New pharmacy agreement due this year

With the current community pharmacy agreement expiring on 30 June 2020, a new agreement is being negotiated. The Australian Government pays approved pharmacists to supply Pharmaceutical Benefit Scheme (PBS) medicines to patients. For community pharmacists, the amount of remuneration is agreed between the Government and the Pharmacy Guild of Australia (the Guild, representing the majority of pharmacy owners) and set out in successive five-year community pharmacy agreements.

Why do we have community pharmacy agreements?

In 1981 an independent Pharmaceutical Benefits Remuneration Tribunal (PBRT) was established to determine pharmacy remuneration for dispensing PBS medicines. In 1989, the PBRT proposed changes to reduce the remuneration received by pharmacy owners (p. 36). This triggered a dispute between the Government and the Guild as to how remuneration should be calculated, which was resolved with the signing of the first Community Pharmacy Agreement between the Guild and the Minister for Aged, Family and Health Services on 6 December 1990. The National Health Act 1953 was amended in 1990 to require the PBRT to give effect to any such agreement between the Minister and the Guild (or another organisation representing the majority of approved pharmacists) (section 98BAA). If there is no such agreement in force, then the PBRT determines pharmacy remuneration for dispensing PBS medicines (subsection 98B(1)).

The first Community Pharmacy Agreement included a remuneration package for pharmacists, as well as a structural reform package to encourage a better distribution of pharmacies across Australia (through rules limiting where new pharmacies could open) and to encourage pharmacies in over-supplied areas to close or amalgamate. The scope of subsequent agreements expanded to include funding for pharmacy programs (such as programs to help patients manage their medicines) and other matters.

What is in the current agreement?

The current agreement is the Sixth Community Pharmacy Agreement (6CPA). It was made in 2015 and amended in 2017. As well as pharmacy remuneration, it includes funding for the pharmaceutical supply chain and a number of community pharmacy programs. The 6CPA was originally worth an estimated $18.9 billion in remuneration and funding over five years (p. 9), comprised of $15.5 billion from the Australian Government and $3.4 billion from PBS co-payments paid by patients. The 2017–18 Budget included $225 million in payments to...
community pharmacies and wholesalers over the remaining life of the 6CPA, to compensate for lower than forecast PBS prescription volumes.

In addition to funding, the 6CPA also provided for continuation of the Pharmacy Location Rules which restrict pharmacies from opening near existing pharmacies or inside supermarkets. In light of a March 2015 Australian National Audit Office (ANAO) report criticising aspects of the negotiation and administration of the Fifth Community Pharmacy Agreement, the 6CPA provided for an independent Review of Pharmacy Remuneration and Regulation. The Review panel was divided on whether the dispensing fee paid to pharmacists should be based on the average cost of dispensing in a best practice pharmacy, or whether the fee should continue to be agreed between the Guild and the Government (pp. 15–16). The Government response to the review appears to favour the latter option, noting that any agreed fee should secure a viable community pharmacy sector while ensuring the PBS remains affordable (p. 20).

How are negotiations going?
Negotiations on the Seventh Community Pharmacy Agreement (7CPA) commenced in 2019. The Government initially intended to conclude negotiations by the end of 2019, but they will now continue into 2020. In addition to the Guild, for the first time the Pharmaceutical Society of Australia (representing all pharmacists, not just pharmacy owners) will be a co-signatory to the 7CPA. The Department of Health has also consulted with a number of other consumer, pharmacy and medical stakeholders on policy and funding considerations for the 7CPA, although these stakeholders will not be signatories to the agreement.

Stakeholders have reportedly advised the Government on how the 7CPA can maintain affordability, increase access to PBS medicines and provide effective pharmacy services. Negotiations with signatories are conducted in private, although mainstream and pharmaceutical industry media have reported on some issues believed to be points of difference. These include:

- the optional one dollar discount on patient co-payments. Pharmacists currently absorb the cost of any discount offered, and the Guild would reportedly like to see it removed in favour of a general reduction in patient co-payments (which would be a saving for patients but a cost to government) and
- the proposal to allow two months’ supply of certain PBS medicines for chronic conditions to be dispensed at a time. This would be cost-saving for patients and the Government, but would reduce pharmacists’ revenue from dispensing and associated fees. The Guild opposes the proposal, citing concerns about the impact on pharmacy businesses as well as the risk of patients not taking their medicines correctly. The current status of the proposal in the negotiations is unclear, with the Department of Health noting in late 2019 that the ‘Government will carefully consider the proposal and is not proposing to change the quantities for PBS medicines at this stage’.

The Royal Commission into Aged Care Quality and Safety has called on the Government to address the issue of chemical restraint (use of medicines to control behaviour) in aged care, including in the context of 7CPA negotiations. The Commissioners recommended the review and expansion of the Residential Medication Management Review (RMMR) program, which pays pharmacists to conduct a comprehensive assessment of aged care residents’ medicines (pp. 211–213). The PSA and the Guild have both expressed support for measures to improve medicine use in aged care, and the Government has announced $25.5 million to improve medication management programs in aged care (including more frequent RMMRs).

What is the role of the Parliament?
Having legislated to create the framework for the PBS, the Parliament has no direct role in making or approving the agreement, with pharmacy agreements negotiated between the Minister for Health and the Guild, and given effect by a determination of the PBRT. However, the Parliament may be called on to consider legislation to give effect to specific matters in community pharmacy agreements. For example, in 2015 the Parliament passed the National Health Amendment (Pharmaceutical Benefits) Bill 2015, which gave effect to 6CPA matters.
including the optional one dollar discount on patient co-payments and the continuation of the pharmacy location rules.

It is also not unusual for Parliamentary committees to scrutinise aspects of the community pharmacy agreements. For example, in 2015 the Joint Committee of Public Accounts and Audit reviewed the aforementioned ANAO report on the Fifth Community Pharmacy Agreement.

**Tags:** pharmaceutical benefits scheme, health