

Dear Panel Members,

My story and feelings towards the current situation of pharmacy is probably like that of many other independent pharmacy owners operating in rural areas.

I am the owner-operator of a very small rural pharmacy in Victoria. I purchased the pharmacy less than a year ago. Majority of the funding to purchase the pharmacy came from a bank as a loan which I have to repay over 10 years. The closest major town (which has several larger pharmacies) to my pharmacy is about 30km away. I also service a pharmacy depot in a smaller town some 15kms away from my pharmacy. The closest major town to the pharmacy depot would be around 45kms away. Between the pharmacy and pharmacy depot, I employ 3 part-time staff. We average about 75 scripts per day and are open only on weekdays. I am the only pharmacist for the pharmacy and on most afternoons I am the only staff member in the pharmacy. I would say the size of my pharmacy's turnover is around a third of the average Australian pharmacy.

I, like many other pharmacists and pharmacy owners feel that there are countless times on a daily basis that I feel I am not getting remunerated appropriately for the services I provide. In fact if all the pharmacists in Australia, for one day could jot down the services they have provided without any monetary benefit, it would astound not only the review panel but also the Australian community.

As you work towards making some recommendations, please consider the following:

### **Dispensing Income**

Income from dispensing is quite vital to my pharmacy considering my turnover. With price reductions being what they are, turnover has dropped significantly. The introduction of the AHI fee was some respite and brought some stability. The discussion paper questions whether a "flat-fee" reimbursement is justified for all dispensed events. Maybe not, BUT it is this income from dispensing that allows many pharmacy like mine to fund countless other services like free deliveries, free advice, low-cost DAA's, liaising with other health professionals for the patient and much more. The panel members can try ringing any average independent pharmacy in Australia and ask to speak with the pharmacist and pose any health related question (like can my pregnant wife take this medicine, I missed taking this medicine this morning what should I do) and high chances are you will get through to the pharmacist in a very timely manner, have your query resolved or at the very least if unresolved the pharmacist will provide next steps like you need to see a dr. At the end of this the only out-of-pocket cost to you might just be the cost of the phone call, quite negligible for the advice you would have received. But what about the pharmacist, who has paid them? Try ringing through to another professional with such an enquiry? These are the kind of services that the dispensing income funds. Perhaps one of the reasons that an average community pharmacist is so accessible is that there hardly any out-of-pocket costs in getting some of these services and advice. The dispensing income is currently what keeps my pharmacy viable. If this is lowered and not supplemented by other means then the viability of my pharmacy is at serious risk. If the proposal is to lower dispensing income and offer other means of income through professional programs then the dilemma that not just me but many other pharmacies would face is how staffing levels will work out. In order to provide more professional services there would be a need to increase staff most likely an extra pharmacist or reshuffle current pharmacists and add extra support staff.

Would the income from professional programs (at the expense of lowered dispensing income) be able to accommodate this extra staffing? Currently an average pharmacy would operate with 2 pharmacists and this might be adequate enough to allow for professional programs to be implemented. However most pharmacies are in a position to operate with such staffing levels purely because of the income from dispensing. If that income is lowered then many pharmacies would need to lower staffing levels (this is already happening) and would be a step backwards in terms of providing professional services. Currently the dispensing income has allowed me to employ support staff in the dispensary, so I can provide some professional services. If this changes I will be forced to cut back on staff at the expense of professional services. You could perhaps look at discount pharmacies, many of these have chosen to cut down on script prices. Lowered dispensing income means they operate with lower staff levels (who are paid lower wages) and don't actively promote professional services (I know many big box discounters not very keen on dose administrations aids). If all pharmacies are put in such a position then it will be a big step backwards. The dispensing income is also the main reason a pharmacy exists in my town (and I would imagine there are many other small rural towns that have the essential service of a pharmacy). If these pharmacies close down then unfortunately Australians will have to travel over 10-15km to access medicines, it's not what the health system and PBS stands for. My concerns are not just about protecting my personal bottom line but more so to make sure my pharmacy continues to operate for years to come (a very important service I think I provide to my town) and unfortunately running a pharmacy has costs and if I am just breaking even then how I am to continue living, I might as well go back into employment (where conditions are at an all time low) or change careers.

### **Location Rules**

The existence of location rules is probably the reason why I own a pharmacy in a rural town. If they didn't exist then I would probably have looked to start a pharmacy in the cities or even larger regional areas. I am a bit surprised about the panel's stance on relaxing the rules in cities and maintaining them in the country. I think the opposite should be happening. I know of several single pharmacy country towns that could easily benefit from another pharmacy. Relaxing them in the cities alone, would allow many to explore opportunities there and perhaps result in the closure of rural pharmacies. I do strongly believe in maintaining ownership of pharmacies to pharmacists only, limiting the number of pharmacies a single pharmacist can own, I am quite for the idea of the same pharmacist not being able to own another pharmacy in the same town or nearby suburbs. Supermarkets/corporate should have no association with pharmacies at all. Shifting the gear towards a discounted landscape of pharmacy will not serve the entire Australian population well. As is very evident, a discounted model comes at the expense of compromised services. Yes there are many that just need scripts dispensed and cost-effective pricing is what they are after but equally exists a population that requires a higher level of service and attention (majority of the aging population), these customers unfortunately will not be adequately served in a discounted model.

### **Wholesalers**

The CSO in place with the "aim of making sure that all Australians have timely access to the PBS medicines they require, regardless of the cost of medicines or where they live" is something the government has got right. Being of overseas background, I think the citizens of

this country are truly fortunate for such an arrangement to exist. Medicines are a highly important necessity and being able to access them in a timely manner (regardless of where one lives) is perhaps one of the greatest human rights a government can give to its people. Currently I can place an order with my wholesaler up until 4pm and if stocked the wholesaler will be able to deliver it the next day by 10am at no cost. Given my location and size of the pharmacy, any changes to my wholesaler arrangements like delivery times of more than 24hours for certain drugs and others 72 hours, minimum order quantities, charges for deliveries etc will significantly affect the way I operate and have direct consequences to access to medicines. It would even further complicate maintaining stock inventory around Price reduction times. (Managing stock around this times, is a challenge of its own that requires separate attention)

### **Real problems at the community level (may or may not be within the scope of this review)**

Increased and aggressive price disclosure and reductions, I would believe has brought down the PBS expenditure significantly. I would imagine the measures put in place going forward in regards to pricing will be sustainable for decades to come. But aggressive price reductions are having an impact on availability of drugs in the Australian market. An example would be generics of Panadiene Forte, one company has taken it off the PBS and off the market because they cannot afford to keep it around for the price the government is willing to pay for it. Another company maintained its stance and could not offer the same price as government set price, resulting in that generic brand having a brand premium on it. It would be a first for a generic brand to have a brand premium price (not what the PBS stands for). I would think there would be plenty more important drugs heading that way like common antibiotics. Perhaps a limit on the price reductions should be set so that it doesn't go lower than a certain value. Reduced market is also contributing to out-of-stocks (e.g. Metformin-XR), out-sourced companies manufacturing these drugs are more likely to divert their production to more lucrative markets leaving Australia and its people without that drug. Maybe it is time to introduce some penalties for drug companies when drugs go out-of-stock.

Delisting of panadol-osteo from the PBS, not sure how this came about or how it is justified? Some justification was that some OTC drugs that are reasonably cheaper for customers to buy should not be funded by the PBS. 2 boxes of panadol-osteo at concession price or 2 boxes at OTC price, there is a huge difference. The difference is even bigger now, since panadol-osteo got delisted from the PBS, wholesaler price has gone up resulting in retail price going up. A few other products have had the same outcome like Ferro-f.

High cost PBS drugs like hepatitis drugs would be another challenge for many pharmacies. I haven't had to supply such a medication yet, but if I were too I would face significant hardships. Policies around these needs to be changed like immediate reimbursement to the pharmacy from PBS.

Thank you

PK

Wimmera Region, VIC