

To the submissions officer

The Friendly Society Medical Association (trading as National Pharmacies) is a mutual organisation (from the not for profit sector) that owns and operates 57 pharmacies across four States. We do not participate in the supply of chemotherapy infusions however have a keen interest in the outcome of this review.

It is not surprising to us that the issue of cross subsidisation is at the heart of this matter. Most retail businesses, including community pharmacies, operate with substantial fixed costs but on a mix of margins. Understandably (from the Government's and taxpayers perspective), the PBS Reform process is making substantial reductions to the higher margin medicines, however it is doing so without regard to overall mix and the costs involved in operating a full service community pharmacy accessible (at least) 12 hours a day, 7 days a week. The natural extrapolation of PBS Reform will be to have lots of low value drugs attracting a 15% mark up and some newer more expensive medicines with a 4-10% mark up. Presumably the same situation has arisen with Docetaxel cross subsidising a lot of the low margin work performed by chemotherapy infusion suppliers. The end result is that either margins are restored or the work ceases.

Our interest in this matter, other than highlighting the inequity of targeting the high margin medicines without regard for the overall mix and profitability of the business, is to highlight that the solution is not to take any extra funding deemed necessary from the 5CPA. The Government is reaping the rewards from PBS Reform; if it is deemed that these savings affect the viability of the chemotherapy infusion suppliers then the Government can redirect some of their PBS Reform savings to fix the problem in much the same way as the interim solution has. There is no scope to 'penalise' regular community pharmacies by redirecting funds from the 5CPA to address a shortfall in a specialty area that is not covered by the 5CPA. Clause 33 of the Fifth Agreement states that **"this Agreement constitutes the entire agreement of the parties about its subject matter and supersedes all previous agreements."** The importance of this provision is that it makes clear that unless a matter is covered by the Agreement, it is outside of it regardless of whether it was the subject of earlier consideration or not. This is a fundamental element of the Agreement and of prior agreements, which is included to provide certainty to both parties during the life of the Agreement. For any shortfall in chemotherapy remuneration to be recouped from the Agreement, this would need to have been expressly provided for in the Agreement.

Regards, Neale.

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