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Pharmacy Review (MDP 900)
Department of Health
GPO Box 9848
Canberra ACT 2601

Dear Panel

Submission for Pharmacy Remuneration and Regulation Review:

Thank you for accepting this submission regarding the pharmacy remuneration and regulation review. I would like to make the following observations in relation to the current arrangements.

Given that the vast majority of PBS scripts originate from general practitioners, I find it unusual and illogical that the RACGP is not represented on your review board. The RACGP represents community general medical practitioners, the principle private health practitioner group that deals with community pharmacies on a daily basis. Similarly the AMA represents the vast majority of specialist doctors who also generate PBS prescriptions. I strongly urge the review to consider more diverse representation on the board. Has the RACGP and AMA made a submission to this review? If so may I have access to their submission?

The current regulation review seeks to find the best solution to dispensing prescription medicine for the convenience of the general public whilst adequately remunerating community pharmacies and protecting them from competition. I believe the current rules unfairly favour existing pharmacy owners from new competition via the current health department pharmacy licence rules.

No other community health care provider (doctors, dentists, physiotherapists, psychologists, podiatrists, opticians) requires a location restricted specific licence. For example, provider numbers can be issued for any location and are not restricted for a duly qualified health practitioner. An established general practitioner cannot stop another general practice starting in their town. But pharmacy location licences are restricted and no new pharmacy licences are issued to protect the existing pharmacies from competition.

The current pharmacy location rules has the following adverse consequences:

- A pharmacy business has a licence and licenses are restricted, to get a new licence in an existing pharmacy serviced metropolitan area is very difficult. Existing community pharmacies become more valuable because they have an existing licence. As a consequence a pharmacy licence has considerable monetary value, depending on its location.
- Because the number of pharmacies in a suburb is strictly restricted, existing pharmacies can charge more, as they know that the next pharmacy is over 5 km away and thus they can afford to charge a little more for non PBS pharmacy dispensed items. This is a common complaint I hear from my patients in Byford. Several patients will travel from Byford to Armadale (the next town)

- Over my thirty years working in health care, I have learned that the restriction on pharmacy location licence also gives the pharmacy owner an advantage when negotiating to lease commercial premises. Pharmacies are restricted and thus commercial shop owners will accept a lower rent rate for a pharmacy compared to an unrestricted business, for example a bakery. Pharmacies are considered premium tenants who are less likely to cease trading from financial difficulties. It is not uncommon for landlords to pay for shop fit outs or offer a year long rent free period in order to attract a pharmacy business as a tenant. The unintended consequence of the current rules give pharmacy licence holders an advantage when renting commercial premises.
- The rent in shopping centres is often double that of a similar sized free standing shops. (commercial shopping centre \$600/m² PA & medical centre \$300/m² PA) However the pharmacies can recoup this cost by charging more for most non PBS items. Thus the increased cost is passed on to the general public who pay more for non PBS items.
- Knowing that the pharmacy licence is restricted, an existing pharmacy business has virtually guaranteed income stream from the PBS. The pharmacy then seeks to supplement income by maximising sales of over the counter non PBS medications & goods. As shopping centres have more walk through traffic they are the preferred location for most metropolitan pharmacies. They are also considered to be the most profitable sites to locate a pharmacy. However the great majority of PBS scripts are written by doctors, dentists and specialists who do NOT work in shopping centres. So it is the general public who then have to travel from the doctor to the local shopping centre pharmacy in order to have drug prescriptions filled. Most PBS scripts are issued for chronic medical conditions which affect predominantly the elderly. Older and disabled Australians often live with mobility issues, they are restricted when walking any distance. A trip of a modest distance for elderly patients is often taken by car. What would be the saving and convenience for patients if general practitioners and pharmacies were co-located?

Benefits of integrated primary health care:

Over the past 25 years primary health care providers such a GP medical centres have increasingly co-located their services. The reasons for this trend are obvious:

- It is convenient for the general public because they have a one stop shop, no extra travel is required.
- The co-location arrangement fosters closer professional relationships between health care providers who as a result have more face to face meetings and work more as a team rather than individuals. This fulfils a trend in Australian health towards multidisciplinary care.
- In general the overheads are cheaper for the average health care provider, because rooms and facilities are shared and are not influenced by the business model of large commercial shopping centres.
- It is particularly helpful for elderly & chronic disease care because co-location fosters a more integrated seamless primary care health service via Enhance Primary Care Plans.
- The previous Federal Government health policy position considered a co-location model was of sufficient merit that it funded the construction of several primary health care clinics in areas of unmet need around Australia.

The current pharmacy location rules impair the delivery of comprehensive primary care:

The current pharmacy location rules create a barrier for the provision of primary health services by allowing only the largest medical centres with over 8 full time doctors working over 70 hours per week to have a pharmacy while also insisting that the centre is at least 500 metres from the nearest pharmacy.

This makes it extremely difficult if not impossible for existing established medical centres to expand and attract a co-located pharmacy unless the local pharmacy owner is happy to move their existing pharmacy. It is virtually impossible to obtain a new pharmacy licence from Medicare. As stated earlier existing pharmacies prefer larger shopping centres because of increase non prescription good sales, they are reluctant to move to community medical centres.

An existing pharmacy can expand and start a GP medical centre next door without any licences from Medicare. However the reverse does not apply for existing medical centres wishing to expand and start a PBS script dispensing pharmacy.

If this type of restricted trade arrangement had been made by any other non government body the ACCC would investigate and fine associated parties for anti-competitive behaviour.

Clearly the current arrangement of restricted pharmacy licences is designed to protect existing pharmacies from competition and discriminate against other health care providers who can offer a more convenient, more integrated and cost-effective service for the Australian public.

Case example; Provision of primary care health services in Byford 6122 WA:

I will now introduce you to my situation which I believe illustrates the unintended consequences of the current arrangement.

I am a GP, the principal and owner of the Byford Medical Centre. I have been in general practice working in Byford for the past 30 years. Byford is located in the Serpentine Jarrahdale shire approximately 45 km south of Perth. Over this time period our shire has grown dramatically and so has our practice. We have expanded our practice three times. We have grown to become an 8 doctor practice with additional health services such as nursing staff, pathology collection, psychology, podiatry, physiotherapy, dietician etc.

Our last expansion occurred mid 2015 when I built a additional premises to house our ancillary health staff and we also included a 190 m2 shop specifically designed to serve as a pharmacy.

I specifically built the pharmacy for convenience for our patients. It was my intention to create a convenient, multidisciplinary health care hub for the residents of our community.

I have approached several pharmacists to start a pharmacy business from our medical complex, they are all extremely interested and would be keen to take up a lease. However the current pharmacy location rules prevent them from obtaining a licence from the Department of Health at our location.

The current rules state that in order for our medical centre complex to be eligible to get a pharmacy licence it must meet the following criteria:

1. We must have 8 or more full time doctors consulting 38 hrs per week.
2. We need to be at least 1/2 Km from the nearest existing pharmacy.

3. We need to provide medical services for at least 70 hrs per week.

The pharmacy location rules discriminate against my business for the following reasons:

1. A pharmacist can start a doctors consulting room, medical clinic, medical centre or provide medical services other than drug dispensing without a licence from the health department. This places pharmacy owners at an unfair advantage to general practice owners.
2. Six of our doctors are female practitioners, they have families and other commitments, they provide quality medicine to our patients but logistically they cannot consult 38 hours per week. To suggest they are not full time doctors and that they do not provide an equal service to the community is discriminatory. This creates an unfair benefit towards hiring male doctors, who typically can work longer hours than working mothers practising medicine.
3. We are less than 500 metres from the nearest pharmacy, however our patients have to cross the busy 4 lane South West Highway to get to the pharmacy, using the provided zebra crossing the distance is greater than 500 metres. We have many old patients who cannot walk this distance and thus virtually all our patients will get back in their cars and drive to a pharmacy. The 500 metre rule provides a competitive advantage to the existing pharmacy at the cost of patient convenience.

There are two existing pharmacies in Byford and I have had discussions with both pharmacists regarding relocation at our premises. Both pharmacists had initially indicated an interest (before our new extension was completed) however one pharmacist is locked in a 10 year lease and the other is intending to move into the [REDACTED] shopping centre because he believes his business will be more successful in a shopping centre with more pedestrian traffic. (he will be paying twice as much rent in the shopping centre than in our complex). This provides an actual example of public PBS health care funding being unintentionally contributing towards commercial shopping centre rent.

For years the previous Labor government promoted integrated-care multidisciplinary primary health care clinics in by using public health funding to build them. I have provided the community with a comprehensive medical clinic in an area of need, without it costing the tax payer a cent. So to summarise, I have invested approximately [REDACTED] dollars in expanding the Byford Medical Centre, my intention was to provide a first class multidisciplinary medical services complex for the residents of our shire. I am unable to utilise my new building to its full intended capacity due to Medicare's pharmacy location rules which allow existing pharmacy practices to lock out competition and thus prevent provision of a better pharmaceutical health service until 2020.

Our local shire was delighted to have increased medical services in the community and approved our new building. My patients are delighted with our new extensions and the services we provide, but they cannot understand why we are not able to utilise the newly built pharmacy in our complex and complain about having to cross a 4 busy lane highway in order to have a prescription filled. When I explain to them why we cannot start a new pharmacy & why other pharmacists are not able to trade from our premises, they cannot believe it.

The current government promotes itself to the public as advocating a fair playing field for Australian business, minimising intervention, discrimination and industry protection. The pharmacy location agreement is a government endorsed policy, it is anti-competitive, discriminatory and leads to a uneven playing field in the primary health care sector. The Australian public deserve a better deal.

I would sincerely like to invite you to come to Byford and inspect the Byford Medical Centre to

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Submission #13; 22-Aug-2016; Dr Ivo Buters

have an informal chat about the effects & unintended consequences of the pharmacy location rules which were endorsed by Sussan Ley, Minister for Health in June 2015.

Yours faithfully,

Dr Ivo Buters