secure, whilst employed pharmacists aren't concerned as more income coming into the dispensary doesn't directly affect their wages or position.”

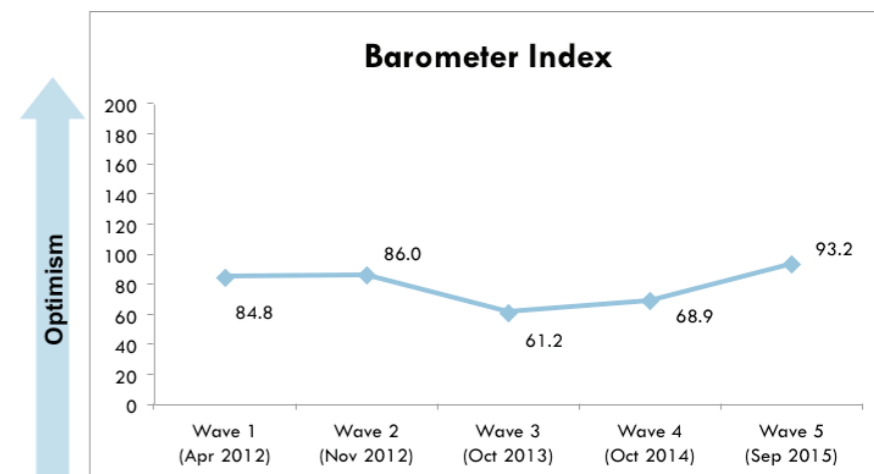
Warwick Plunkett

“One observation is the high level of neutral respondents and indication of focus on dispensing income streams only.

A question arises on how many Pharmacy owners engage with advisors and industry bodies to proactively understand and manage key issues and challenges with the 6CPA now in place? What opportunities are they missing?”

Mario Saia

Figure 6: UTS Community Pharmacy Barometer Index (n=137)



Pharmacists' confidence has increased in the past twelve months with the UTS Community Pharmacy Barometer™ score increasing to a record high of 93.2 out of 200. When the Barometer began in 2012 a slightly negative, although fairly neutral Barometer score was voiced by the profession (84.8 in wave 1 and 86.0 in wave 2). Subsequently a pessimistic turn occurred in the following two years (61.2 in Wave 3 (October 2013) and 68.9 in Wave 4 (October 2014)). In this latest Barometer the score has bounced back to a more optimistic, but neutral stance of 93.2. One can conclude that the 6th Agreement has had a positive effect on the confidence in community pharmacy. Nevertheless a large percentage of the survey population remain neutral in their position

“Where do you see the greatest opportunities for community pharmacy over the next three years?”

The Focus Topic: 6CPA

Expert commentary

“It is early days for the agreement, as the new services have not really been outlined yet, what services are going to be remunerated and at what level etc., except now there is double the money allocated for services, so the intent of the agreement is to take pharmacy more down the services route, but that is not clearly reflected in the responses.”

“The primary message from pharmacy owners is that their financial security has improved. A secondary message is that while there is more money for services, how it will be used is unknown and therefore uncertainty exists.”

Warwick Plunkett

“Services as the major business and professional opportunity have consistently been identified by respondents to the UTS: Pharmacy Barometer. However the challenge of perceived inadequacy of the remuneration and the challenge of implementation process have not been overcome by professional organisation and individual pharmacists.”

Charlie Benrimoj

“The implementation of the 6CPA is stated as giving elements of improved financial certainty for pharmacy. When viewed in conjunction with the current financial climate of record low interest rates in a challenging business environment, opportunities will emerge. One part is for existing owners to both consolidate and expand, and the other being the 1st time potential Pharmacy owners looking for that initial purchase.”

Mario Saia

Almost all responses identified professional pharmacy services and growing the patient focus (including increased pharmacist-patient interaction and advice) as the greatest opportunities for community pharmacy over the next three years. This sentiment has been increasingly expressed across all waves of the UTS Community Pharmacy Barometer. Pharmacists mentioned increasing the services currently being funded in the sixth agreement (i.e. improving and increasing those that are being carried over from the fifth agreement such as MedsChecks, medication reviews, staged supply, dose administration aids and clinical interventions). Other services specifically mentioned included vaccinations, BP/cholesterol/coagulation monitoring, health checks, screening services, medication management, asthma management, expanded diabetes services, sleep apnea, weight management, smoking cessation.

Other opportunities encompassed growing S3 medicines, front of shop, natural health, primary care and minor ailment schemes, wound management, compounding and working with the medication profession. A small number of pharmacists continued to see opportunity in increasing dispensary income through new medications and the ageing population. Responses also included comments by those who saw no opportunities over the next three years.

Expert commentary

“The current situation and model has been stabilised. Had it not, the consequences could have been disastrous, but no future for the type, quality and quantity of services has yet to be created in the agreement. The government is clearly pushing for the integration of community pharmacy services into primary health care. It is now for the profession to engage other primary health care providers and propose the type of integration that would benefit patients and the profession.”

Charlie Benrimoj

Background

The viability of Community Pharmacy relies heavily on the Community Pharmacy Agreements, which are negotiated by the Pharmacy Guild of Australia and the Australian Government, Department of Health, every five years. Traditionally community pharmacy agreements are largely based around dispensing fees and mark-up of pharmaceutical care benefits. In the past these agreements permitted generous trading terms with pharmaceutical suppliers. Following the fifth agreement the government introduced a number of policies including Expanded and Accelerated Price Disclosure (EAPD) which had obvious negative impacts on the commercial future of the industry. In addition as part of the fifth agreement dispensing fees were frozen. However, separate to dispensing remuneration each agreement has seen an increased shift of funds being allocated to the remuneration for professional pharmacy services. The sixth agreement was seen by many stakeholders as critical to the future economic viability and professional identity of the profession.

In June 2015 the sixth CPA was signed. Key elements of the agreement included

- > A modification in the payment method for dispensing, from a dispensing fee + mark-up to dispensing fee + fixed administration and handling & infrastructure fee
- > The Community Services Obligation will continue, but remains fixed without indexation
- > An additional \$600 million of funding is to be provided for professional pharmacy services, with \$50 million for a Pharmacy Trial Program for new services
- > A number of reviews have been agreed on
 - Location rules
 - Wholesaler remuneration
 - Evaluation of 5CPA professional programs

Separate to the agreement pharmacies will be allowed to discount patient contribution by \$1.

A significant impact of the changes was stabilisation of pharmacies' dispensary remuneration. The remuneration was separated from medicine pricing. In addition the increase in funds allocated for professional pharmacy services continued into the sixth agreement. An additional \$600 million has been given to professional pharmacy services, taking the total up to \$1.2 billion. The continuation of services funded under the fifth agreement will receive \$600 million, while the remaining funding is yet to be allocated. However, a number of negotiations are to take place as the 6th CPA may be changed, if both parties agree. The remuneration associated with dispensing fee has been set and there appears to be stabilisation of pharmacies' viability for the next five years, however a future plan for services remains to be obvious.

“The method of payment for dispensing has been essentially changed away from a dispensing fee + mark-up to dispensing fee + fixed administration and handling & infrastructure fee. What is your opinion of the change?”

“As a result of the 6th CPA, how likely is it that you will make changes to your business model?”

Expert commentary

“Huge bolus of pharmacists appears neutral about all of this, either don't understand, unsure/unconvinced or unmoved. Are the middle two thirds so entrenched in their views, that no matter how it is sold they're going to be unmoved?”

John Montgomery

“If the large neutral, middle group is not moved, the profession cannot move forward. The Pharmacy Guild's main message appears to be the stabilisation of dispensing income and that is understandable. However they may need to explain the paradigm shift more clearly to accelerate the move to services.”

Charlie Benrimoj

“The owners recognise dispensing fees as being more important and maybe understand better the difference between the way remuneration will come into the dispensary now versus before and therefore happy it has happened. But I suspect most employees have little interest in this change.”

Warwick Plunkett

Figure 7: Opinion about changes to dispensing method (n=201)

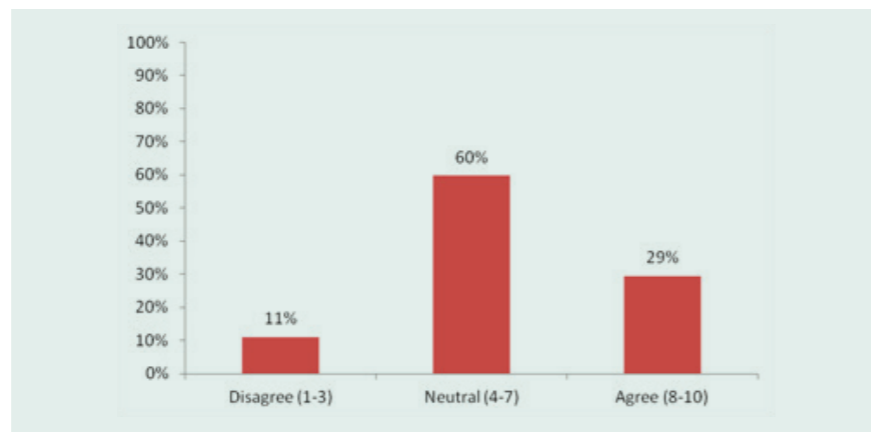
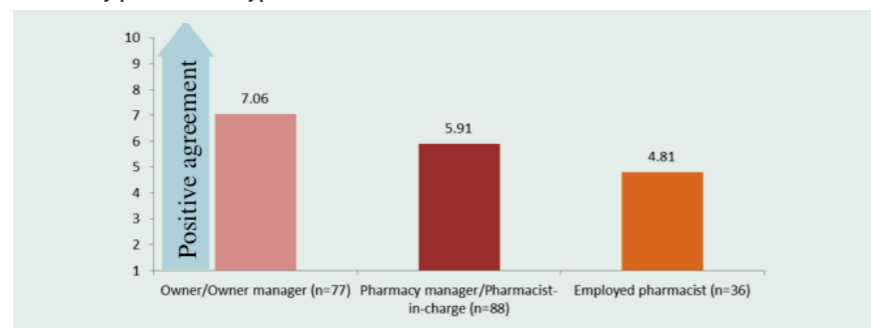


Figure 8: Opinion about changes to dispensing payment method by pharmacist type



Pharmacists were asked their opinion of the changes made to dispensary remuneration under the sixth agreement, from a dispensing fee plus mark-up to a dispensing fee plus fixed administration and handling and infrastructure fee. Overall pharmacists were neutral about the change with a total sample mean of 6.15 out of 10 (SD: 2.17), on a scale from 1 being strongly disagree to 10 strongly agree. Interestingly, there were statistically significant differences in opinions between all pharmacist types, owners/owner managers agreeing more with the change (7.06), to pharmacy managers/pharmacists-in-charge (5.91) and employed pharmacists (4.81). A similar percentage of pharmacists appeared neutral to the change in dispensing remuneration model as was seen in the confidence scores in the future viability of community pharmacy. It appears pharmacists have not fully comprehended the agreement as presenting a step towards the future direction of the profession, with the change in dispensing remuneration, that is the philosophical change through the separation of the cost of the product from professional remuneration and practice. Owners are most positive probably due to the stabilising effect on income.

Expert commentary

“It appears the message is starting to get through with at least a third of pharmacists realising they might have to start reinventing their business model.”

Charlie Benrimoj

“There is an encouraging level of interest in the health destination, service based model, which is great to see.”

John Montgomery

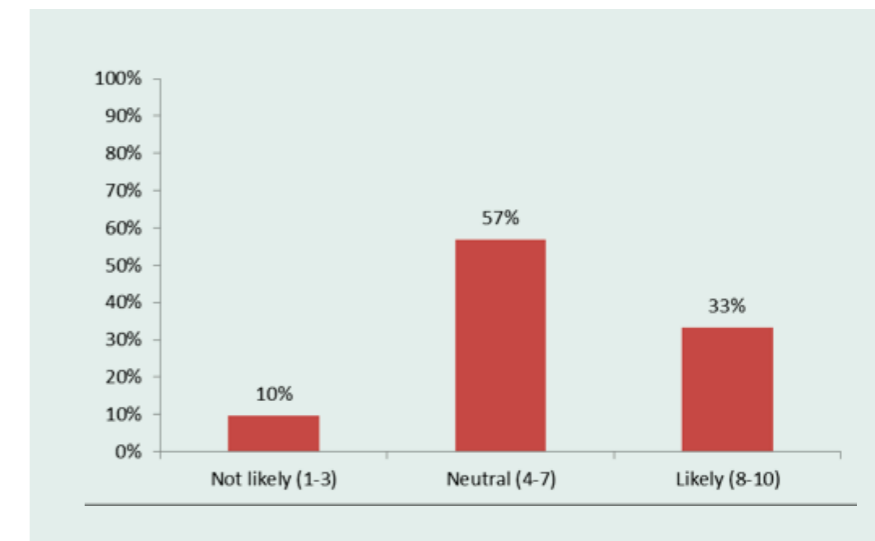
“Examples of proactive pharmacy owners in the market that have adapted with business efficiencies, well executed professional services and front of shop offerings are well positioned. Whilst an element of stability presents with this new agreement, proactive thinking must continue. Inertia within these elements still presents as a significant risk to diluting revenue and profit.”

Mario Saia

“Pressures on the health system from many angles - the ageing of the population chief among them - provide plenty of scope for community pharmacies to fill an ever widening void in the provision of health services. Not by any means in competition with the rest of the health services industry, but as a vital complementary plank of the broader health system. Results from the barometer indicate a willingness to embrace expansion of services, which is not only desirable, but essential to the long-term viability of community pharmacies. So for the two thirds of respondents that are unwilling to change their business model, they may be putting too much faith in the apparent stabilisation of the dispensing agreement, thereby ignoring potential problems and opportunities alike.”

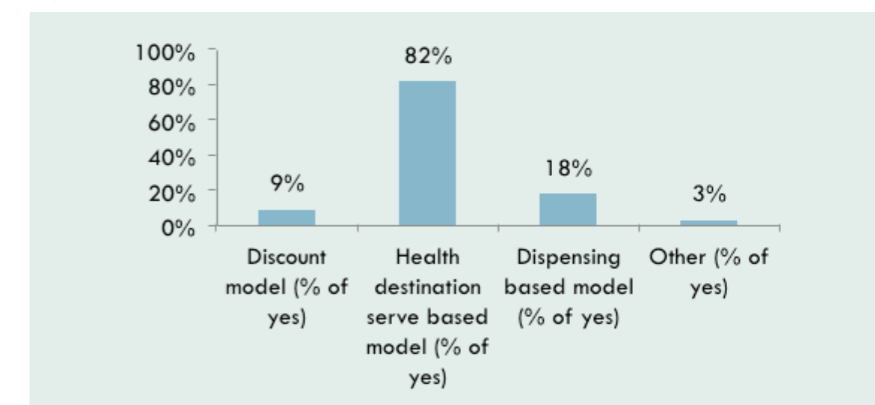
Alan Langford

Figure 9: Likelihood of pharmacies changing their business model



* Note: Answered only by Owners, Owner managers, Pharmacy managers and Pharmacist-in-charge; n=165

Figure 10: Direction of business model change



* Note: Answered only by those who answered 5 or more to question 9a; n=142

The vast majority of pharmacist owners/owner managers and pharmacy managers/pharmacists-in-charge are either neutral/unsure (57% rated their likelihood of changing as 4-7) or not likely to change their business model (10% rated 1-3). However, almost one third of pharmacists believe they are likely to change their business model (33% rated 8-10) and for those likely to change, the change was strongly orientated towards a health destination service based model (82%), rather than a dispensary based model (18%), or a discount model (9%).

There were no statistical differences between owner/owner-managers (6.55) and pharmacy-manager/pharmacist-in-charge (6.49).

“As a result of the 6th CPA, it has been suggested that the pharmaceutical wholesalers’ profitability may be negatively impacted by as much as \$400m and they could change their trading terms with pharmacists to compensate. Are you planning for this potential change?”

Expert commentary

“Many pharmacists appear unaware of the potential changes to wholesaler terms, so the question is, if it is to occur and have a negative effect on their businesses how are they going to react?”

Charlie Benrimoj

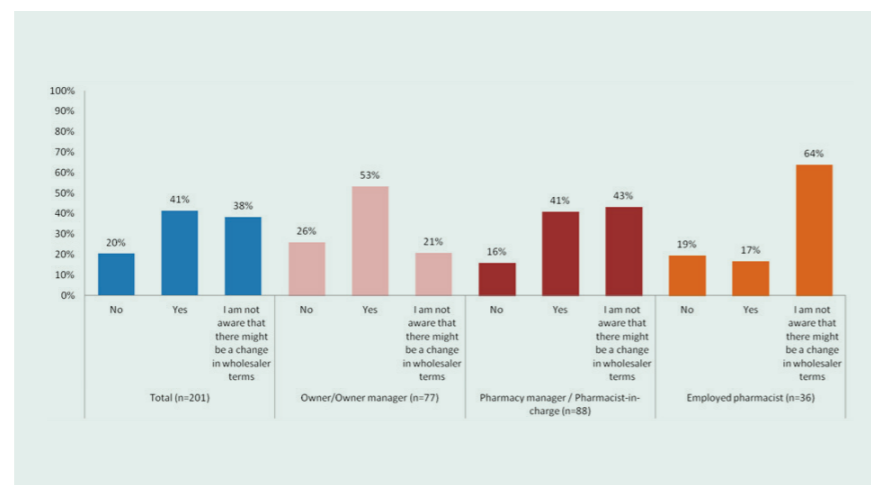
“Pharmacists are passive in their ability to act on potential changes to wholesaler terms, if their rebate is cut, it is cut. Even those that answered that they understood and were planning to change, reflected in their comments that they really had no plan or that they can’t do anything about it.”

Warwick Plunkett

“Pharmacy owners reviewing this feedback should consider aspects of the financial health and robustness of their business. This is an evolving issue with the wholesalers (who have a stated strategy to shift revenue streams away from PBS dependency), but still may impact in the short to medium term. Owners need to consider how efficient their operating model and agreed trade terms are on an ongoing basis.”

Mario Saia

Figure 11: Planning for potential changes in wholesaler trading terms



It has been reported that, irrespective of a planned review, wholesalers may lose up to \$400 million as a result of the 6CPA, due to many factors including a lack of indexation of the \$976 million Community Service Obligation (CSO) pool. To gauge awareness of wholesalers’ loss of profit under the CPA and the potential subsequent changes in their trading terms with pharmacists to compensate for the loss, the question was posed to pharmacists if they were planning or preparing for this potential change. The result shows that 38% of pharmacists are not aware of the issue with wholesalers. A further 20% indicated they were aware of the potential loss of wholesaler profitability, but were not planning for the potential change. Interestingly 41% stated they are planning for this potential change. However, when asked to comment on what changes they were planning, there appeared to be a lack of understanding and clarity.

The view from pharmacy

Pharmacists were asked to comment on whether they were planning for potential changes in wholesaler terms.

Comments from those who were not planning

“There is nothing I can do if the wholesalers change their trading terms.”

“Currently no significant discount in wholesaler terms.”

“At the moment I am unsure how to proceed. There will most likely be a comprehensive review of our pricing structures, the services and products we supply. We have to adapt and try new strategies.”

“Ongoing price reductions are now very small on most items, so impact on wholesalers is less than previously, logically I would expect any changes to trading terms to be minimal.”

Comments from those who were planning

“There hasn’t been enough information given to pharmacists to allow for an informed decision to better prepare ourselves for the negative impact/change.”

“Large banner groups can get better deals direct from suppliers using IT, cutting out wholesaler all together.”

“We will deal with it when we know more about the details”

“Need to find other avenues of income to offset smaller dispensary margins”

“Trying to shift to front of shop, so not so reliant on dispensary.”

“Planning on making S2/3 and front of shop goods a focus.”

“Will no longer receive generous forward charging. Will decrease stock levels and ordering as required to meet cash flow.”

Comments from those who were not aware that there might be changes in wholesaler terms

“So far there has been no indication of changes in wholesaler terms. I’ll re-consider my business with that wholesaler if there’s any drastic changes.”

“Will need to replenish stock every day rather than to order in bulk in advance.”

“No idea about this change.”

“I will wait and see what changes from the wholesaler before I decide what to do.”

“Wholesalers change their terms regularly and we have to be able to cope with this. Profit margins are constantly eroded, so efficiency and hard work are always important. Staff are reduced to bare minimum, but also customers have fewer services available (e.g. Dosette, delivery, extended counselling)”

“I don’t know what to do.”

“As a result of Government policy, pharmacies will be allowed to discount the patient contribution to a maximum of \$1. Do you intend to apply this discount to patients?”

Expert commentary

“Almost 50% don’t want to do it, unless someone down the road does and then they will be forced to. However still a third are saying they will not implement the discount at this point in time.”

Warwick Plunkett

“At the moment there is a small number of pharmacists saying they will apply the discount to patients, however this number has the potential to spread the discount very quickly as they push others to follow. In one area you might have ten pharmacies and it appears that if one ‘goes’ you might have a domino effect and they all might go too.”

Charlie Benrimoj

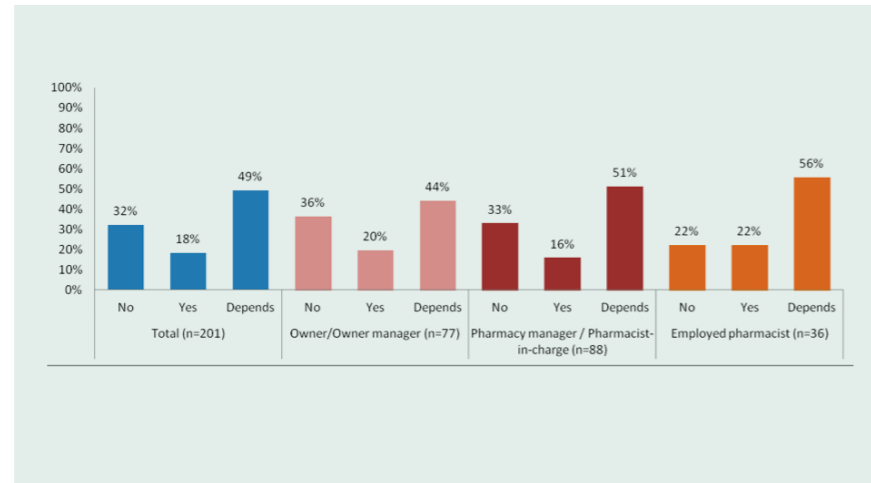
“They are not keen - they are being pushed to do it rather than embracing it voluntarily.”

John Montgomery

“Having a clear plan about how to address and apply (or not) the co-payment is important. Being reactive possibly presents as a risk given the quantum of patients the discount is passed onto, and unnecessary dilution of revenue.”

Mario Saia

Figure 12: Allocation of patient contribution discount



Pharmacies were questioned on their intention to apply the \$1 discount allowed on the patient contribution. The standout result is that only a small percentage of pharmacists intended to apply the discount at this stage (18%). The most prevalent answer was “depends” (49%), with comments suggesting they did not want to implement the discount, but due to the competitive environment they may feel forced. Even those who answered they would implement, were not embracing the change voluntarily, but felt they were being pushed by the competitive environment of discounters. Almost one third of pharmacists (32%) stated they would not implement. Interestingly the strongest no vote was amongst pharmacy owners (36%), compared to pharmacy managers/pharmacists-in-charge (33%) and employed pharmacists (22%).

It appears from the opening commentary that despite only a small percentage saying they would implement the discount to the patient contribution the number could change quickly, forced by local competition. In other words pharmacies expressed concern that if one pharmacy goes down the path they’ll have to go, but only if they are pushed.

The view from pharmacy

Pharmacists were asked to comment on whether they intended to apply the \$1 discount to the patient contribution.

Comments from those who were not planning

“Our turnover is too low to warrant such discounts.”

“Depends how strong we can push professional services.”

“We are service focussed to which we focus on specialised medication supply.”

“We can’t afford to do this.”

“I would rather not, but I think that public pressure will force us to do so.”

“This is going to be major problem for MOST small to medium Pharmacies! Causing a big problem amongst many pharmacies. This is a very bad idea.”

Comments from those who intended to apply the discount to patients

“By the end of the day, people focus more on the price rather than service.”

“I would love not to however if big box discounters (as anticipated) in the local area do then I may have to in some circumstances.”

“Only if they ask for it then I will explain that they may lose out on their safety net card.”

Comments from those who were unsure

“We are already heavily discounted.”

“We might have to if everyone else does.”

“Only to those who will not make the safety net.”

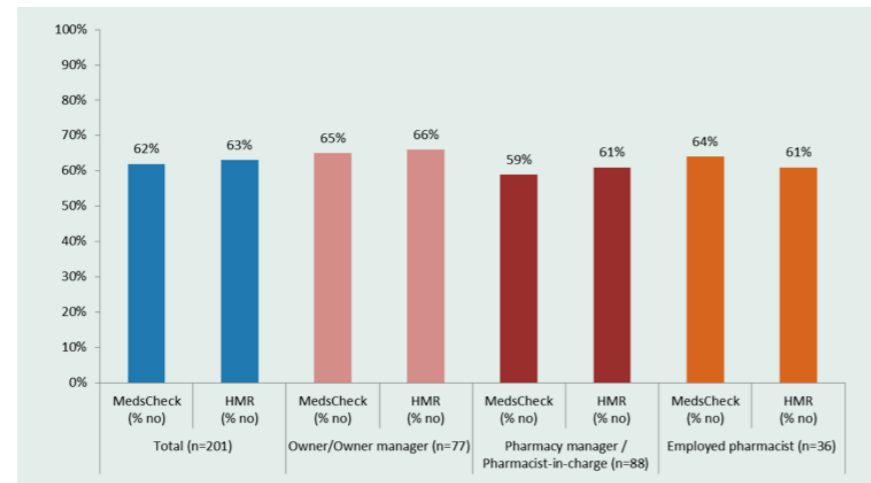
“I do not want to go down the path of discounting because eventually my professionalism will suffer.”

“We do not intend on applying it to S8 meds or Benzodiazepines. We would tie the discount to things like leaving scripts at pharmacy.”

“I can’t afford it and would like not to offer it, but in reality the big stores will offer it from day one and probably advertise it heavily, so if all other stores don’t offer it we will lose patients. I would say within 2 years all pharmacies (excluding regional) will offer it.”

“Would you prefer the number of MedsChecks and Home Medications Reviews to be capped in the 6th CPA?”

Figure 13: Preference for MedsChecks capping



The question was posed to pharmacists whether they would prefer the number of services to be capped in the sixth agreement. In February 2015 the number of medication review services was capped at 10 MedsChecks per pharmacy per month and 20 Home Medication Reviews (HMRs) per accredited pharmacist per month. The majority of pharmacists believed the cap should not continue on the number of MedsChecks (62%) nor HMRs (63%) in the sixth agreement. Conversely, over one third of pharmacists believed a cap should be in place. For those who answered yes in preference for services to be capped, they were asked at what level. For MedsCheck the mean number suggested was 19.33 (SD: 14.60, n=76), and for HMR 17.43 (SD: 12.55, n=74) per month. In other words pharmacists indicated, if capping was to continue, they would almost double the number of MedsChecks, whilst essentially maintaining the same number of HMRs.

The strong vote against a cap may indicate the desire by the profession to move towards professional services, as if a pharmacy is to embrace a service-based business model the pharmacy must remain financially viable and have a significant volume to maintain viability. There was a strong sentiment in the open comments about quality assessment, auditing or a cap being necessary to counter abuse of the arrangement by 'rogue' pharmacies. Therefore the desire to increase the cap to become a viable business venture is needed, but a quality assurance program should be seriously considered.

The view from pharmacy

Pharmacists were asked to comment on whether they preferred the numbers of MedsChecks and HMRs to be capped.

Comments from those who preferred MedsChecks and HMRs to be capped

“Without capping, there are pharmacists who devote a lot of time and energy in generating substantial income from MedsChecks and HMRs even though it may not be all that necessary.”

“Historically these schemes are poorly monitored by Medicare and the value of such interventions is poorly done. If you open the door wide enough and money is involved the less ethical members of the profession will have a field day.

In my opinion there should be spot audits of any pharmacy claiming MedsChecks. This should be done by an impartial pharmacist and those who are not following the guidelines and criteria should not be permitted to carry out MedsChecks for a period time.

The names should also be published on the Pharmacy Council website as a disciplinary item i.e. fraud.”

“Need to be capped and have claims properly scrutinised to stop rogue operators who claim for a MedsCheck for just a few minutes conversation rather than a proper interview. HMR limits should apply to pharmacies BUT be increased for pharmacists who operate in this area.”

“There needs to be a better screening process and not just punching out numbers for dollars. There needs to be a real benefit to the consumer.”

Comments from those who preferred MedsChecks and HMRs not to be capped

“These are an excellent resource for the community, why cap them?”

“There are so many cuts already. We need other avenues to increase our profits. If this is taken away...we will not survive.”

“Capping means limiting health outcomes for patients.”

“Capping these services is like capping number of prescriptions one can dispense each month or capping the number of patients GPs can see. It is completely backwards to long term improvements in patient care and long term cost savings to both the government and the patient.”

“At the end of the day, regulation of this spending was the downfall for pharmacists doing the right thing. If the paper trail of such services were more closely monitored, we wouldn't be in such a situation.”

“The 6th CPA includes \$50 million for Pharmacy Trial Program for new services. Which type of professional services would you be interested in being trialled?”

Expert commentary

“The large number of services proposed is indicative of pharmacists’ awareness of services and reflects the lack of a united strategic position by the profession organisations. There is no clear consensus. In other countries such as the United Kingdom and Spain, there are national policies and agreements on which services should be promulgated by the profession to governments.”

Charlie Benrimoj

“There seems to be a lack of imagination in the services area or to be fair, simply no clear path.”

John Montgomery

“From a Banking and Financial perspective, Professor Benrimoj’s observations resonate as this presents a genuine “what if?” given the potential sustainable fee revenue outcome for Community Pharmacy with strategic direction and execution between all stakeholders.”

Mario Saia

A wide variety of services were listed as options for the Pharmacy Trial Program being financed as part of the sixth Community Pharmacy Agreement. Responses included programs previously or currently being funded, e.g. eHealth, medication management, rural health programs and Aboriginal and Torre Straight Islander program. Other suggestions included services operating in some pharmacies, but are not part of the Community Pharmacy Agreements, e.g. Medication adherence, Monitoring and/or testing services (blood pressure, blood glucose, INR, cholesterol, iron, gluten, atrial fibrillation), wound care, vaccinations, aged care, disease state management (asthma, diabetes, pain, mental health), primary care and minor ailments, patient triage, counselling/advice services on medication and lifestyle, pregnancy and baby services). Few novel or innovative ideas were put forward, but rather what appears to be a desire to expand existing services and receive remuneration.

Ideas that are not currently available, but are being discussed included expanding vaccination services, pharmacists in medical practices, pharmacist prescribing, medication continuation and reconciliation of medicines after discharge from hospital.

“Around the world there are various forms of payment for professional services. For Australia which forms of payment would you support?”

Expert commentary

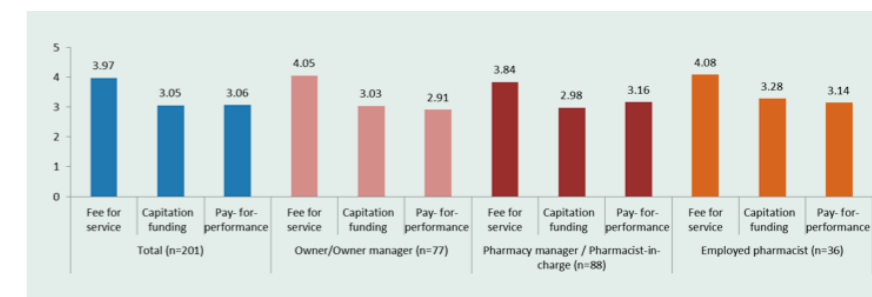
“No strong views, ‘as long as you pay me I don’t really care.’”

Warwick Plunkett

“At the moment essentially all systems are a fee-for-service, while the world is moving towards paying for performance and/or outcomes. Therefore it may be particularly attractive for a government to pay for outcomes. The mixed view expressed by pharmacists here may be due to ignorance of other system or a willingness to get paid, by which ever form.”

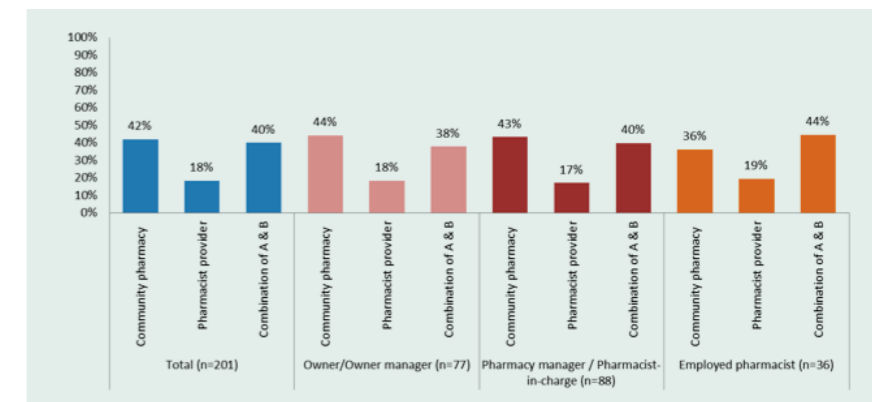
Charlie Benrimoj

Figure 14a: Supported payment forms



* Note: (1) Fee for service: A system of payment related to a specific service delivery; (2) Capitation funding: Fixed prepayment depending on the number of patients registered in the scheme; (3) Pay-for-performance: Payment is related to defined measurable health outcomes in the patient.

Figure 14b: Opinion on where the payments should originate



In light of about \$600 million being set aside for future services pharmacists were asked which forms of payment they would support for professional pharmacy services. The responses indicate that pharmacists support was spread fairly evenly across all forms of payment, 3.97 out of 5 for fee-for-service, 3.05 for capitation funding and 3.06 for pay-for-performance. Currently the system is mainly a fee-for-service model, however the international trend is moving towards, and obviously is attractive for the government, to pay for outcomes and/or performance.

The second part of the question asked pharmacists whether they believed the payment for services should go through community pharmacy agreements, paid direct to pharmacist providers, or a combination. Direct pharmacist provider payments received the lowest support (18%), followed by a combination (40%) and the most support was for through the community pharmacy (42%). The strong support for payment for community pharmacy may not be surprising as the questionnaire was answered only by those working in community pharmacy sector. Nevertheless an interesting finding is that these pharmacists working in community pharmacy, including pharmacy owners and managers, appeared to support a combination system or a mixed model.

“Should pharmacists delivering professional services receive the same or higher remuneration than dispensing pharmacist?”

Expert commentary

“The owners are polarized on this issue. A seminal question for the profession is what is the profession about? Is it a dispensing profession or is it a services profession? At the moment it seems like pharmacists’ opinion on this is split down the middle.”

John Montgomery

“The responses show that there is not yet a strong recognition by most owners of the professional attributes of employee pharmacists beyond dispensing and therefore the contribution that they could make to revenue by the provision of professional services. There is a need for greater commentary by our professional organisations of this additional value some employees can make.”

Warwick Plunkett

“There is one labour agreement and that is it. Now we have half of owners saying they are willing to pay for services, there needs to be a new wage contract for those [pharmacists] who are service providers. At the moment there is no national system to differentiate the capability of individual pharmacists. We would encourage people from professional organisations and unions who are in-charge of organising these contracts to push for a change.”

Charlie Benrimoj

“What additional requirements should support professional services?”

Expert commentary

“Obviously most pharmacies are not ready at the moment for implementing new professional services apart from simply employing another pharmacist.”

Warwick Plunkett

“Pharmacists are calling for an extensive support program to get them through this change. Where should this support emanate from?”

Charlie Benrimoj

Figure 15a: Pharmacist remuneration

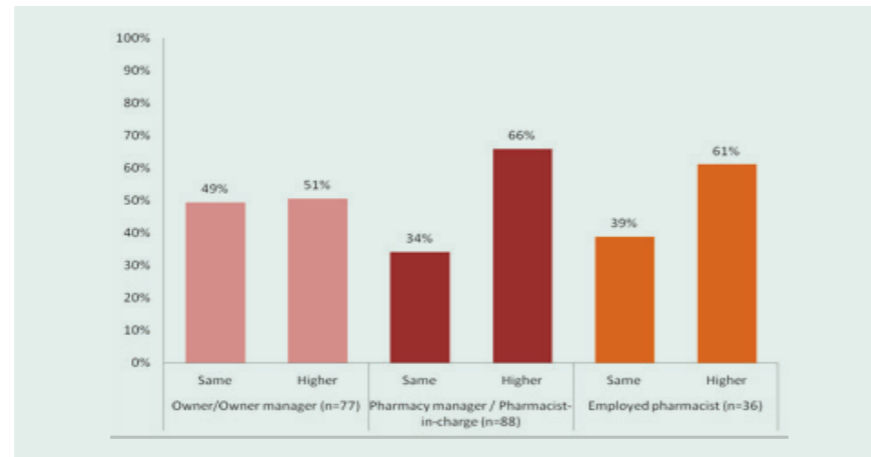
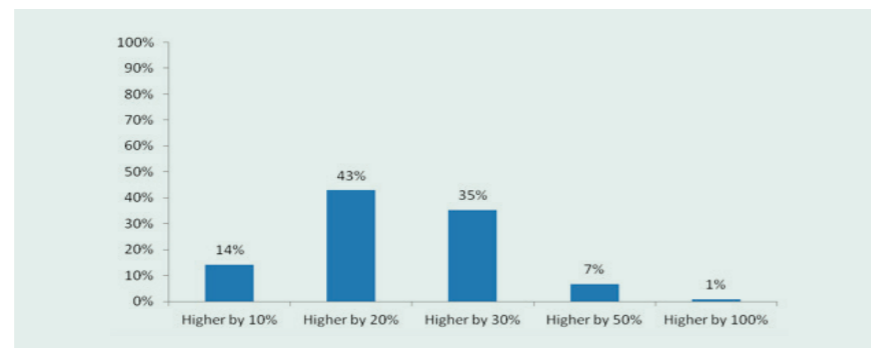


Figure 15b: Percentage pharmacists believe remuneration should be increased

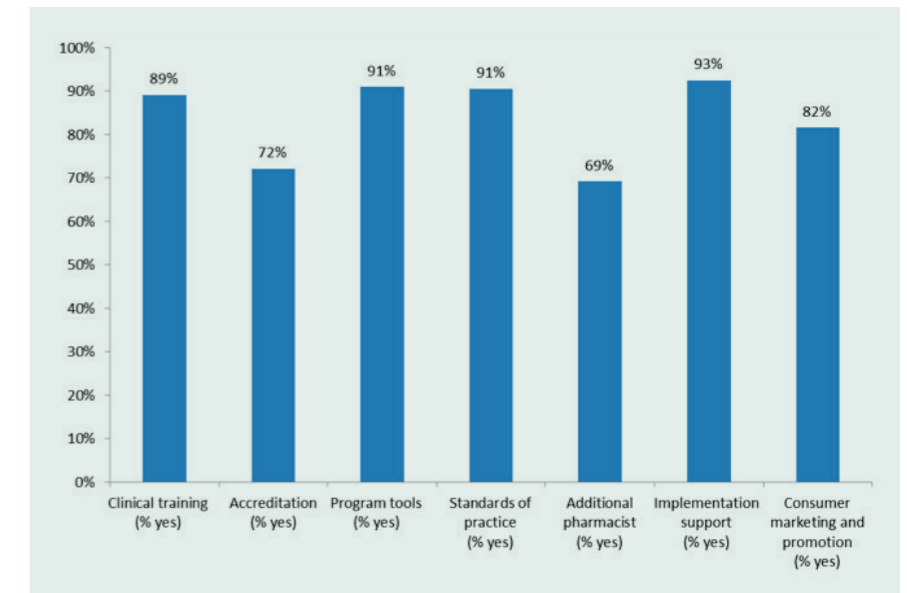


* Note: Answered only by those who answered higher to question 15a; n=119

Unsurprisingly almost two thirds of pharmacy managers/pharmacists-in-charge (66%) and employed pharmacists (61%) believe pharmacists delivering professional services should receive higher remuneration than dispensing pharmacists. This figure was lower for owner/owner managers (51%), but still more than half believed service providers should receive greater remuneration (no statistical differences between pharmacist types). With the existing popular view that there is downward trends in salaries for pharmacists it may be seen as encouraging that half of owners and two thirds of pharmacy managers see service provider pharmacists as adding value and thus deserve to be remunerated. Interestingly, there is a group of employed pharmacists (39%) that are reluctant to being paid more for the provision of services.

Those pharmacists, who answered that pharmacists delivering professional services should receive higher remuneration, were asked the percentage increase they believe these pharmacists should receive. The most common figure was 20% (43% of respondents), closely followed by 30% increase in remuneration (35% of respondents).

Figure 16: Requirements for professional pharmacy service provision (n=201)



Pharmacists clearly indicated they believe additional requirements should be provided to support professional services. There was strong backing for implementation support (93%), program tools (91%), standards of practice (91%), clinical training (89%), consumer marketing and promotion (89%), and although less support, accreditation (72%) and additional pharmacists (69%) were still sought.

It appears pharmacists are asking for help to introduce and integrate professional services into their practice. It has been widely acknowledged that single drivers rarely motivate people to change, and that one off or single implementation strategies are not effective for implementing or sustaining change. At this time pharmacy is facing huge challenges and changes in terms of their professional practice. It is essential a long-term outlook for the profession and holistic, multi-faceted implementation program is developed.

“Do you support having pharmacists working in GPs’ surgeries?”

“How do you feel about the issues raised for reviews as part of the process of the 6th CPA?”

Expert commentary

“The integration of community pharmacy and pharmacist into the primary health care system is inevitable. A great step forward, supported by the majority of respondents is the placing of pharmacists in GP surgeries and clinics. The important question is what model would be best suited to the Australian health care system. There is a need to trial various models to test the feasibility and benefits.”

Charlie Benrimoj

“Reason people voted no, across all pharmacist types, is that there is a suspicion it will disrupt the relationship between the doctors surgery and/or the doctor, the patient and themselves and therefore not prepared to support it at this stage. However overall there is a pretty strong support by the profession to go down the path.”

Warwick Plunkett

Figure 17a: Support for pharmacists in GP surgeries

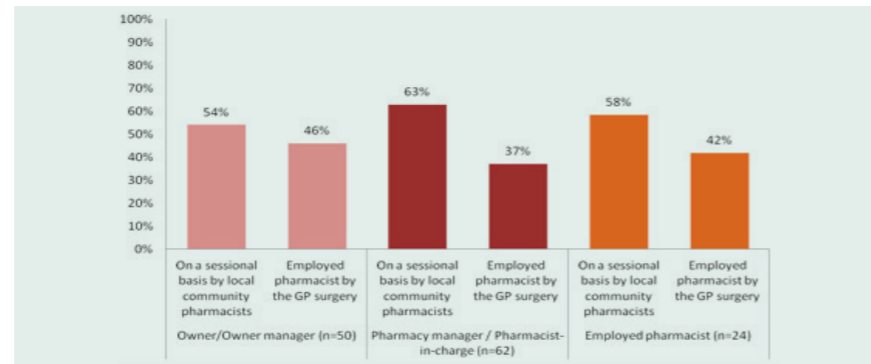
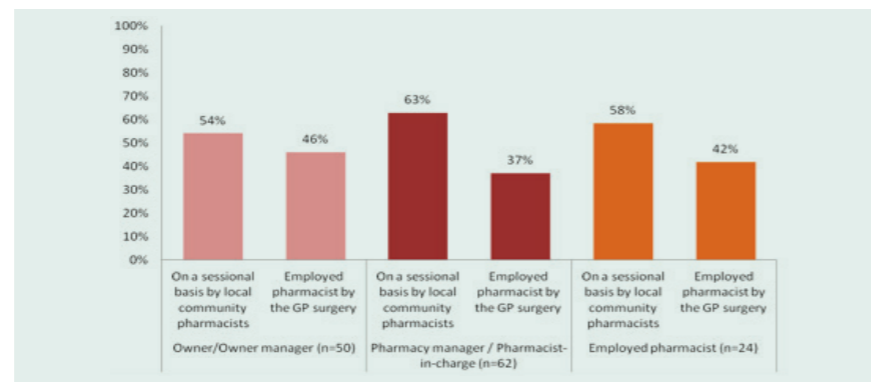


Figure 17b: Preferred arrangement for pharmacists in GP surgeries



* Note: Answered only by those who answered higher to question 17(a); n=119

An issue not covered in the 6CPA, but raised by professional organisations is the possibility of pharmacists working in GP surgeries. Pharmacists were asked whether or not they support such a concept. Overall it appeared there was widespread support for pharmacists working in medical practices across all pharmacy types (65% for owners/owner managers, 71% for pharmacy managers/pharmacists-in-charge, and 67% for employed pharmacists). These pharmacists, that supported pharmacists working in GP practices, were then asked what arrangement they would prefer. Across all pharmacy types there was split in opinion on the best system, between a local community pharmacists working on a sessional basis versus a pharmacist being employed by the GP surgery. It appears that both arrangements should be trialled. However the questionnaire did not extend to funding models or scope of practice.

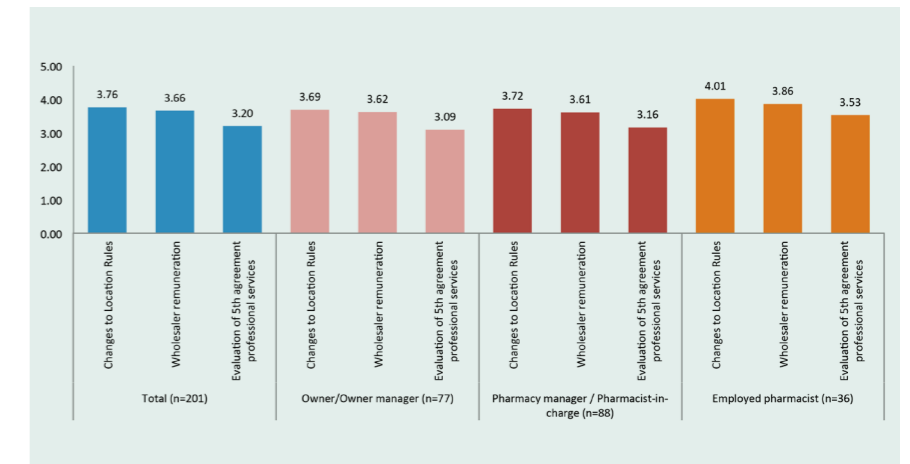
The survey results show that there is still some uncertainty around having pharmacists in GP surgeries. Many see that the more embedded pharmacists are with the medical profession the better, while others are suspicious that such an arrangement may interrupt the current pharmacy and pharmacist-doctor relationship. These views are seen across all pharmacist types.

Expert commentary

“In the past the profession has always been strong and lobbied effectively. It appears they believe that will continue.”

Charlie Benrimoj

Figure 18: Opinion on location rules, wholesaler remuneration and 5CPA professional services evaluation



* Note: Scale from 0 – not concerned to 5 – very concerned

Pharmacists were asked their degree of concern on issues that have been raised for review as part of 6CPA process, specifically changes to location rules, wholesaler remuneration and evaluation of the 5th agreement professional services. Any continuing programs from the 5th CPA (PPI, DDA and all medication reviews) will be reviewed as part of the Pharmacy Trial program by the Medical Services Advisory Committee or similar committee. A mild degree of concern, between three and four (1 being not concerned and 5 being very concerned) was spread fairly equally across all issues (3.76 for changes to location rules, 3.66 for wholesaler remuneration, and 3.2 for evaluation of the 5th agreement professional services).

Employed pharmacists presented the greatest concern for the issues raised for review. The only issue that had a level of concern rated above four was regarding changes to location rules by employed pharmacists. This may be attributed as a function of potential job losses if location rules were to change.

“What is your level of satisfaction with the 6th CPA on an economic and professional level?”

Expert commentary

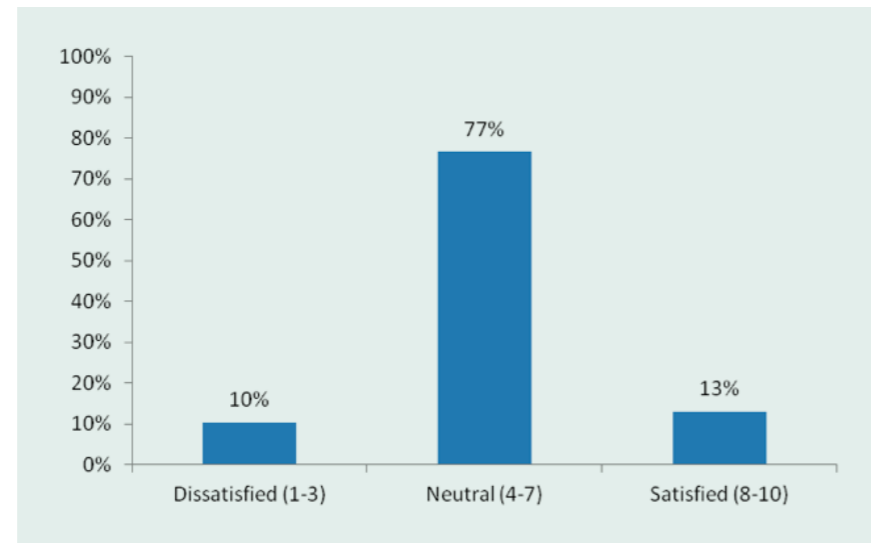
“Pharmacists are indicating they are relieved they are no longer sinking, but do not feel they are going forward like they would like to.”

Warwick Plunkett

“The key issue is that here we have an agreement that has significantly changed the method of remuneration (removal of mark-up) and \$1.2billion for services, yet most people are sitting on the fence about the impact and whether it is good, bad or they are indifferent.”

Charlie Benrimoj

Figure 19a: Satisfaction with 6CPA on an economic level (n=201)



* Note: Scale from 1 (strongly dissatisfied) to 10 (strongly satisfied)

Incredibly from an economic perspective across all pharmacist types, more than three-quarters (77%) of all pharmacists are neutral, neither satisfied nor dissatisfied, about the 6CPA. Only one in seven pharmacists (13%) are satisfied and one in ten (10%) are dissatisfied. A feeling that the industry is no longer sinking, but is not moving forward, may have triggered the range of responses.

There was no statistically significant difference between responses from owner/owner-managers (5.58) and pharmacy managers/pharmacists-in-charge (5.45), or employed pharmacists (6.36), but the difference between pharmacy managers/pharmacists-in-charge (5.45) and employed pharmacists (6.36) was statistically significant. That is, employed pharmacists are more satisfied with the 6CPA on an economical level, most likely as they see their jobs as more secure. On the other hand with owners and managers not being satisfied they are unlikely to receive a pay increase at this stage.

Expert commentary

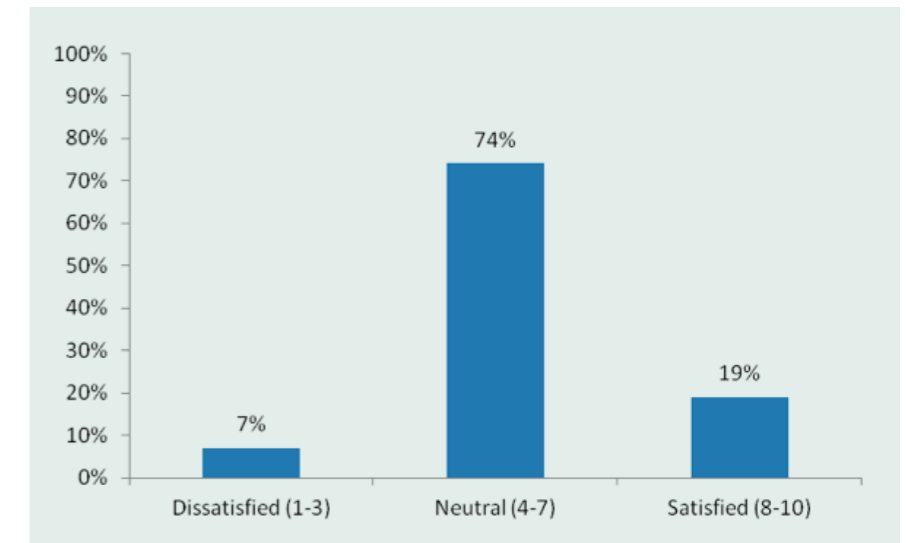
“I feel that the new Agreement has delivered a fairly significant change on a remunerated professional service level but disappointingly my feeling appears to be not echoed by the wider profession. This may be a communication issue as the key message from the Guild was “at least we have maintained your dispensary income”. However it may also be an outcome issue in as much that the remunerated services are yet to be defined. Either way it appears they are not convinced the Agreement is the answer they were hoping for.”

Warwick Plunkett

“From both a professional and economic sense the profession is not seeing it as a big driver for change. It appears that there is a lack of explanation about the implications of this agreement to the profession. The Professional organisations, particularly the Pharmacy Guild of Australia, may need to further explain the impact of this agreement. The question is why this has not yet happened some six months after the agreement has been signed?”

Charlie Benrimoj

Figure 19b: Satisfaction with 6CPA on a professional level (n=201)



* Note: Scale from 1 (strongly dissatisfied) to 10 (strongly satisfied)

A second part to the question was pharmacists’ degree of satisfaction with the 6CPA on a professional level. Again almost three-quarters of pharmacists were neutral (74%), neither satisfied nor dissatisfied, rating their satisfaction as being between 4 and 7 (one being strongly dissatisfied and 10 being strongly satisfied). Only 19% of pharmacists are satisfied (score of 1 to 3) and 7% are dissatisfied (score of 8-10) with the professional movement of the 6CPA. No statistical significant differences were seen across pharmacist types.

It appears likely the same large group of pharmacists are neutral about their confidence in the future, neutral about the economic and professional effect of the sixth agreement and feel the same about the future of the profession after the signing of the new agreement. It is therefore important to consider and target this large number of pharmacists who remain neutral.

“How do you feel about the future of community pharmacy after the signing of the 6th CPA?”

CONCLUSION

Expert commentary

The increase in the security might not be reflective of the whole profession, as it is only a group that is feeling more secure. It appears employed pharmacists don't feel a sense of security as a result of the sixth agreement, while owners do. At the same time there appears to be a lack of explanation about the implications of this agreement on their future, either it hasn't been explained, they don't understand it, or they've decided they'll wait and see.”

Charlie Benrimoj

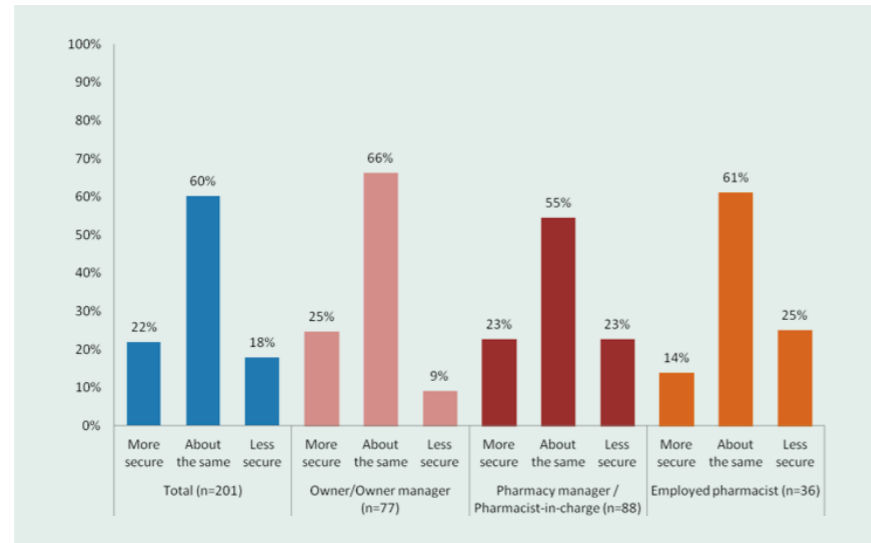
“Overall the profession, particularly owners, appear reasonably satisfied that the Agreement has provided them with certainty and security for their businesses. However there remains uncertainty that the Agreement is going to drive them forward.”

Warwick Plunkett

“There appears to be a lot of pharmacists who have not changed their opinion about their future security even after the signing of the agreement”

John Montgomery

Figure 20: Views on the future of pharmacy post-6CPA



An important question for the profession is how they now feel or how the agreement is perceived about the future of community pharmacy after the signing of this five year agreement. Almost one quarter of pharmacists (22%) feel more secure about the future of community pharmacy after the signing of the 6CPA. Approximately two thirds of all pharmacists (60%) felt about the same before and after the new agreement and 18% felt less secure. The feeling of increased security is particularly strong amongst owners/owner managers (25%), a little less common for pharmacy managers/pharmacists-in-charge (23%), and less again for employed pharmacists (14%). Conversely pharmacists' feeling less secure was lowest for owners/owner managers (9%), felt a little more by pharmacy managers/pharmacists-in-charge (23%), and more again for employed pharmacists (25%).

It appears the agreement has increased security for the owners/owner managers, whilst pharmacy managers/pharmacists-in-charge are unsure with a complete division across all options, and on the other end employed pharmacists are swung towards feeling less secure.

The fifth UTS Pharmacy Barometer of September 2015 shows that;

- > **The UTS Pharmacy Barometer** was 93.2 indicating a fairly neutral attitude within community pharmacy at present.
- > The overall confidence has increased 12% in the past year.
- > Pharmacists feel more financially secure under the 6CPA, but do not see it as outlining a clear path for the future.

In contrast to previous waves, wave 5 of the UTS Community Pharmacy Barometer shows an increase in optimism and confidence in the future amongst pharmacists.

The previous two waves (wave 3 in 2013 and wave 4 in 2014) saw a dramatic increase in concern in the profession for their financial stability. The impact of Expanded and Accelerated Price Disclosure (EAPD) price reductions was great and pharmacies were suffering economically. Price reductions are projected to continue, however, the 6CPA has made substantial changes to the structure by which the dispensing function is remunerated to stem future losses.

Pharmacies are more stable, but as indicated by the Barometer remaining under 100, pharmacists are yet to understand the full economic and professional implications of the agreement and how to move forward. The 6th Agreement is a watershed in the development of the profession providing a promising economic and professional foundation for the future. However there is much work to be undertaken to ensure that pharmacy owners, pharmacy managers and employee pharmacist take full advantage of the opportunities created by the policy and accompanying financial incentives. Government support is evident for the incorporation of pharmacy in primary health care. However an audit of the 5th Community Pharmacy agreement stated that 'the successful implementation of complex programs requires active management and a disciplined and co-ordinated approach to managing risks and challenges through the program life cycle, including the development, costing, negotiation and implementation phases.' It appears it is time for the professional organisations, educators and other stakeholders to have a collaborative and co-ordinated plan for the future, including a holistic implementation program and evaluation strategy.

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Joanna C Moullin (B.Pharm. AACPA. MPS) is a Ph.D. candidate from the University Of Technology Sydney, Australia. After graduating from Curtin University of Technology in 2006 she practiced as a community pharmacist. In 2008 she moved to the United Kingdom and worked as a medical information officer in the pharmaceutical industry. Upon her return she was employed by the Pharmaceutical Society of Australia (PSA) where she developed continuing education materials and co-ordinated the Clinical and Practice Expo annual conference. She continues to be actively involved in continuing professional development programs as well as delivering presentations,

medical writing projects and locum pharmacy work. She recently completed her accreditation to be a consultant pharmacist to deliver home medicines reviews and residential medicines management reviews. In 2012 Joanna commenced research in the emerging disciplines of implementation science and knowledge translation and how they may be applied to and utilised by community pharmacy. She has developed a Framework for the Implementation of Services in Pharmacy (FISpH), which is designed to be used as a base for conducting implementation research or for developing implementation programs for the integration of professional pharmacy services into routine practice. Her research has been presented at

FIP World Congress 2012 and 2013 and Pharmaceutical Care Network Europe Working Conference 2013. She recently published a peer-reviewed article defining professional pharmacy services in the journal Research and Social Administrative Pharmacy. Her research interests include the implementation of programs and services, in both developed and underdeveloped health systems, particularly those involving community pharmacy. A key aim is to enhance pharmacies contribution to health outcomes by the provision of professional pharmacy services.



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