



THE HON SUSSAN LEY MP

Minister for Health
Minister for Sport

MEDIA STATEMENT

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Update – 6th Community Pharmacy Agreement

The Abbott Government is continuing to work closely with the entire pharmaceutical supply chain, including consumers, to deliver an overarching reform package that ensures Australians continue to get access to affordable medicines when and where they need them now and into the future.

Part of this includes negotiating a Sixth Community Pharmacy Agreement.

I can confirm the Government has reached in-principle agreement with pharmacists for a new agreement valued at \$18.9 billion over the next five years.

As promised, the Abbott Government has worked closely with pharmacists, consumers and other stakeholders over the past few months to secure an agreement that is patient-orientated at its core. Today's announcement marks another important step towards delivering this.

A key component of the agreement will include a doubling of investment in new and existing support programmes for patients to \$1.2 billion over the next five years, including a greater focus on regional and rural services.

This is recognition of the increasingly important role pharmacists play in a patient's 'medical team' of health professionals and further demonstrates the Abbott Government's commitment to delivering greater integration between health services in Australia's primary care system.

However, for the first time, all pharmacy programmes - new and existing – will be scrutinised and approved by the Government's independent Medical Services Advisory Committee. This is part of the Abbott Government's increased focus on evidence-based medicine and transparency, as well as recognition of the important role pharmacy plays in the primary care sector.

Consumers are also another step closer to accessing cheaper medicines, with the agreement to include the option for pharmacists to discount the patient-co-payment by up to \$1.

This measure will help deliver money directly back into the pockets of patients each time they have to pay to pick up a script for medicine. It will particularly benefit concession card holders, who make up 80 per cent of scripts purchased through the Pharmaceutical Benefits Scheme.

For example, a pharmacist will now be able to discount the out-of-pocket price a concessional patient pays for a script from \$6.10 to \$5.10. This could see the average concession card holder over 65 who uses 43 scripts per year save as much \$43 annually under these arrangements.

The same would apply for non-concessional patients, whose co-payment is valued at \$37.70.

This measure will also deliver pharmacists greater flexibility to be able to compete on price and quality, whilst also saving taxpayers a potential \$360 million over the next five years.

It presents a win for consumers, pharmacists and taxpayers alike.

It is also part of the Abbott Government's recognition of the need for greater competition in the pharmacy sector, as acknowledged by a variety of reports and reviews in recent years.

Therefore, in addition to introducing the ability for pharmacists to discount scripts for patients, agreement has also been reached to undertake the most significant independent and public review of the pharmacy sector ever conducted over the next two years, including consideration of both remuneration and regulation, such as location rules. Any findings and recommendations would look to be incorporated into future agreements.

We are also a Government that recognises the importance of certainty for Australian businesses to prosper and the negative impacts volatility can have on confidence, particularly small business.

We also recognise the unique role pharmacists play at the frontline of stocking and dispensing a wide variety of essential medicines for Australians.

The Government will therefore look to provide pharmacists with greater stability in the price of medicines through the introduction of an Administration, Handling and Infrastructure fee (AHI).

This will replace the existing pharmacy mark-up system by providing a simpler, more-transparent set fee paid on a per script basis. It also provides pharmacists with pricing certainty by delinking their remuneration from the variability in medicines prices brought about by price disclosure.

The introduction of this fee will maintain dispensing remuneration at the average cost under the current (Fifth) Agreement. The value of this measure is expected to be \$1.5 billion over five years.

In total, the value of this in-principle agreement is expected to deliver a \$3 billion increase in investment in supporting patient access to medicines over the next five years when compared to the \$15.7 billion Fifth Community Pharmacy Agreement signed under the previous government.

I must stress the Sixth Community Pharmacy Agreement is just one element of a total package of measures the Abbott Government is negotiating across the pharmaceutical supply chain and we will now proceed to both finalise this agreement and the reform process in its entirety.

The Abbott Government has complied with the recommendations of an Australian National Audit Office report into the Fifth Community Pharmacy Agreement as part of this process and will make further announcements about the full details of the entire proposed pharmaceutical benefits package once finalised.

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Media Contact: Troy Bilsborough 0427 063 150