

Consumer Policy Unit
UnitPricingReview@TREASURY.GOV.AU

18 February 2019

Dear Sir/Madam

Submission by the Medical Software Industry Association in respect of Unit Pricing for Pharmacies

The Treasury is currently consulting on the Retail Grocery Industry (Unit Pricing) Code of Conduct which has raised the possibility of extending Unit Pricing to other industries such as community pharmacies. Implementation of Unit Pricing in community pharmacy would be a complex undertaking, and it is questionable whether the benefits to consumers would be commensurate with the cost. It would also have major unintended consequences on our industry.

The Medical Software Industry Association (MSIA) represents the interests of the Australian health software industry which develops, supplies and services information management products and services for healthcare practitioners, healthcare service providers and healthcare organisations including pharmacies.

Our industry is acknowledged as the official 'voice' for the industry, and over 92.5 % of the transactions over the MBS and PBS are made on our members software. We represent all the providers of Point of Sale software systems to community pharmacy. Consequently, we are cognisant of the negative impact that applying Unit Pricing to community pharmacy will have.

Unlike the grocery industry with 4 major players, the community pharmacy sector has over 17+ software providers. Most of these providers supply, dispense and supply POS systems to approximately 5,700 community pharmacies which source their health care products from 4 major wholesalers and several other suppliers. Unlike the supermarket sector it is extremely complex to implement changes to software. When Coles (750 stores) or Woolworths (780 stores) change their centrally controlled POS software to accommodate Unit Pricing, there are clear economies of scale.

For the many pharmacy software vendors supplying community pharmacy, it would be a very significant investment in software development and time to update all these systems. The solution would then need to be implemented in each individual pharmacy and pharmacy staff would need training in its use. The cost to productivity and innovation would be far greater than the benefit to consumers.

Each software vendor manages product data on behalf of the pharmacies who use their POS systems. The introduction of unit pricing would require each software provider to manually add unit of measure and size of pack to around 450,000 retail lines, data which does not currently exist. Each pharmacy would also need to do this for their "local lines" i.e. products that are sourced independently of the 4 major pharmaceutical wholesalers and are not managed by the POS vendor.

Each of the pharmacy software vendors would have to update their software to include (but not limited to):

1. A new product attribute 'unit of the measure' e.g. mL/tablet/mg, to their master database and pharmacy software;

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2. A new product attribute size of pack, e.g. 5kg, 30 tablets, to their master database and pharmacy software;
3. New product attributes in their product updates to pharmacies which would include at least 3 different file formats;
4. New product attributes in communications between multistore groups;
5. Provision to pharmacies of a workflow to manage unit of measure and size of the pack for non-company-maintained lines;
6. Calculation software – to enable price per quantity not otherwise required. Weight/size/qty can vary and the ingredient strength and dose will also impact on the price and value and how would it apply for medicines containing more than one ingredient at varying strengths, and
7. Information to shelf labels which are already crowded and would need extension physically.

The labour costs for these software changes would be significant. It would need to include development, manual labour at head office and manual labour at each pharmacy as well as change management costs. Our members clients are not asking for these changes. Consequently, there is no incentive for them to pay the cost of software development. This raises the question of who would bear this impost of many millions of dollars?

Other considerations should Unit Pricing apply to community pharmacy:

1. Allocation of space on already small shelf labels to accommodate a Unit Price that must be “prominently displayed”. Price labels used in community pharmacy are not like those used in grocery and would require redesign to accommodate the Price, the Bar Code, PDE Number and Unit Price. This could also have implications on existing store shelving and general store layout;
2. Allocating space in each of the POS system’s database to include this information. This would include the number of units in the pack and unit description;
3. Maintaining the number of units and unit description. It may be intended that this information may be provided the supplier of the product, but if it is not then the POS vendor or the pharmacy would have to continuously update this information, and
4. Data from suppliers is frequently inaccurate and often need to be manually corrected and the staff are general healthcare focussed and not skilled in this regard the way of major grocery chains.

Supermarkets unlike small community pharmacies have economies of scale where they can send pricing information to all their stores. Conversely, each pharmacy would individually have to update the information. Pharmacies operate in a very different model and at a very different scale to supermarkets in that they are individually owned or a part of smaller franchises. If the suppliers or wholesalers don’t provide the information in a machine-readable electronic format they would require someone to spend approximately hours per week updating the information. This would limit the time being able to be spent with consumers on critical tasks like medication chart management and advice generally.

We note in the discussion paper that the *“total costs of implementation reported by the major retailers (i.e. Coles, Woolworths, ALDI and Metcash) amounted to no more than \$27 million while ongoing costs had been smaller in comparison”*.

We would estimate that the costs of implementation of Unit Pricing in pharmacies would be considerably more expensive given the lack of economies of scale and the number of many different POS systems used by community pharmacy in Australia.

The unintended consequences of changing 17+ different POS software systems in thousands of individually owned pharmacies cannot be ignored. Australia's Chief Economist reported in 2018 that digitisation of health services in our country lags 16% behind other sectors although the health sector employs the most people and could reap billions of dollars of savings in efficiencies through digitisation.

Implementation of Unit pricing to this sector would only further delay the productivity of our industry, impede our current implementations and limit the amount of time our clients the pharmacists could spend assisting consumers at front of house with their medication management and health queries.

We trust this information is of assistance in your review of the Grocery Unit Pricing Code. The unintended consequences would be very severe and impact on the most vulnerable Australians.

Should you require any further information please don't hesitate to contact me.

Yours Sincerely

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