Strengthening PBS
Agreement with Pharmacy Guild to vary the
Sixth Community Pharmacy Agreement

Purpose

The Australian Government and the Pharmacy Guild have entered into the Sixth Community Pharmacy Agreement (6CPA), which operates until 30 June 2020, to support the National Medicines Policy and the sustainability of the Pharmaceutical Benefits Scheme, contributing to the Government’s investment of $4.9 billion in new medicine listings, and providing greater certainty of Government revenue to community pharmacies, in an environment of ongoing medicine price reductions associated with price disclosure.

The parties have been negotiating the appropriate response to an identified shortfall in the volume of dispensed medicines against forecasts in the first year of operation of the 6CPA. This agreement will resolve this issue, and secure community pharmacy support for a range of further reforms, including those that are currently being negotiated with Medicines Australia.

The Agreement is underpinned by the shared principles of:

• **stewardship** of the health system and a shared responsibility for its ongoing sustainability, in particular a shared responsibility for the stewardship of the PBS;
• **partnership** in the delivery of Australia’s National Medicines Policy;
• **stability and certainty** of the Government’s investment in the medicine supply chain, and the timely availability of medicines to all Australians through a well-distributed community pharmacy network; and
• **integrity** of Australia’s world class health system, including patient safety and high value clinical care.

Statement of Intent for the Government

The Government recognises the significant pressures on the health system, including a growing burden of chronic disease, an ageing population, and growing demand for high-cost, high-tech services and breakthrough medicines. It also recognises the pivotal role of the community pharmacy sector in delivering medicines to Australian patients.

The Government is committed to ensuring it implements its obligations under the 6CPA, and secures the support of community pharmacy in making further PBS reforms.

$200m Support for Pharmacists in recognition of lower than expected script volumes

The Government will provide financial support to pharmacies in recognition of lower than expected PBS prescription volumes under the 6CPA. In 2015-16, total script volumes were 2.14 per cent lower than forecast in the 6CPA.

It is proposed that a fixed funding amount of $200 million, no more, no less, be provided to community pharmacy over the remaining life of the 6CPA. This would be achieved through an increase to the AHI, which can be done immediately. This increase to AHI is expected to cease at the end of the 6CPA (30 June 2020).

Improved 6CPA Community Pharmacy Programs

The Government also recognises the key role that community pharmacy plays in the primary health care team, and the assistance that community pharmacy can provide in achieving the whole-of-health system goals of providing the right care in the right place at the right time.

The Government will work with the Guild to modernise community pharmacy programs to provide better primary health care for Australians in the key areas of:
• medication adherence (effective support for dose administration aids and staged supply for those patients that would benefit from these services);
• medication management (effective support for pharmacists to identify issues with patient medicines, and ensure appropriate clinical responses, including through making contact with the patient’s doctors and providing advice to patients – this will support pharmacy services in locations that suit the needs of patients, including in the pharmacy, at the patient’s home or aged care facility (and within Aboriginal Health Services); and
• improved medication support for Aboriginal and Torres Strait Islanders, including through greater capacity for remote dispensing, and culturally appropriate care.

The pharmacy programs will also be redesigned to support the collection of information to allow assessment of the effectiveness of these interventions, and will be funded through a combination of maintaining existing levels of pharmacy program funding, and through an additional investment from the $600 million held in the Contingency Reserve for new and expanded community pharmacy programs. Specifically, from 1 July 2017, the $600 million held in the Contingency Reserve will support new and expanded pharmacy programs including:

- Dose Administration Aids ($340m of $600m)
- Staged Supply ($80m of $600m)
- Expansion of MedsCheck and Diabetes MedsCheck program ($90m of $600m)
- Inclusion of follow up services for Home Medicines Reviews ($60m of $600m)
- Incorporating medication management programs within Health Care Homes ($30m of $600m)

The Government commits to deliver the full value of $600 million within the period of the 6CPA. Individual program projections are indicative and may be varied in writing by mutual consent of the Guild and the Government.

The Government commits to this funding being made available (through an appropriately phased approach) from 1 July 2017 until the expiry of the 6CPA. The Government will make decisions regarding changes to Program Guidelines and related matters in sufficient time to enable the Guild as the administrator of the community pharmacy programs to make the requisite changes to its systems and processes from 1 July 2017.

**Removal of the Sunset Provision for Location Rules**
The Government has provided a commitment to the continuation of the community pharmacy location rules beyond the life of the 6CPA by amending the relevant sections of the *National Health Act 1953* at the earliest opportunity.

**Pharmacy Remuneration and Regulation Review**
The Government will work with the Pharmacy Guild to ensure that the response to the Pharmacy Remuneration and Regulation Review maintains the community pharmacy model and secures a viable community pharmacy sector.

**Optional co-payment discount of up to $1 per script**
The Government has indicated it is willing to review the optional co-payment discount of up to $1 per script following the report of the Pharmacy Remuneration and Regulation Review. However, its willingness to undertake this review does not indicate a current predisposition to discontinue the $1 discount.

**Compensation for community pharmacy and wholesalers**
The Government will provide $10 million in compensation for community pharmacy over the life of the 6CPA as a result of the reduced remuneration driven by the pricing measures included under the Strategic Agreement (SA) with Medicines Australia. This $10 million will be paid in 2018-19 and 2019-20 through a further adjustment to the AHI commencing on 1 July in each of these years.
A further $15 million will be provided to wholesalers over the 6CPA as compensation for both the lower than expected script volumes, and reduced remuneration as a result of the measures under the SA.

**Statement of Intent for the Pharmacy Guild**

The Pharmacy Guild recognises that stewardship is important to ensure the long term sustainability of the health system.

**Support PBS price reforms**
The Guild will support the further pricing reforms that have been negotiated with Medicines Australia to ensure the sustainability of the PBS. Notably, support:

- extended/additional F1 statutory price reductions; and
- increasing the 16% Statutory Price Reduction to 25% on the entry of the first generic or biosimilar brand competition.

**Support PBS Stewardship measures**
The Guild will support the introduction of measures that improve the uptake of biosimilar medicines as recommended by the Pharmaceutical Benefits Advisory Committee on a case-by-case basis, including the introduction of preferred prescribing of a biosimilar brand for treatment naïve patients, streamlined authorities for biosimilars compared to the reference biologic, and enhancements to prescribing and dispensing software to establish default prescribing by active ingredient rather than by brand (unless overridden by the prescriber).

The Guild will also continue to support the appropriate dispensing of biosimilar medicines with a view to increase the uptake of biosimilar medicines by working with the Government in promoting the Biosimilars Awareness Initiative and any related initiatives to support community pharmacists to proactively engage with prescribers and consumers, along with enhancements to its ScriptMAP tool to enable pharmacies to benchmark their uptake of biosimilar medicines.

**6CPA Provisions regarding Reconciliation and Materiality Threshold**
Recognising the additional $200 million in support that the Government is providing community pharmacies for dispensing through to 30 June 2020, the Guild agrees that it will not seek any further amelioration for variations in PBS and RPBS prescription volumes under clause 5.4 of the 6CPA for the remainder of the term of the 6CPA.

**Support Effective Implementation of Reformed Pharmacy Programs and increase the role of community pharmacy in primary care and Health Care Homes**
As administrator of the community pharmacy programs, the Guild will assist in making timely changes to allow reformed programs to be delivered from 1 July 2017.

The Guild will seek to build on the collaborative primary health care arrangements in place within the Primary Health Networks (PHNs) that involve community pharmacies in the provision of support to patients, seeking to further improve their health outcomes. To this end, the Government will work collaboratively with the PHNs to update the PHN guidelines and relevant documents, in consultation with the Guild, at the earliest possible time to ensure that community pharmacies together with General Practices are identified and represented as key stakeholders.

Building on this, the Health Care Homes (HCH) trials will focus on patients with chronic and complex conditions, providing flexibility at the local level to establish and enhance existing arrangements, including the central role of community pharmacies in delivering medicines and related care. The Government will advise participating HCHs that the shared care plans for HCH patients should include a plan to manage their medication needs, where clinically relevant, working with the patient’s pharmacy, enabling the provision of necessary medication support. The Guild will work with its member pharmacies in HCH trial areas to build awareness of the trials and facilitate their engagement and collaboration with HCHs participating in the trials.
In addition to this, the Guild will continue to work cooperatively with the Government on the development of new and innovative ideas to expand the role of community pharmacy in supporting primary health care for patients, including appropriate evaluation of such measures, as well as working in partnership with the Australian Digital Health Agency to maximise the uptake and clinical use of the MyHealth Record by community pharmacies.