Overview of the Fifth Community Pharmacy Agreement

The five year Fifth Community Pharmacy Agreement (Agreement) between the Australian Government and the Pharmacy Guild of Australia (the Guild) commences on 1 July 2010. It recognises the key role played by community pharmacy in primary health care through the delivery of Pharmaceutical Benefits Scheme (PBS) medicines and related services.

The Agreement provides $15.4 billion over the life of the Agreement for around 5000 community pharmacies for dispensing of PBS medicines, the provision of pharmacy programs and services, and for the Community Services Obligation arrangements with pharmaceutical wholesalers. A commitment to maintaining location rules for approved pharmacies is also provided. The Agreement will result in a gross saving of $1 billion over five years against Commonwealth forward estimates.

The Agreement provides funding to retain services to enhance patient medication management including a focus on improving quality use of medicines by Aboriginal and Torres Strait Islander peoples. The commitment to supporting rural pharmacies and the rural pharmacy workforce is maintained, and research will be commissioned on evidence-based best practice in quality pharmacy services. New programs will be introduced as part of a quality framework, with incentives available to accredited pharmacies under the new Pharmacy Practice Incentive and Accreditation Program based on the delivery of high quality patient services.

The elements of the Fifth Agreement include approaches that will ensure:

- value for money through remuneration arrangements;
- more patient centred approaches and services through a consolidation and better targeting of pharmacy services underpinned by a quality framework; and
- a viable community pharmacy network.

A description of the major elements of the Agreement is provided below.

**Pharmacy Remuneration**

Pharmacy remuneration includes the dispensing fee, the pharmacy and wholesale mark-ups, the extemporaneously prepared and dangerous drug fees and the premium free dispensing incentive.

The structure of the remuneration arrangements for section 90 (s90) approved pharmacies (community pharmacies) for dispensing PBS medicines will remain generally consistent with the Fourth Agreement arrangements as at 30 June 2010 (Refer Annexure 1).

Savings of $687.6 million will result from not applying indexation to the dispensing fee in 2010-11 and 2011-12, and cessation of the $0.40 PBS Online incentive effective from 1 July 2010. Due to the lower price consumers will pay for many medicines, these savings will also reduce PBS safety net costs by $14.6 million over five years. Risk share arrangements will not apply to dispensing remuneration.
PBS Online payments made separately to section 94 (s94) public hospitals participating in the Highly Specialised Drugs Program will continue.

**Electronic Prescriptions**
A new fee of $0.15 per transaction will be paid to pharmacists for dispensing of PBS, RPBS and underpayment prescriptions that are generated electronically by prescribers, equating to $75.5m over the life of the Fifth Agreement. The fee will offset some of the costs charged to pharmacists by prescription exchange service providers which is currently approximately $0.25 per prescription.

The fee will only be paid for:
- each electronic prescription generated electronically by prescribers, processed through a prescription exchange service in accordance with the specifications of the National e-Health Transition Authority (NEHTA) and claimed for by community pharmacy using PBS Online; and
- if NEHTA specifications change or a Commonwealth approved individual electronic health record becomes available, the criteria may be reviewed, in the interests of obtaining as much information as possible about dispensed prescriptions.

Having a secure system for the electronic transmission of prescriptions is a critical step in the Government’s e-health agenda. In the initial stages the paper prescription will continue to be provided, however, this initiative is a large step in the move to a paper-free health care environment. Additionally, electronically processed prescriptions can decrease prescription interpretation and transcription errors, and therefore increase patient safety.

**Community Service Obligation (CSO)**
The CSO arrangements were introduced as part of the Fourth Agreement to ensure the timely supply of PBS medicines to community pharmacies across Australia. Through the CSO payments are made to eligible pharmaceutical wholesalers (called CSO distributors) who meet the CSO requirements, which assist in making it commercially viable for CSO distributors to supply the full range of PBS medicines across Australia in a timely way.

Funding of $949.5m will be provided for the CSO funding pool over the life of the Fifth Agreement, compared to $663.4m over the life of the Fourth Agreement. Savings of $19.2m will be obtained by not applying indexation in 2010-11.

The Department may make administrative changes during the Fifth Agreement to improve the efficiency of the CSO, including extending invitations to wholesalers to apply to participate.

**Programs**
The Agreement will provide community pharmacies and pharmacists with $386.14 million in funding for the provision of professional services to all Australians until 30 June 2015. On top of this the Agreement will also provide $277 million for additional programs to support and deliver patient services. This amounts to total funding for programs to deliver professional services over the life of the Agreement of around $663 million. This is almost $100 million more than under the Fourth Agreement.

Programs under the Fifth Agreement will include the continuation and revision of some existing professional services and also a range of new services. Revised governance
arrangements will also be put in place. Current compliance arrangements will be improved to ensure ongoing accountability and the quality of services.

Medication management services
Medication management services funded under the Fifth Agreement will enable patients to have improved and timelier access to services in the pharmacy, in the patient’s home and in residential aged care facilities.

a) Existing medication management services: Based on outcomes of program evaluations and research conducted under the Fourth Agreement, enhancements will be made to both the home and residential aged care medication review programs to ensure that they are targeted appropriately. The enhancements will particularly focus on ensuring patients most at risk are receiving timely services, with outcomes being effectively communicated to treating general practitioners.

b) New medication management services: The Fifth Agreement will pilot an in-pharmacy review service, namely medication use reviews, with the outcomes informing a national roll out of a program in the later years of the Agreement. The intention of the service is to enable patients to improve their quality use of medicines and reduce the number of adverse medicines events. Further, a medication management service will be provided to patients with type 2 diabetes who are newly diagnosed or whose diabetes is less than ideally controlled. Services will be targeted through pharmacies in areas where other diabetes services are not adequate to meet the needs of the local population.

Pharmacy Practice Incentive and Accreditation Program
The Fourth Agreement accreditation program will continue in the Fifth Agreement, but be strengthened with the inclusion of a greater focus on patient services, including a patient service charter that will inform patients about the services, information and advice they should receive from their community pharmacy.

The current Quality Maintenance Allowance will continue for the first year of the Fifth Agreement and then be replaced by a new accreditation program. Accreditation will be a requirement for pharmacies to be eligible for Pharmacy Practice Incentive (PPI) payments which will be introduced in year two of the Agreement.

The PPI payments will be based on pharmacies meeting set performance standards. These standards require pharmacies to demonstrate delivery of a range of services to patients that improve their quality use of medicines, and achieve defined outcomes. For example, some PPI payments will require pharmacies to meet defined levels of monitoring patient adherence to long-term medicines, to participate in national prevention campaigns, to have staff participate in recognised training courses, or to demonstrate set levels of inter-professional communication.

Aboriginal and Torres Strait Islander Programs
There will be a continued focus on programs that ensure equity of access for Aboriginal and Torres Strait Islander communities through programs in remote, rural and urban Aboriginal health services that aim to improve the quality use of medicines.

The Aboriginal and Torres Strait Islander Pharmacy Workforce program will continue, with a focus on strengthening and supporting the Aboriginal and Torres Strait Islander pharmacy
workforce, which in turn will provide improved, culturally appropriate, pharmacy services for Aboriginal and Torres Strait Islander patients.

**Rural Programs**

There will be continued funding of the rural pharmacy workforce program, focusing on strengthening and supporting the rural pharmacy workforce and providing increased access to quality pharmacy services for patients residing in rural and remote regions of Australia.

The rural pharmacy allowance will also be continued. The allowance is provided to approved pharmacies in recognition of the additional demands of maintaining a pharmacy in rural and remote areas of Australia.

**Other**

The existing Research and Development Program will be restricted to research specifically commissioned through the Fifth Agreement. The focus of the research will be on maintaining and improving the health outcomes of Australians through evidence based best practice on issues related to pharmacy and the provision of quality pharmaceutical services to patients.

A small amount of funding will support the development of systems and procedures for medication continuance. Medication continuance is a mechanism to ensure ongoing access for patients to current medications until they can see their treating clinician. The Government will consult with a range of stakeholders, including State and Territory Governments, consumers and general practitioners.

**Additional programs to support patient services**

The funding provided for Programs will be supplemented by $277 million in recognition of the income forgone by community pharmacies as a result of the *Further Reforms to PBS Pricing* Budget measure. These transitional funds will be used to enhance and support patient services.

**Additional PPI program components:**

- **Clinical interventions:** This program will support pharmacists to provide clinical interventions for patients related to their medication. This will be an enhanced service over and above that associated with dispensing (for which pharmacists are already paid through the dispensing fee). The aim will be to:
  - increase the number of clinical interventions provided;
  - improve communication with patients and prescribers;
  - provide integrated care from the pharmacy to the treating doctor; and
  - complement other services such as in-pharmacy medication use reviews, home medicine reviews and dose administration aids.

- **Dose administration aids:** This program will provide funding for the provision of dose administration aids in accordance with specified performance requirements. These requirements will include patient eligibility criteria and compliance arrangements.
• **Staged supply of PBS medicines:** This will provide a payment to pharmacies that meet specified performance requirements in providing dispensed PBS medicines in instalments to a patient. The instalments may be daily, weekly, fortnightly, etc and at a lesser quantity than that prescribed by the doctor. A request for staged supply of medicines is usually provided by a doctor to support patients with mental illness, drug addiction or who are otherwise unable to manage medications safely.

• **Enhancements to the pharmacy accreditation system through standards development and processes:** This funding will support the revision of standards for the accreditation of pharmacies in order to ensure they are focused on clinical and patient issues; and to support pharmacies to adjust to the new quality system of accreditation.

• **Support the use of medication charts in residential aged care facilities:** This proposal will introduce supply from a medication chart instead of requiring a prescription. It will improve timeliness and reduce duplication of effort for prescribers and pharmacies, and ensure that the medicine supplied accords with the patient’s current regimen.

• **Support the electronic recording of controlled drugs:** This funding will support the development of a system to collect and report data relating to controlled medicines, such as narcotics, to address the problems of abuse and doctor shopping.

**Increase to the section 100 (s100) Handling Fee**
This funding will support an ongoing increase to the fee paid to pharmacies that supply medicines in bulk to remote Aboriginal health services under s100 of the *National Health Act 1953*.

The handling fee remained unchanged from the commencement of the program in 1998 until June 2009 where the fee was temporarily increased from $1.14 to $2.69. This measure provides additional funding which will allow the fee to be set at $2.74 in year one of the Agreement (2010-11) and to be indexed annually thereafter.

**Restructure of remuneration for private hospital pharmacies**
The remuneration arrangements for s94 approved private hospital pharmacies will be changed to better reflect the arrangements that operate in respect of their public system counterparts participating in the pharmaceutical reforms under the health care agreements.

Under this measure the wholesale mark-up of 7.52% (maximum) will be replaced with a flat storage and handling mark-up of 11.1%, the community pharmacy retail mark-up will be replaced with a flat 1.39% private hospital mark-up, and the current dispensing fee will remain consistent with that for community pharmacy.
Cessation of the Western Australian Freight Allowance
The freight allowance that is currently paid to Western Australian community pharmacies located outside of Perth’s central business district will be ceased with effect 1 July 2010. The allowance has been paid to eligible pharmacies as an additional component of the Commonwealth Price of medicines since 1 October 1989. The rationale for its establishment was to offset some of the additional costs associated with securing delivery of medicines that were incurred by non-metropolitan Western Australian pharmacies.

The allowance is now redundant, with the introduction of the CSO arrangements under the Fourth Agreement, which set standards for wholesalers for the delivery of PBS medicines to any pharmacy anywhere in Australia at no additional cost.

OTHER ELEMENTS OF THE FIFTH AGREEMENT

Location Rules
Location rules will remain unchanged from the Fourth Agreement. The rules, including the Ministerial determination relating to supermarket co-location, may be modified with the agreement of both the Government and the Guild.

Provision of Under Co-payment data
As part of their current dispensing and claiming processes, pharmacies will provide, without payment, a range of data for medicines dispensed to general patients that cost less than the general patient co-payment. The data provided will include information on the patient, prescriber and dispenser as well as on the medicine dispensed.

The collection of these data will establish a more complete data set of prescription drug usage enabling more comprehensive analysis on PBS medicine prescribing, dispensing and usage. These data will be of great benefit to Government and the Pharmaceutical Benefits Advisory Committee.

Governance
There will be two committees overseeing the management and implementation of the Agreement and programs and services under the Agreement: the Agreement Consultative Committee and the Programs Reference Group.

While an Agreement Consultative Committee exists under the Fourth Community Pharmacy Agreement, its terms of reference will be revised, and its role expanded to include high-level management and implementation of the programs and services. This Committee will be comprised of representatives of the Guild and the Department of Health and Ageing.

A new Programs Reference Group will have a broadly based expertise-based membership, including consumers, and advise on policy issues related to program design, evaluation and relationships to other policy initiatives. Both bodies may provide advice to the Minister for Health and Ageing.
## ANNEXURE A

**Remuneration arrangements for s90 pharmacies under the Fifth Agreement**

<table>
<thead>
<tr>
<th>Type of Payment</th>
<th>Basis of Payment</th>
<th>Date of Effect</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesale mark-up&lt;sup&gt;1&lt;/sup&gt;</td>
<td>(mark-up on ex-manufacturer’s price)</td>
<td>1 July 2010</td>
<td>7.52%&lt;sup&gt;2&lt;/sup&gt; $69.94</td>
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<tr>
<td></td>
<td>Up to and including $930.06</td>
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<tr>
<td></td>
<td>Over $930.06</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pharmacy Mark-up&lt;sup&gt;3&lt;/sup&gt;</td>
<td>(mark-up on Approved Price to Pharmacist)&lt;sup&gt;4&lt;/sup&gt;</td>
<td>1 July 2010</td>
<td>15.0%</td>
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<tr>
<td></td>
<td>Up to and including $30.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Between $30.01 and $45.00</td>
<td></td>
<td>$4.50</td>
</tr>
<tr>
<td></td>
<td>Between $45.01 and $180.00</td>
<td>1 July 2010</td>
<td>10.0%</td>
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<tr>
<td></td>
<td>Between $180.01 and $450.00</td>
<td></td>
<td>$18.00</td>
</tr>
<tr>
<td></td>
<td>Between $450.01 and $1750.00</td>
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<td>4.0%</td>
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<td></td>
<td>Over $1750.00</td>
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<td>$70.00</td>
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<tr>
<td>Dispensing Fee (Ready Prepared)</td>
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<td>1 July 2010 - 30 June 2012&lt;sup&gt;5&lt;/sup&gt;</td>
<td>$6.42</td>
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<tr>
<td>Special Handling Fee&lt;sup&gt;6&lt;/sup&gt;</td>
<td>Dangerous drug</td>
<td>1 July 2010</td>
<td>$2.71</td>
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<tr>
<td></td>
<td>Extemporaneously prepared</td>
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<td>$2.04</td>
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<tr>
<td>Premium free-dispensing fee</td>
<td>Paid for each substitutable medicine dispensed where a</td>
<td>1 July 2010&lt;sup&gt;7&lt;/sup&gt;</td>
<td>$1.53</td>
</tr>
<tr>
<td></td>
<td>brand premium does not apply</td>
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<td></td>
</tr>
</tbody>
</table>

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<sup>1</sup> Fixed for the Term of the Agreement.

<sup>2</sup> Equates to a 7.0% wholesale margin.

<sup>3</sup> Fixed for the Term of the Agreement.

<sup>4</sup> Approved Price to Pharmacist (includes price ex-manufacturer and wholesale mark-up).

<sup>5</sup> Indexed to WC19 on 1 July 2012, 1 July 2013 and 1 July 2014.

<sup>6</sup> These fees are payable in addition to the base ready prepared dispensing fee.

<sup>7</sup> Indexed by WC19 on 1 August 2010, 1 August 2011, 1 August 2012, 1 August 2013 and 1 August 2014.