



Response to the competition policy review draft report

NOVEMBER
2014



About PSA

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The PSA is the peak national professional pharmacy organisation representing Australia's pharmacists working in all sectors and locations. There are approximately 28,000 registered pharmacists, of whom approximately 80 per cent work in the community sector.

PSA's vision is to improve our nation's health through excellence in the practice of pharmacy.

PSA's core functions include: providing high quality continuing professional development, education and practice support to pharmacists; developing and advocating standards and guidelines to inform and enhance pharmacists' practice; and representing pharmacists' role as frontline health professionals.

Summary of PSA's position

This paper outlines PSA's response to the comments and recommendations in the Competition Policy Review Draft Report (September 2014). PSA previously provided a Submission to the Competition Policy Review Issues Paper, which can be found here: www.psa.org.au/download/submissions/competition-policy-review-submission.pdf

The key points presented by PSA in its submission to the Competition Policy Review Issues Paper are summarised and re-iterated here.

- PSA strongly believes the ongoing viability and infrastructure of the existing community pharmacy network should not be compromised as it is fundamental to providing all Australians with equitable access to cost-effective medicines made available through the Pharmaceutical Benefits Scheme (PBS).

- PSA does not believe supermarkets provide an environment conducive to patient-centred care, promotion of patient understanding, interdisciplinary collaboration, opportunistic interventions, or effective operation of the health care team.
- PSA unequivocally supports retention of the current provisions relating to ownership of pharmacies. The main rationale and justification for these restrictions is that limiting the controlling interest in the ownership of pharmacy businesses to pharmacists promotes patient safety and competent provision of high quality pharmacy services and helps maintain public confidence in those services. Further, limiting the number of pharmacy businesses that may be owned by a person or entity helps protect the public from market dominance or inappropriate market conduct.
- Professional autonomy, objectivity and independence are critical to the practice of pharmacy and as such, PSA strongly believes it is not desirable that pharmacists practice in an environment (e.g. supermarkets, or other large corporate owner) where they could be expected to meet certain operational policies or requirements which may not be in the best interests of professional pharmacy practice even if they may be regarded as accepted commercial business practices.



Draft report comments and recommendations

Meeting consumers' demands

"It is not apparent that the current restrictions on location of pharmacies or the requirement that only pharmacists can own a pharmacy ensure the quality of advice provided to a consumer. Such restrictions limit the ability of consumers to choose where to obtain pharmacy services and limit the ability of suppliers to meet consumers' demands."

[Competition Policy Review Draft Report, p.68-69]

Community services obligation funding

Established in the 4th Community Pharmacy Agreement in 2005, the Community Services Obligation (CSO) Funding Pool provides financial support to pharmaceutical wholesalers, supplying the full range of PBS medicines regardless of pharmacy location and the relative cost of supply. Its purpose is to ensure that PBS medicines are delivered to community pharmacies anywhere in Australia.¹

The recent UTS Community Pharmacy Barometer² found that the majority of pharmacists are supportive of the CSO and want it to remain in place, particularly because it ensures access to rural and regional consumers. As one respondent commented, *"To supply [more than] 4800 pharmacies and ensure continuity of care to ALL Australians – this ought to be encouraged, maintained and improved."*³

Deregulation would almost certainly undermine these distribution arrangements and PSA has

concerns about the impact, particularly on Australians living in regional, rural and remote locations, who already experience poorer health than their city counterparts.⁴

Long-term interests of consumers

"The Panel considers that the pharmacy ownership and location rules should be removed in the long-term interests of consumers."

[Competition Policy Review Draft Report, p.69]

Focus on consumer needs

The Draft Report does not appear to contain any clear evidence to support the claim that the removal of pharmacy ownership and location rules is in the long-term interests of consumers.

Indeed, this recommendation by the Panel puts it at odds with a recent ruling by the European Court of Justice⁵ in response to challenges to ownership legislation in Italy and Germany, both of which have legislation specifying that only a pharmacist can own and operate a pharmacy. The Court concluded that the limitations on the ownership and establishment of community pharmacies was justified to ensure that the provision of medicinal products to the public is reliable and of good quality.

Similarly, a review undertaken in Europe would appear to contradict this belief.⁶ The authors



found that while deregulation of the community pharmacy sector is often linked to an expectation of improved patient access and cheap medicines, in practice these expectations have not been met. Instead, deregulation can actually result in impaired outcomes for patients, including an uneven distribution of community pharmacies, the dominance of some market participants (e.g. wholesalers) and commercial considerations leading to pressure to increase sales of over-the-counter (OTC) medicines and non-pharmaceutical products.

PSA is very supportive of efforts to ensure consumer access to pharmacy products and services and does not wish to see a similar scenario to Europe play out in Australia, a country with many regional and remote communities. The potential for deregulation leading to clustering of pharmacies in metropolitan areas at the expense of pharmacies in rural areas is of particular and significant concern.

Impact on health outcomes

"The end result of limiting competition and guaranteeing income has been to create a significant problem in community pharmacy that is leading to poor health outcomes, a stifling of innovation and the taxpayer not receiving value for money."

[Excerpt from Professional Pharmacists Australia Confidential Submission - Competition Policy Review Draft Report, p.110]

Lack of evidence to support claims

The confidentiality of PPA's submission means that PSA is unable to access the evidence they have cited for their claim that current arrangements are negatively impacting consumer health outcomes. PSA could find no objective evidence to support such a claim.

Similarly, Chemist Warehouse's submission⁷ argued that *"overseas examples have demonstrated that once market limiting regulations are removed, outcomes are improved for industry participants and consumers"*; which is at odds with the findings of the

previously cited European review⁸ and the OECD's Global Forum on Competition.⁹

PSA is concerned that the Panel appears to have placed disproportionate weight on both a confidential submission from the Professional Pharmacists Australia and the Chemist Warehouse submission, both of which contain claims that are directly contradicted by existing evidence from Europe.

Room for improvement

None of this is to say that the community pharmacy sector could not do better. As outlined in PSA's recent 6CPA Discussion Paper¹⁰, there is certainly room for improvements to be made, **within the existing regulatory environment**. PSA believes pharmacists can make greater contributions to the healthcare of Australians and strongly supports the development of solutions for a sustainable health system.

One of the key elements of the Consumers' Health Forum Submission¹¹ to the Competition Policy Review Issues Paper was that *"The CPA needs to ensure that the location and ownership rules work for Australia's public interest, including increased access to community pharmacies for consumers in rural and remote areas of Australia."*

PSA is wholly supportive of these objectives, and in our 6CPA Discussion Paper, argue that the 6CPA presents an opportunity to focus on improvements in consumer health outcomes through the delivery of high-quality and evidence-based pharmacist services.

Competition in the pharmacy sector

"In light of the changes to the operation of the pharmacy sector and the increased empirical evidence available to inform comparisons in the years since the Wilkinson review, there is renewed reason to question the assumption that protecting pharmacists from competition is in the interests of consumers."

[Competition Policy Review Draft Report, p.111]



Significant competition already exists

Significant competition already exists in Australia, including through the increasing numbers of “discount pharmacies”, as highlighted in the Chemist Warehouse Submission and also the Competition Policy Review Draft Report itself. A recent IBISWorld report noted that *“The pharmacy sector is currently highly fragmented, with low market share concentration, mainly because of the restrictions on pharmacy ownership in each State and Territory”*.¹²

This stands in stark contrast to Norway, which in the decade since deregulation, has seen a decrease in the number of independent pharmacies. By 2012, 81% of Norwegian pharmacies were owned by one of three large pharmacy chains.¹³ This oligopolistic structure caused concern for the Norwegian Competition Authority, as it had actually caused a reduction in competition and impacted the accessibility of medicines; such pharmacies *“were observed to align their product range to the supply of the owners, and less frequently requested medicines were less available in pharmacies.”*¹⁴ At the same time, there was *“no substantial competition on the price between pharmacies.”*¹⁵

The Draft Report stated that there is increased empirical evidence to inform comparisons with other, deregulated health professions such as general practice, but appears silent on the evidence showing the negative consequences of deregulation of the pharmacy sector.

Existing systems work well

The Draft Report appears to have ignored a number of important facts about current practice in Australia. The large majority of consumers in community pharmacy (approximately 80%) are holders of concession cards, a scenario in which there is therefore no flexibility to adjust the price of prescriptions. PSA contends that the current arrangements are an appropriate policy response to such a market scenario and do not require change.

Furthermore, pharmacists currently subsidise a number of important pharmacy services such as Dose Administration Aids and Harm Minimisation services. Pharmacists do this as they are keenly focused on the needs of consumers. Even with a degree of pessimism about their financial future, community pharmacists are predicting *“stronger relationships with consumers by increased involvement in their health.”*¹⁶

Finally, changes may be fundamentally unnecessary, with PricewaterhouseCoopers (PwC)’s recent research measuring community pharmacy’s impact on consumer health outcomes finding that 98.5% of consumers reported having no issues accessing community pharmacy.¹⁷

PSA believes the Panel should give careful consideration to the potential for unintended consequences for consumers as a result of moves to deregulate the Australian community pharmacy system, taking note of the European experience.



Conclusion

PSA is concerned that the Panel has placed disproportionate weight on claims for which there is scant evidence, whilst appearing to ignore emerging evidence of the negative consequences of what has been proposed in the Draft Report.

PSA remains unconvinced, particularly on the basis of international experience, that making the proposed changes to the regulatory environment of community pharmacy would deliver either increased access or reduced medicines costs to consumers. The proposed changes may in fact even have the effect of reducing competition.

However, PSA is very supportive of changed arrangements for the 6CPA which support greater utilisation of pharmacists to improve health outcomes for consumers.

PSA urges the Panel to consider carefully the potential detrimental effects of a deregulated pharmacy environment, in particular on consumers in rural and regional Australia, who already experience worse health outcomes than their city counterparts. PSA would be concerned to see any changes put in place that would widen this inequity.

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