

FOURTH COMMUNITY PHARMACY AGREEMENT

BETWEEN

THE COMMONWEALTH OF AUSTRALIA

AND

THE PHARMACY GUILD OF AUSTRALIA

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This Agreement is dated the day of 2005.

This Agreement is made between the following parties:

THE HONOURABLE TONY ABBOTT MINISTER FOR HEALTH AND AGEING, on behalf of the Commonwealth of Australia (**Commonwealth**)

and

THE PHARMACY GUILD OF AUSTRALIA [ABN 84519669143] of 15 National Circuit, Barton in the Australian Capital Territory (**Guild**)

PART 1: INTRODUCTION

1. Context

1.1. This Agreement is the Fourth Community Pharmacy Agreement.

This Agreement is made in the following context:

- a. Community pharmacy is an integral part of the infrastructure of the health care system in its role in primary health care through the delivery of the PBS and related services.
- b. The Commonwealth and the Guild have a common interest in ensuring that pharmacists receive fair and adequate remuneration for the pharmaceutical benefits that they supply under Part VII of the *National Health Act 1953* (the Act) so that a stable environment is created for community pharmacy enabling it to remain viable for the long term benefit of all Australians.
- c. In order to assure the sustainability and affordability of the supply of Pharmaceutical Benefits, the Commonwealth has an objective of containing the cost of pharmaceutical benefits.
- d. The Commonwealth and the Guild also have a common interest in ensuring that positive health outcomes are attained by the Australian community through the efficient delivery of effective pharmacy health related programs.
- e. The Commonwealth and the Guild have a common interest in ensuring that there is a network of accessible and viable community pharmacies throughout Australia including in rural and remote areas.
- f. The Agreement documents the agreement of the parties in relation to their responsibilities for the matters covered in this Agreement.

- g. The parties understand that the Pharmaceutical Society of Australia, whilst not a signatory to this Agreement, will be an active participant in those areas of this Agreement that are related to professional practice.

2. Principles and Objectives

- 2.1. Within the above context, the principles and objectives of this Agreement are to:
 - a. ensure a fair Commonwealth price is paid to approved pharmacists for providing pharmaceutical benefits while maximising the value to taxpayers by encouraging an effective and efficient community pharmacy network;
 - b. ensure that the Programs target areas of need in the community including continued improvement in community pharmacy services provided to Aboriginal and Torres Strait Islander people;
 - c. ensure transparency and accountability in the expenditure of the funds which the Commonwealth has appropriated for the Programs to improve the health outcomes for the Australian community;
 - d. maintain a stable and viable community pharmacy sector so that pharmacists can continue to provide quality pharmacy services to the Australian community;
 - e. maintain a co-operative relationship between the Commonwealth and the Guild; and
 - f. ensure the Location Rules work for the benefit of the Australian community including increased access to community pharmacies for persons in rural and remote areas of Australia.

3. Structure

- 3.1. This Agreement consists of 6 Parts.
- 3.2. The 6 Parts are:
 - a. **Part 1: Introduction** -The Introduction includes preliminary matters including setting out the context, the objectives and the term of the Agreement and matters which apply to all parts of the Agreement eg the definitions and the role of the Agreement Consultative Committee and Professional Programs and Services Advisory Committee.
 - b. **Part 2: Commonwealth price** -This Part documents the agreement reached between the Commonwealth and the Guild in relation to the manner in which the Commonwealth price is to be ascertained. This Part represents an agreement between the parties in accordance with s.98BAA (1) of the Act.
 - c. **Part 3: Other Payments** - This Part sets out the intention of the parties in relation to the Community Service Obligation (CSO) Funding Pool and other payments.

- d. **Part 4: Location Rules** - This Part sets out the amendments to the Location Rules which the Minister has approved and which it is intended will become the basis for a variation to the determination which the Minister must make under s.99L of the Act.
- e. **Part 5: Professional Pharmacy Programs and Services** - This Part deals with the professional pharmacy programs and services which the Department will administer during the term of the Agreement. It sets out the governance and accountability framework within which the Commonwealth is required to operate in administering the funds appropriated by the government for these Programs.
- f. **Part 6:** This Part consists of miscellaneous matters.

4. Definitions

Act	means the <i>National Health Act 1953</i> .
ACPA	means the Australian Community Pharmacy Authority set up under Division 4B of the Part VII of the Act.
Agreed price	means the agreed price for a pharmaceutical and repatriation benefit under s.84C as determined by the Minister under s.84C(7) and ascertained in the manner set out in s.84C(8) of the Act.
Agreement	means this agreement.
Agreement Consultative Committee	Agreement Consultative Committee is the committee set up under clause 7.
Approved pharmacist	means a pharmacist approved under s.90 of the Act.
Commonwealth price	means an amount worked out in accordance with a determination in force under s.98B(1) to determine the amount that the Commonwealth pays to approved pharmacists in relation to the supply of pharmaceutical benefits.
CSO	means the Community Service Obligation Funding Pool which is described in clause 23.
Department	means the Department of Health and Ageing.
FMA Act	means the <i>Financial Management and Accountability Act 1997</i> .
Funds	means the money approved by the government for expenditure on the Programs during the term of the Agreement and includes Funds which were appropriated for Programs under the Third Community Pharmacy

	Agreement but remain unspent under that Agreement.
Location Rules	means the rules determined by the Minister under s.99L of the Act subject to which the ACPA makes recommendations under the Act in relation to approval of pharmacists in respect of particular premises.
Minister	means the Minister who administers the Act.
PBS	means the Pharmaceutical Benefits Scheme established under Part VII of the Act.
Pharmaceutical benefit	means a drug or medicinal preparation in relation to which, by virtue of s.85 of the Act, Part VII applies.
Professional Programs and Services Advisory Committee	means the committee set up under clause 8 to advise the Minister on aspects of the Programs.
Programs	means the professional pharmacy programs and services set out in Part 5.
Tribunal	means the Pharmaceutical Benefits Remuneration Tribunal established under s.98A of the Act.

5. Interpretation

- 5.1. In this Agreement, unless the contrary intention appears, a word or expression not otherwise defined but which is used in the Act, shall be taken to have the same meaning as in Part VII of the Act.

6. Duration of Agreement

- 6.1. This Agreement commences on 1 December 2005 and terminates on 30 June 2010.

7. Agreement Consultative Committee

- 7.1. The Agreement Consultative Committee will be the mechanism for consultation between the parties on implementation of this Agreement, including issues relating to Approved Pharmacists' payments and Location Rules and consideration of other matters as set out in Part 6 of this Agreement .
- 7.2. The Committee will comprise a maximum of four members from the Guild and four members from the Department.
- 7.3. Terms of Reference for the Committee, including meeting arrangements and operating rules, will be developed by the Guild and the Department.

8. Professional Programs and Services Advisory Committee

- 8.1. In order to ensure transparent, contestable, merit based allocation of funds within an accountability framework, a Professional Programs and Services Advisory Committee will operate under the Fourth Agreement.
- 8.2. The Committee will consider issues relating to the Professional Pharmacy Programs and Services and provide advice and recommendations directly to the Minister. This representational Committee will include:
 - a. five members appointed by the Guild (including four pharmacists); and
 - b. five members appointed by the Minister, comprising one member of the Pharmaceutical Society of Australia and one other pharmacist, with the remaining three members drawn from individuals and organisations with an interest in the programs being funded, including doctors, allied health professionals, aged care professionals, consumers and representatives from the indigenous community.
- 8.3. The Committee Chair will be appointed by the Minister and selected from the 10 committee members.
- 8.4. The Department will not be represented on the Committee but will provide secretariat support to the Committee.
- 8.5. The function of the Committee will be to provide advice to the Minister on:
 - a. the funding of the projects and management responsibilities for projects and programs under the Professional Pharmacy Programs and Services;
 - b. the development of policy objectives, eligibility criteria and performance outcome measures for programs to be funded under the Professional Pharmacy Programs and Services;
 - c. monitoring the outcome of programs funded under the Professional Pharmacy Programs and Services; and
 - d. any other function that may be agreed between the Minister and the Guild.
- 8.6. The Terms of Reference for the Committee will reflect the functions described in clause 8.5 and will be developed by the Guild and the Department and will be subject to the Minister's approval. The Terms of Reference will also set out the responsibilities, accountabilities and decision making processes for the Committee.

PART 2-COMMONWEALTH PAYMENTS TO PHARMACISTS

9. What Part 2 does

- 9.1. Part 2 constitutes an agreement between the Guild and the Minister as referred to in s.98BAA of the Act which sets out the manner in which the Commonwealth price is to be ascertained and which the Tribunal must give effect to in determining the Commonwealth price.

10. Commencement of obligations under Part 2

- 10.1. The obligations under Part 2 will commence on 1 December 2005 and continue until 30 June 2010.

11. Purpose of Part 2

- 11.1. The purpose of Part 2 is to:
- a. describe the basis for, and calculation of, the Commonwealth price and variations to that price that may occur over the life of the Agreement; and
 - b. ensure that all components which make up the Commonwealth price are clearly documented so that there is certainty for all approved pharmacists.

12. Agreed Basis of the Commonwealth price

- 12.1. The Commonwealth price has been set based on a formula which comprises the ex-manufacturer price plus allowances for the supply of PBS medicines over and above that price.
- 12.2. In agreeing to a Commonwealth price for a particular medicine the Commonwealth includes allowances for:
- a. the cost to the pharmacist (approved price to pharmacist), which includes two components:
 - A. production of the medicine (price ex manufacturer);
 - B. wholesale distribution of the medicine;
 - b. the handling and storage of medicines by the pharmacy; and
 - c. the pharmacist's specialised skills in dispensing the medicines.

13. Patient contribution

- 13.1. The specific amounts of patient contributions for PBS medicines are as set out in the Act and pharmacists are required by the Act to charge those amounts.

14. Commonwealth price and other payments

14.1. The components of the remuneration including the Commonwealth price are as set out in clause 14.2 and as described in the Schedule to this Agreement.

14.2.

Type of Payment	Basis of Payment	Date of Effect	Value
Wholesale mark-up ¹	(mark- up on ex-manufacturer's price)		
	Up to and including \$930.06	1 July 2006	7.52% ²
	Over \$930.06		\$69.94
Pharmacy Mark-up ³	(mark-up on Approved Price to Pharmacist) ⁴		
	Up to and including \$180.00	1 July 2006	10.0%
	Between \$180.01 and \$450.00		\$18.00
	Between \$450.01 and \$1000.00		4.0%
	Over \$1000.00		\$40.00
Dispensing Fee (Ready Prepared)		1 Dec 2005 ⁵	\$4.94
		1 July 2006 ⁶	\$5.15
Special Handling Fees ⁷	Dangerous drug	1 July 2006	\$2.71
	Extemporaneously prepared		\$2.04

14.3. The payments set out in clause 14.2 above, result in an agreed \$350 million reduction in payments to pharmacy than would otherwise have been made over the forward estimates period for the distribution, supply and dispensing of prescriptions for PBS medicines and medicines listed on the Schedule of Pharmaceutical Benefits provided under the Repatriation Pharmaceutical Benefits Scheme (RPBS) over the life of the Agreement. The forward estimates of payments to pharmacy are derived from the prescription volume estimates set out in clause 15.1.

¹ Fixed for the life of the Agreement

² Equates to a 7.0% wholesale margin

³ Fixed for the life of the Agreement

⁴ Approved Price to Pharmacist (includes price ex-manufacturer and wholesale mark-up)

⁵ Dispensing fee includes payments for CMI, IME and for reinstatement of the full value of indexation applicable from 1 July 2005 (but which was reduced by the PDP shavings from Third Agreement).

⁶ Indexed by WCI9 per annum (or its replacement index), on 1 July 2007, 1 July 2008 and 1 July 2009.

⁷ These fees are payable in addition to the base ready prepared dispensing fee.

15. Risk Share Arrangements

15.1. This Agreement is based on the following estimates for PBS and RPBS prescription volumes:

	2005-06	2006-07	2007-08	2008-09	2009-10
PBS & RPBS Prescription Volumes (m) ⁸	186.208	199.416	209.282	218.847	228.333

15.2. The parties agree that adjustments to the remuneration arrangements set out in clause 14.2 are appropriate if the actual movement in community pharmacy prescription volume varies beyond the threshold as described at clause 15.3.

15.3. The parties therefore agree to a risk sharing arrangement under which remuneration is adjusted if prescription volumes are less than 95% or over 105% of the forecast forward estimates (as set out in clause 15.1) for any particular year.

15.4. For every PBS prescription above or below this threshold (as described in clause 15.3), payments (retail mark-up + dispensing fee), for those scripts (based on the average across all scripts) will be shared 50:50 between pharmacy and the Commonwealth, via a reduction/increase in the dispensing fee for the following year.

15.5. Reduction in the dispensing fee will be calculated as follows:

Number of scripts above the threshold	=	Actual volume for year Y– 1.05 x Forecast volume for year Y
Multiplied by the average payment	x	Ave (MU + DF) for year Y
Multiplied by pharmacy risk share factor	x	50%
Divided by the forecast volume for the following year	÷	Forecast volume for year Y+1
	=	DF variation

⁸ Includes PBS medicines and medicines listed on the Schedule of Pharmaceutical Benefits provided under the Repatriation Pharmaceutical Benefits Scheme (RPBS)

The Dispensing fee for the next year will therefore be:

Dispensing fee for this year		DF for year Y
Plus indexation		DF for year Y x (1+indexation factor)
Minus the variation in the dispensing fee		DF variation

15.6. Increase in dispensing fee will be calculated as follows:

Number of scripts below the threshold		0.95 x Forecast volume for year Y - Actual volume for year Y
Multiplied by the average payment		Ave (MU + DF) for year Y
Multiplied by pharmacy risk share factor		50%
Divided by the forecast volume for the following year		Forecast volume for year Y+1
	=	DF variation

The Dispensing fee for the next year will therefore be:

Dispensing fee for this year		DF for year Y
Plus Indexation		DF for year Y x (1+indexation factor)
Plus the variation in the dispensing fee		DF variation

For the purposes of clauses 15.5 and 15.6 **MU** means **pharmacy mark-up** and **DF** means **dispensing fee**.

15.7. Comparison between actual and estimated figures will be based on the 12 month period to 31 March in the relevant year ('the reference period').

15.8. The parties agree that the pharmacist dispensing fee as set out in clause 14.2 will be indexed annually by WCI9, or its replacement index as determined under the Government's revised industrial relations arrangements. The Government will apply the higher indexation factor between the WCI9 (as it applied prior to its replacement) and the replacement index.

16. Review of components of remuneration

- 16.1. The parties agree that the method of calculating any elements of the remuneration covered by Part 2 of the Agreement, and the level of that remuneration, may be varied by agreement in writing between the parties.

17. Dispute Resolution

- 17.1. The parties agree that any dispute which arises concerning this Part will be dealt with as follows:
- a. first, the party claiming that there is a dispute will send to the other a notice setting out the nature of the dispute;
 - b. secondly, the parties will try to resolve the dispute by direct negotiation within 20 working days;
 - c. if the dispute is not resolved within 20 days as set out in b., the parties will, within a further period of 28 days, refer the matter to the Tribunal for resolution;
 - d. the parties agree to adhere to a decision of the Tribunal made under c. above;
 - e. if the parties resolve the dispute they shall, if required, present the agreement reached between them to the Tribunal for an appropriate determination; and
 - f. each party will meet any costs which it may incur as a result of the dispute.

18. Waiver

- 18.1. A waiver of any provision of Part 2 must be in writing.
- 18.2. No waiver of an obligation under Part 2 shall operate as a waiver of another breach of the same or any other condition.

PART 3-OTHER PAYMENTS

19. Other changes

- 19.1. Where, during the life of the Fourth Agreement, the Government has taken a decision as part of a health related budget initiative that has a significant and sustained impact on the viability of community pharmacy, the Government will consult in good faith with the Guild about that impact.
- 19.2. Both parties will take into account the cost of any identifiable and quantifiable administrative impost/increase (above the present status quo) on pharmacies incurred during the life of the Agreement, that is directly attributed to an alteration to the *National Health Act 1953* or its subordinate legal instruments, or the introduction of a Commonwealth health related budget initiative external to the Agreement, and that is required to be implemented by community pharmacy.

20. Concessional Entitlement Validation Payments

- 20.1. To assist pharmacists in meeting their obligations under Section 87 (3A) of the Act the Commonwealth agrees to pay a concessional entitlement validation payment of 10 cents per PBS Concessional Prescription processed by pharmacies for an eighteen month period commencing from 1 December 2005. The remuneration for concessional entitlement validation is separate from, and in addition to, pharmacy remuneration as set out in clause 14.2.
- 20.2. Prior to 1 May 2007, concessional prescriptions ineligible for benefit claimed by non online pharmacies will continue to be subject to a warning from Medicare Australia to enable pharmacies to amend their dispensing software patient records.
- 20.3. The parties agree that prior to 1 November 2006, they will review the arrangements, as described in clauses 20.1 and 20.2 to determine the nature and extent of any ongoing concessional entitlement validation payment that will apply from 1 May 2007. This review will also consider the following issues:
- a. the appropriate period to apply (following a warning from Medicare Australia), to allow pharmacies to update their dispensing software patient records, with concessional prescriptions claimed when they are ineligible for benefit to be rejected thereafter; and
 - b. development of a process to enable pharmacy to maintain a discretion where there is a high level of uncertainty about concessional entitlement.

21. Additional Charges

- 21.1. For ready prepared and extemporaneously prepared items priced below the maximum general patient contribution as defined in the Act, approved pharmacists will be able to charge the sum of:
- a. the Commonwealth price;
 - b. an additional patient charge which when combined with the Commonwealth price will equal the list or agreed price as referred to in subsection 84C(7);
 - c. a further additional patient charge amounting to 10% of the maximum general patient contribution plus 50 cents.
- 21.2 The additional patient charge referred to in clause 21.1(c) cannot be recorded on the prescription record form to accumulate towards the Safety Net Entitlement as defined in s.84C of the Act.
- 21.3 Approved pharmacists are to make patients aware of the charges described in clause 21.1(c) and of the fact that they are not Commonwealth initiated.

22. Highly Specialised Drugs Program

- 22.1 Where a community pharmacy provides pharmaceutical services to a private hospital which provides medicines under the Highly Specialised Drugs Program to eligible outpatients, that pharmacy will be eligible for remuneration for the provision of this service. The Commonwealth agrees that it will remunerate these approved pharmacies for the supply of Highly Specialised Drugs.
- 22.2 The parties agree that remuneration should be allocated for the dispensing of Highly Specialised Drugs for private hospitals on the following basis:
- The ready prepared dispensing fee plus a mark-up calculated as follows:
- i. 10% for drugs with a price ex-manufacturer of less than \$40;
 - ii. \$4 for drugs with a price ex-manufacturer of between \$40 and \$100;
 - iii. 4% for drugs with a price ex-manufacturer of between \$100.01 and \$1000; and
 - iv. \$40 for drugs with a price ex-manufacturer of greater than \$1000.
- 22.3 These arrangements will be reviewed within the first year of the Agreement, as described at clause 37.

23. Community Service Obligation Funding Pool

- 23.1. The Commonwealth intends to establish a CSO Funding Pool of \$150 million per annum.
- 23.2. The CSO Funding Pool will be indexed annually on the same basis as the pharmacist dispensing fee set out in clause 14.2 and indexed with the same indices as for pharmacy remuneration as described in clause 15.8.
- 23.3. The purpose of the CSO Funding Pool is to ensure that:
- a. All community pharmacies are able to obtain timely supply of the full range of PBS medicines, irrespective of the size or location of the pharmacy, the breadth of the PBS product range, the cost of the PBS medicines, or the cost of their distribution and supply to pharmacy.
 - b. All Australians have timely access to the PBS medicines they require, regardless of the cost of the medicine, or where they live.
- 23.4. Payments from the CSO Funding Pool will be made to eligible wholesale distributors of PBS medicines, who meet specified service standards. The intention is to remunerate pharmaceutical wholesalers for the additional cost they incur in providing the full range of PBS medicines, available to wholesalers, as compared to those wholesalers who distribute and supply a lesser range of PBS products.
- 23.5. Wholesalers will be eligible to access the CSO Funding Pool if they can demonstrate they can meet specified service standards, including distribution and supply of the full range of PBS medicines generally within 24 hours. This includes medicines ordered in low volumes (including single units where required), and at least one benchmark priced product for each PBS line (where a benchmark priced product is available):
- a. to any pharmacy in Australia (National Full Line Wholesalers), or to any pharmacy in the State or Territory in which the wholesaler has a distribution centre (State Based Full Line Wholesalers); and
 - b. at a price to pharmacy at or below the approved price to pharmacist.
- 23.6. The total value of the CSO Funding Pool will be \$150 million per annum (commencing 1 July 2006), indexed annually. This Funding Pool includes a separate allocation of up to \$5 million per annum (commencing 1 July 2006) in payments to State Based Full Line Wholesalers.
- 23.7. Funding for State Based Full Line Wholesalers within their part of the total CSO Funding Pool will be apportioned across all States and Territories according to relative freight costs (or other factor, as agreed between eligible wholesalers and the Commonwealth).

- 23.8. State Based Full Line Wholesalers will not be entitled to a greater amount per PBS medicine supplied than National Full Line Wholesalers.
- 23.9. Full Line National Wholesalers will share in the balance of the CSO Funding Pool which will include that part of the Funding Pool separately allocated for State Based Full Line Wholesalers (as described at clause 23.7) that is unpaid at the end of each month.
- 23.10. Eligible National and State Based Full Line Wholesalers will provide data on the actual volume of sales of PBS medicines to all pharmacies, including low volume PBS medicines, and PBS medicines supplied to rural and remote pharmacies, on a monthly in-arrears basis.
- 23.11. Payments from the CSO Funding Pool will be made monthly, in arrears, based on each wholesaler's actual monthly share of the actual volumes of PBS medicines supplied to all pharmacies.
- 23.12. For the purposes of the CSO Funding Pool, references to actual sales and volumes relate to Schedule of Pharmaceutical Benefits items only.
- 23.13. Eligible National and State Based Full Line Wholesalers will be paid a share of the CSO Funding Pool only if actual sales to rural and remote pharmacies and actual sales of low-volume PBS medicines are in line with total industry data. This will be validated on an annual basis in the context of a year of industry data provided by eligible wholesalers on actual sales volumes of PBS low volume medicines, and PBS medicines supplied to rural and remote pharmacies.
- 23.14. Where eligible wholesalers do not, to a significant extent, meet the industry standard level of sales of low volume medicines or sales to rural and remote pharmacy at the end of each year, eligibility will be reviewed and funding will be adjusted in the following year's monthly payments or recouped as required.
- 23.15. The cost of administering the CSO Funding Pool will be met from within the funding pool up to a maximum of \$1 million per annum.

PART 4-LOCATION RULES

24. Preamble

- 24.1. The amendments to the Location Rules as set out in Attachment 1 are intended to provide greater flexibility to respond to community need for pharmacy services and to improve access to pharmacy services. These arrangements also aim to address those difficulties and anomalies in the Location Rules identified in the joint review of the Location Rules undertaken by the Commonwealth and the Guild in 2005.
- 24.2. The parties note that whilst changes to the Location Rules have been agreed, the current Location Rules will be extended to 30 June 2006 to allow the industry time to prepare for the changes. The parties agree to explore whether some anomalies in the current Location Rules can be addressed prior to 30 June 2006.

25. Objectives of Part 4

- 25.1. The objectives of the Location Rules are to ensure:
- a. all Australians have access to PBS medicines;
 - b. a commercially viable and sustainable network of community pharmacies dispensing PBS medicines;
 - c. improved efficiency through increased competition between pharmacies;
 - d. improved flexibility to respond to the community need for pharmacy services;
 - e. increased local access to community pharmacies for persons in rural and remote regions of Australia; and
 - f. continued development of an effective, efficient and well-distributed community pharmacy network in Australia.

26. Amendments to the Location Rules

- 26.1. Details of the amendments to the Location Rules which the parties have agreed are set out in Attachment 1.
- 26.2. The amendments to the Location Rules include relaxation of the Rules in the following three key areas:
- a. large medical centres;
 - b. smaller shopping centres with a large supermarket; and
 - c. large single pharmacy rural towns.

26.3. In addition, the Location Rules will be relaxed to give the ACPA discretion with respect to the method of determining the exclusion zone distance (ie straight line or shortest lawful access route) where there is genuine barrier to access to the proposed pharmacy in relation to the rules for medical centres, small shopping centres, single pharmacy towns and single pharmacy high growth urban areas.

26.4. The Commonwealth will put in place a process for the ACPA to refer anomalies in, and substantial problems arising from, the Rules to the Agreement Consultative Committee which will in turn advise the Minister on whether an amendment to the Rules is required.

27. Timing of implementation of new Location Rules

27.1. It is the intention of the Commonwealth that there will be a new determination of the Minister under s.99L of the Act to take effect on 1 July 2006 and that this determination will reflect the changes to the Location Rules which the parties currently agree upon as set out in Attachment 1.

28. Acknowledgement of parties of further review

28.1. The parties agree that prior to the expiry of the Agreement, they will undertake a review of the location rules in preparation for any subsequent Agreement.

PART 5-PROFESSIONAL PHARMACY PROGRAMS AND SERVICES

29. What Part 5 does

- 29.1. Part 5 sets out the Programs which will be funded under the Agreement and the principles of accountability which will be adhered to in the spending and administration of the Funds.

30. Objective of Part 5

- 30.1. The objectives of Part 5 are to:
- a. recognise that beneficial health outcomes can be achieved through the delivery of evidence based professional pharmacy programs and services;
 - b. describe those professional pharmacy programs and services to be funded under this Agreement, which aim to optimise the effectiveness and value of the health system in general and the PBS in particular;
 - c. achieve a level of accountability and transparency in the administration and delivery of the Programs which ensure that the Programs are:
 - A. administered by the Department to the standards of accountability required of it under the FMA Act; and
 - B. delivered with the transparency which:
 - assures the community that the most efficient and effective health outcomes are being achieved for consumers; and
 - satisfies taxpayers that the Funds for the Programs are being properly expended in an efficient and accountable manner; and
 - d. clearly document the respective roles that the Guild and the Commonwealth will play in delivering and co-operating in Programs which will contribute to the long term health and well-being of the community.

31. Funding Arrangements

- 31.1. The Commonwealth and the Guild commit to ensuring that funding available under the Fourth Agreement is spent in a timely, accountable and transparent manner, with merit based assessment of proposals and, where appropriate, consultation with other relevant stakeholders.
- 31.2. The Department is required to ensure that funds available under the Professional Pharmacy Programs and Services are administered in a way that ensures that Government obtains best value for money in the administration and expenditure of the funds.
- 31.3. In recognition of the benefits to both parties, the Commonwealth and the Guild have agreed that \$500 million will be provided for Professional Pharmacy

Programs and Services over the life of the Fourth Agreement. This funding will be supplemented by the amount that remains unspent from the Pharmacy Development Program funding provided during the period of the Third Agreement, and as extended until the commencement of the Fourth Agreement. In addition, it will include an amount equal to 4 cents per PBS prescription dispensed during the period 1 July 2005 until the commencement of the Fourth Agreement inclusive.

- 31.4. The Third Community Pharmacy Agreement made provision of a total of \$400 million for pharmacy programs. This funding included an amount contributed by pharmacy, funded through a reduction in the Dispensing Fee from 1 July 2000 to the end of the Third Agreement. At the conclusion of the Third Agreement, the Dispensing Fee had been reduced by a total of 21 cents per prescription.
- 31.5. The parties recognise that pharmacists have made a financial contribution (as described in clause 31.4) to the funding of the pharmacy programs. Both parties agree to negotiate in good faith on how this contribution will be recognised in any new pharmacy remuneration arrangements.

32. Administrative Arrangements

- 32.1. The Professional Programs and Services Advisory Committee will provide advice to the Minister on the funding of projects and management responsibilities for projects and programs under the Professional Pharmacy Programs and Services. The Minister will make all reasonable endeavours to consider this advice within two months of its receipt from the Committee.
- 32.2. Organisations managing the programs will do so under an agreement with the Commonwealth which will require a standard of accountability and transparency which meets the requirements of the FMA Act.
- 32.3. The parties agree that there will be a transition period of six months from commencement of the Fourth Agreement to ensure that those programs under the Third Agreement that are agreed to continue under the Fourth Agreement can be transferred without interruption. This will also provide sufficient time for the new Agreement committee structure to be established.
- 32.4. The parties agree that, for the transition period of six months from commencement of the Fourth Agreement, arrangements will be made for the Guild to be provided with administration funding to enable the Guild to continue their existing role in supporting and/or managing those Third Agreement programs that continue into the Fourth Agreement. The amount of administration funding to be provided will be negotiated in relation to each program and deducted from the total funding available for each program.

33. Specific programs to be funded

33.1. The priorities for funding during the Agreement are:

- a. **Medication Management Review.** The aim of this Program is to enhance the Quality Use of Medicines and reduce the number of adverse drug events experienced by the elderly and others using multiple medicines by assisting them to better manage their medicines. Funding under this Program will be \$150 million.

Priorities agreed for this Program are:

- A. residential medication management review services
- B. home medicines review services
- C. accreditation incentives, and
- D. pharmacy services facilitators.

The Professional Programs and Services Advisory Committee may advise the Minister to fund additional programs that fall within the general objectives for this Program.

- b. **Rural Pharmacy Allowance and Support.** The aim of this Program is to maintain and improve access to quality community pharmacy services for the community in rural and remote areas of Australia and to increase the proportion of the total pharmacy workforce starting practice in rural and remote Australia and staying in rural and remote practice for at least five years. Funding under this Program will be \$111 million.

Priorities agreed for this program are:

- A. rural pharmacy maintenance allowance;
- B. new pharmacy start-up and support allowance;
- C. succession planning and incentives;
- D. rural pharmacist pre-registration incentive;
- E. rural pharmacy workforce program;

Specific performance targets will be set, taking into account the Rural Program Evaluation undertaken as part of the Third Agreement and input from the Professional Programs and Services Advisory Committee.

The Professional Programs and Services Advisory Committee may advise the Minister to fund additional programs that fall within the general objectives for this Program.

- c. **Indigenous Access.** This program aims to improve access to community pharmacy services by indigenous Australians by taking account of cultural issues in meeting Indigenous health needs.

Priorities agreed for this program:

- A. recognise cultural preferences of Aboriginal and Torres Strait Islander peoples in community pharmacy health care delivery;
- B. provide ongoing funding through the community pharmacy 'section 100' support allowances to improve access and quality use of medicines by clients of eligible remote area Aboriginal Health Services (AHSs);
- C. improve PBS accessibility for Aboriginal and Torres Strait Islander peoples through the community pharmacy network in rural and urban Australia;

and include:

- D. the Aboriginal and Torres Strait Islander (ATSI) Undergraduate Pharmacy Scholarship Scheme and the ASTI Pharmacy Assistant Scholarship Scheme.

Funding of \$27 million will be provided over the life of the Fourth Agreement to support these activities.

The Professional Programs and Services Advisory Committee may advise the Minister to fund additional programs that fall within the general objectives for this Program.

- d. **Better Community Health.** This is a new Program which will fund innovative projects in pharmacy as part of primary care and community health. Projects will be developed in partnerships between government, pharmacists and other health professionals. Funding of \$192 million, plus 100% of the supplementary funds described in clause 31.3, will be made available for this Program.

Priorities agreed for this program are:

- A. asthma pilot program – to build on the research undertaken during the Third Agreement by incorporating pharmacists' services into mainstream asthma care;
- B. diabetes pilot program – to build on the research undertaken during the Third Agreement by incorporating pharmacists' services into mainstream diabetes care;
- C. dose administration aids – to reduce medication-related hospitalisation and adverse events through improving medication compliance for

people in the community, including those on multiple medications or who are confused;

- D. prevention of communicable diseases – in keeping with national strategies on communicable diseases, education and awareness activities through community pharmacy;
 - E. improved counselling for dispensing of emergency contraception;
 - F. quality care pharmacy program – ongoing maintenance of the standard of customer service in individual pharmacies across Australia providing an industry wide guarantee of retail service quality and professional service;
 - G. patient medication profiling service – to reduce the risk of medication-related adverse events and to educate and involve people as to their medications by providing people with clear and concise summary of their current medications;
 - H. practice change and education incentive scheme – to incentivise and facilitate business, workflow, IT and/or human resource structural changes in community pharmacies, to enable the delivery of professional services in the Fourth Agreement;
 - I. research and development; and
 - J. other projects delivering improved health outcomes identified by the Professional Programs and Services Advisory Committee, in consultation with other stakeholders, and a merit based allocation of funds.
- e. **E-Health Initiatives.** The parties are committed to pursue e-health initiatives involving community pharmacies. Funding of \$20 million will be made available for these initiatives.

33.2. A summary of indicative funding allocations for all programs is set out in Attachment 2. While these indicative funding allocations reflect present priorities, the parties acknowledge that they may be reallocated during the period of the Fourth Agreement to reflect changing priorities.

PART 6-OTHER MATTERS

34. PBS drugs to be available

- 34.1. The parties agree they will work together to ensure that manufacturers and wholesalers have stocks of drugs listed on the PBS available for timely supply to pharmacists to enable pharmacists to supply patients on demand. The parties agree that approved pharmacists will keep adequate medicine stocks for the supply of pharmaceutical benefits to ensure reasonable and timely access to those medicines by consumers.

35. Drug Recalls

- 35.1. The parties agree that a special working party will be convened by the Guild and the Department to undertake a review, within the first year of the Fourth Agreement, of the role of community pharmacies in drug recalls.

36. PBS Price Changes

- 36.1. The parties agree that price changes will not be announced more frequently than four monthly.
- 36.2. The parties also agree to jointly monitor the effect of PBS price changes on pharmacists and that the Agreement Consultative Committee will consider this issue further during the term of the Agreement.

37. Section 100 of the National Health Act

- 37.1. The parties agree to undertake a review of existing supply arrangements relating to drugs listed under Section 100 of the Act, including how these arrangements impact on community pharmacy, within the first year of the Agreement.

38. Aged Care Residential Facilities and Private Hospitals

- 38.1. The parties agree to undertake a review of the existing PBS supply arrangements in the context of aged care residential facilities and private hospitals, within the first year of the Agreement.

39. Recording of PBS Prescriptions priced below the Patient Co-Payment

- 39.1. The parties agree that, by the end of the Agreement, they will make all reasonable efforts to facilitate the online collection and recording of relevant data on PBS prescriptions supplied by community pharmacy that are priced below the patient co-payment. The parties also agree that the appropriate vehicle to achieve this objective is PBS Online.

- 39.2. To this end the parties agree that prior to 31 December 2006 they will jointly develop strategies and processes to facilitate the uptake of online collection and recording of under co-payment data.

40. Other Issues for Review

- 40.1. The parties agree that during the first year of the Agreement they will review issues with potential impact on community pharmacy. Issues currently identified are:
- a. Payment times for processing by Medicare Australia of PBS claims; and
 - b. The staged supply of PBS medicines when this is specified by the prescriber.

41. Arrangements at the end of the Agreement

- 41.1. The parties will make their best endeavours to ensure that negotiations for a new Agreement will commence 12 months prior to the expiry of the Agreement, and conclude by 31 March 2010.
- 41.2. If, at the end of the Agreement, Program funds remain unspent, such unspent funds will be taken into account for the purposes of the new Agreement, consistent with the Commonwealth's accountability obligations.
- 41.3. The parties agree to take into account the value of the remuneration arrangements and pharmacy programs that are in place at the end of this Agreement (refer also clause 31.5) as the framework for the negotiations for the new Agreement.

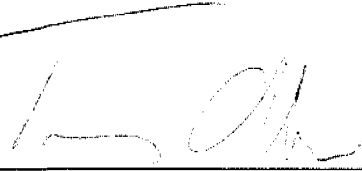
42. Notices

- 42.1. A notice under this contract is only effective if it is in writing, and dealt with as follows:
- a. *if given by the Pharmacy Guild to the Commonwealth* – addressed to:
First Assistant Secretary
Medical and Pharmaceutical Services Division
MDP 61
GPO Box 9848
CANBERRA ACT 2601
or as otherwise notified by the Commonwealth; or
 - b. *if given by the Commonwealth to the Pharmacy Guild* –addressed to:
Executive Director

The Pharmacy Guild of Australia
PO Box 7036
Canberra Mail Centre ACT 2610
or as otherwise notified by the Guild.

- 42.2. A notice is to be:
- a. signed by the person giving the notice and delivered by hand; or
 - b. signed by the person giving the notice and sent by pre-paid post; or
 - c. transmitted electronically by the person giving the notice by electronic mail or facsimile transmission.
- 42.3. A notice is deemed to be effected:
- a. *if delivered by hand* – upon delivery to the relevant address;
 - b. *if sent by post* – upon delivery to the relevant address;
 - c. *if transmitted electronically* – upon actual receipt by the addressee.
- 42.4 A notice received after 5.00 pm, or on a day that is not a Business Day in the place of receipt, is deemed to be effected on the next Business Day.

SIGNED by the Honourable Tony
Abbott Minister For Health and
Ageing, on behalf of the
Commonwealth of Australia:



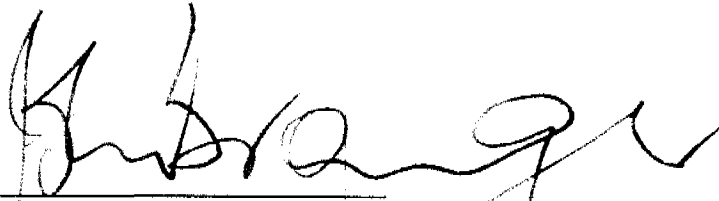
Signature

In the presence of:



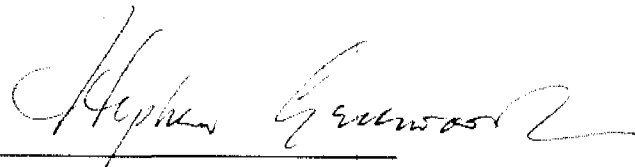
Signature

THE SEAL OF THE PHARMACY
GUILD OF AUSTRALIA was
hereunto affixed in pursuance of a
resolution of its National Council
and in the presence of:



Signature

National President



Signature

Executive Director



ATTACHMENT 1 - Revised Location Rules

Provision Type	Requirements	Distance Criteria	Additional Comments
New Approvals	General Catchment area contains: <ul style="list-style-type: none"> • at least 3,000 people • at least 1 full-time (or equivalent) medical practitioner 	At least 1.5 km (straight line) from nearest pharmacy	
	Rural Location classified as PhARIA 2-6	At least 10 km (SLAR) from nearest pharmacy	Approval cannot be relocated from town in which it is approved
Relocations	Minor Relocations freely permitted within: <ul style="list-style-type: none"> • small or large shopping centres • private hospitals • within rural single pharmacy locations 	At least 10 km (SLAR) from nearest pharmacy for rural single pharmacy locations	
	Short	Not more than 1 km (straight line) from existing site or between 1 and 1.5 km (straight line) from existing site and at least 500 m (straight line) from nearest pharmacy (which is more than 1 km from existing site)	
	Long	At least 1.5 km (straight line) or 2 km (SLAR) from nearest pharmacy	

Provision Type	Requirements	Distance Criteria	Additional Comments
Rural – additional pharmacy	Location classified as PhARIA 2-6 and catchment area contains: <ul style="list-style-type: none"> • one pharmacy • at least 8,000 people • at least 4 full-time (or equivalent) medical practitioners • no amalgamation involving existing pharmacy in the three years preceding the application for relocation (providing the amalgamation occurred prior to 1 July 2006) 	At least 200 m, straight line (or SLAR in exceptional circumstances where there is a genuine barrier), from nearest pharmacy	
Relocations (cont'd)	Location classified as PhARIA 1 and catchment area contains: <ul style="list-style-type: none"> • one pharmacy • at least 8,000 people • population has grown at least 5% over each of the past 2 years 	At least 500 m, straight line (or SLAR in exceptional circumstances where there is a genuine barrier), from nearest pharmacy	
Small shopping centres	Shopping centre is under single management and contains: <ul style="list-style-type: none"> • at least 5,000 m² of gross leasable area • at least 15 commercial establishments • a supermarket of at least 2,500 m² • car parking facilities 	At least 500 m, straight line (or SLAR in exceptional circumstances where there is a genuine barrier), from nearest pharmacy	<ul style="list-style-type: none"> • Pharmacy cannot subsequently relocate from centre using short relocation • Pharmacy is disregarded in respect of the relocation of other pharmacies using distance criteria
Special Relocations	Shopping centre is under single management and contains: <ul style="list-style-type: none"> • at least 5,000 m² of gross leasable area • at least 30 commercial establishments • a supermarket of at least 1,000 m² • car parking facilities • (100 commercial establishments for 2nd pharmacy; 200 for 3rd) 	N/A	<ul style="list-style-type: none"> • Pharmacy cannot subsequently relocate from centre using short relocation • Pharmacy is disregarded in respect of the relocation of other pharmacies using distance criteria

Provision Type	Requirements	Distance Criteria	Additional Comments
Private hospitals	Private hospital: <ul style="list-style-type: none"> • contains no pharmacy (s.90 or s.94) • is licensed/registered to treat 150 patients or contain 150 beds 	N/A	<ul style="list-style-type: none"> • May establish ancillary satellite dispensaries within hospital which serve in-patients only • Pharmacy cannot subsequently relocate from hospital using short relocation • Pharmacy is disregarded in respect of the relocation of other pharmacies using distance criteria
Special Relocations (cont'd) Medical centres	Medical centre is under single management, operates for at least 55 hours per week and contains (and has for the last six months) at least eight full-time (or equivalent) general practitioners. Any pharmacy approved to locate within a medical centre will be required to demonstrate that, it has made or will make, all reasonable attempts to ensure that the pharmacy's hours of operation will satisfy the needs of the patients attending the medical centre for timely access to pharmacy services	At least 500 m, straight line (or SLAR in exceptional circumstances where there is a genuine barrier), from nearest pharmacy 500m exclusion zone	<ul style="list-style-type: none"> • Pharmacy cannot subsequently relocate from centre using short relocation • Pharmacy is disregarded in respect of the relocation of other pharmacies using distance criteria • Any pharmacy, or a combination of pharmacies, located within the exclusion zone will be required to demonstrate that all reasonable attempts have been made to ensure that the pharmacy/s hours of operation satisfy the needs of the patients attending the medical centre for timely access to pharmacy services
Supermarkets	Pharmacy cannot be approved where it is publicly accessible from within a supermarket		New definition for supermarket will address potential anomalies

Provision Type	Requirements	Distance Criteria	Additional Comments
General	<p>Pharmacy must be approved at its existing site for at least two years before it can be relocated, except where relocation is:</p> <ul style="list-style-type: none"> • within a large shopping centre • within a private hospital • within a rural single pharmacy location • into temporary premises resulting from renovation or refurbishment • returning to substantially the same premises following renovation or refurbishment • result of exceptional circumstances 		<p>If a pharmacy in a large shopping centre, private hospital or within a rural single pharmacy town subsequently relocates from the centre or hospital or rural location, it is taken to have been operating continuously from the time the original premises were approved</p>
Admin.	<p>If a non-trading pharmacy has been recommended to be relocated, its existing site will not be treated as an approved pharmacy</p>		
Extensions of time	ACPA may only grant two extensions of time to an application which has been recommended for approval		
Expansions / contractions	Are not treated as relocations		

Provision Type	Requirements	Distance Criteria	Additional Comments
Admin (cont'd)	Where unique circumstances arise which are not expressly provided for in the Rules, the Minister can substitute a decision of the Secretary where that decision, when applying the rules, results in an unmet community need for pharmacy services. Ministerial discretion will only be exercised following completion of due legislative process (ie ACPA recommendation, finalisation of legal appeals if applicable and Secretary's decision to approve or not approve the application)		
ACPA membership	Will include consumer representation		

**ATTACHMENT 2 - Summary of Indicative Funding Allocations for Fourth Agreement
Professional Pharmacy Programs & Services**

	Total Cost \$m	Supplementary Funding ⁹ \$m
Better Community Health		
Quality Care Pharmacy Program	73.5	2.3
Dose Administration Aids	39.7	33.2
Patient Medication Profiling Service	14.8	18.8
Practice Change and Education Incentive Scheme	9.3	1
Diabetes Pilot Program	10.4	2.5
Asthma Pilot Program	10.4	2.5
Improved Counselling for Dispensing of Emergency Contraception	10.5	1.5
Prevention of Communicable Diseases	9.4	0.9
Research and Development	14.0	5.3
eHealth	20.0	0
Medication Reviews		
Residential Medication Management Reviews	66.75	0
Home Medicine Reviews	54.15	0
Medication Management Reviews Facilitators	29	0
Accreditation Incentives	0.4	0
Rural Programs		
Workforce Program	25.3	0
Pre-Registration Allowance	10.4	0
Rural Pharmacy Maintenance Allowance/Start up & Succession Allowances	75.0	0
Aboriginal and Torres Strait Islander Programs		
Improved Access to PBS	10.0	0
Section 100 Support allowances	13.4	0
Aboriginal and Torres Strait Islander Undergraduate Pharmacy Scholarship Scheme	3.0	0
Aboriginal and Torres Strait Islander Pharmacy Assistant Scholarship Scheme	0.6	0
TOTAL	500.0	68.0

⁹ This represents the amount that remains unspent from the Pharmacy Development Program funding provided during the period of the Third Agreement, and as extended until the commencement of the Fourth Agreement. In addition, it will include an amount equal to 4 cents per PBS prescription dispensed during the period 1 July 2005 until the commencement of the Fourth Agreement inclusive (refer clause 31.3).

ATTACHMENT 3 – The Schedule – Draft PBRT Determination

COMMONWEALTH OF AUSTRALIA

National Health Act 1953

PHARMACEUTICAL BENEFITS

DETERMINATION UNDER PARAGRAPH 98B (1) (a)

Part I — General

1. Pursuant to paragraph 98B (1) (a) of the *National Health Act 1953*, the Pharmaceutical Benefits Remuneration Tribunal hereby determines that the manner in which the Commonwealth price of all or any pharmaceutical benefits is to be worked out for the purpose of payments to approved pharmacists in respect of the supply by them of pharmaceutical benefits is as set out in this determination. This determination is made in accordance with clauses 12-16 of the Agreement made on 16 November 2005 between the Minister for Health and Ageing (acting on the Commonwealth's behalf) and The Pharmacy Guild of Australia for the purpose of section 98BAA of the *National Health Act 1953*.
2. This determination will come into operation on 1 December 2005 and will remain in force until such time as a further determination is made by the Pharmaceutical Benefits Remuneration Tribunal.
3. The determination under paragraph 98B (1) (a) of the Act made on 16 June 2005 with effect from 1 July 2005 is repealed with effect from 1 December 2005.
4. This determination includes the appendices hereto and consists of the following Parts:
 - Part I — General
 - Part II — Ready-Prepared Pharmaceutical Benefits
 - Part III — Extemporaneously-Prepared Pharmaceutical Benefits
5. This determination will not apply to the supply of a pharmaceutical benefit by an approved pharmacist to a medical practitioner for the purpose of section 93 of the Act.
6. In this determination:
 - “approved price to pharmacists” has the same meaning as in subsection 98B (3) of the Act;
 - “basic wholesale price” has the same meaning as in subsection 98B (3) of the Act;
 - “dangerous drug fee” means an amount \$2.61;
 - “exceptional prescription” means a prescription for an extemporaneously-prepared pharmaceutical benefit which is not a standard formula preparation and for which the price of the ingredients, calculated in accordance with paragraphs 22 to 25, is not less than twice the amount calculated in accordance with paragraph 37, excluding container price and dispensing fee;
 - “extemporaneously-prepared dispensing fee” means an amount of \$6.97;

“extemporaneously-prepared pharmaceutical benefit” means a pharmaceutical benefit other than a ready-prepared pharmaceutical benefit;

“ready-prepared dispensing fee” means \$4.94;

“ready-prepared pharmaceutical benefit” means a pharmaceutical benefit in respect of which there is in force a determination under subsection 85 (6) of the Act;

“standard formula preparation” means an extemporaneously-prepared pharmaceutical benefit that is specified in Schedule 5 to the determination in force under paragraph 98C (1) (b) of the Act;

“the Act” means the *National Health Act 1953*;

“the Minister” means the Minister for Health and Ageing;

“the Regulations” means the *National Health (Pharmaceutical Benefits) Regulations 1960* made under the Act.

7. In addition to the amount calculated in accordance with Part II of this determination the Commonwealth price will include a dangerous drug fee in respect of those ready-prepared pharmaceutical benefits specified in Schedule 3 to the determination in force under paragraph 98C (1) (b) of the Act to be dangerous drugs for the purpose of payment of a dangerous drug fee and in respect of those ready-prepared pharmaceutical benefits prescribed by State or Territory legislation to be treated similarly to dangerous drugs.
8. In addition to the amount calculated in accordance with Part II or Part III of this determination, as the case may be, the Commonwealth price for a pharmaceutical benefit supplied by an approved pharmacist at or from premises located in Western Australia will include an allowance for freight costs ascertained in accordance with the following table:

<i>Location of premises in respect of which the pharmacist is approved</i>	<i>Freight allowance</i>
Places within the metropolitan area of Perth as defined in the <i>Electoral Districts Act 1947</i> of Western Australia	Nil
Other places not more than 100 kilometres from the General Post Office, Perth	\$0.06
Places more than 100 kilometres but not more than 400 kilometres from the General Post Office, Perth	\$0.11
Places more than 400 kilometres but not more than 1,000 kilometres from the General Post Office, Perth	\$0.13
Places more than 1,000 kilometres from the General Post Office, Perth	\$0.29

9. For the purposes of this determination, the manufacturers’ packs of pharmaceutical benefits on which the approved prices to pharmacists are based are:

- (a) standard packs — a standard pack for a ready-prepared benefit is the pack that contains a quantity or number of units of the benefit equal to the quantity or number of units specified as the maximum quantity of the benefit in the determination in force under paragraph 85A (2) (a) of the Act; and
 - (b) non-standard packs — a non-standard pack for a ready-prepared benefit is any pack of the benefit, other than a standard pack, that is used for pricing purposes; and
 - (c) for drugs used in extemporaneously-prepared benefits, the agreed purchase quantity is that agreed upon between the Minister and The Pharmacy Guild of Australia.
10. Where, in accordance with subsection 88 (6) of the Act and regulation 24 of the Regulations, a medical practitioner, instead of directing a repeated supply of a pharmaceutical benefit, directs the supply on one occasion of a quantity or number of units of the benefit, not exceeding the total quantity or number of units that could be prescribed if the medical practitioner directed a repeated supply, the Commonwealth price for that supply will include only one dispensing fee and the appropriate price, if any, for the container.
11. A payment in respect of the supply of a pharmaceutical benefit will not be made unless supply of that pharmaceutical benefit was made in accordance with the Act, the Regulations and the relevant determinations made under the Act.
12. Where in respect of a drug or medicinal preparation there is a determination in force under subsection 85 (6) of the Act of a brand or brands under which that drug or medicinal preparation may be supplied as a pharmaceutical benefit under Part VII of the Act, no payment by the Commonwealth will be made in respect of the supply by an approved pharmacist of any other brand or brands of that drug or medicinal preparation.

Part II — Ready-Prepared Pharmaceutical Benefits

13. The Commonwealth price for the supply of a ready-prepared pharmaceutical benefit will be —
- (a) where a quantity of a benefit is ordered and supplied that is equal to the quantity contained in a standard or non-standard pack, the sum of:
 - (i) the approved price to pharmacists of that standard or non-standard pack, as applicable, plus mark-up as specified in paragraph 14, taken to the nearest cent, one half cent being counted as one cent; and
 - (ii) a ready-prepared dispensing fee, except in the case of a benefit that involves the admixture of ready-prepared ingredients and is specified in Schedule 1 to the determination in force under paragraph 98C (1) (b) of the Act, in which case an extemporaneously-prepared dispensing fee will apply;
 - (b) where a quantity of a benefit is ordered and supplied that is less than the quantity contained in a standard or non-standard pack, the sum of:
 - (i) the amount worked out in accordance with paragraph 17; and
 - (ii) a ready-prepared dispensing fee for each supply of benefits made; and
 - (iii) an amount for the supply of a container, worked out in accordance with paragraph 15; or

- (c) where a quantity of a benefit is ordered and supplied which is more than the quantity contained in a standard or non-standard pack, the sum of:
 - (i) the approved price to pharmacists, plus mark-up as specified in paragraph 14, taken to the nearest cent, one half cent being counted as one cent, for each complete standard or non-standard pack, as applicable, contained in the quantity supplied; and
 - (ii) the amount worked out in accordance with paragraph 17 in respect of that remainder, if any, of the quantity supplied that is less than the quantity contained in a standard or non-standard pack, as applicable; and
 - (iii) a ready-prepared dispensing fee, except in the case of a benefit that involves the admixture of ready-prepared ingredients and is specified in Schedule 1 to the determination in force under paragraph 98C (1) (b) of the Act, in which case an extemporaneously-prepared dispensing fee will apply (an additional amount for a container is not payable);
14. The mark-up referred to in this Part will be —
- (a) 10 per cent, where the approved price to pharmacists for the quantity or number of units of the benefit specified as the maximum quantity in the determination in force under paragraph 85A (2) (a) of the Act for that benefit is not more than \$180.00; or
 - (b) \$18.00, where the approved price to pharmacists for the quantity or number of units of the benefit specified as the maximum quantity in the determination in force under paragraph 85A (2) (a) of the Act for that benefit is more than \$180.00 but not more than \$450.00; or
 - (c) 4 per cent, where the approved price to pharmacists for the quantity or number of units of the benefit specified as the maximum quantity in the determination in force under paragraph 85A (2) (a) of the Act for that benefit is more than \$450.00.
15. The price for a container for a ready-prepared pharmaceutical benefit will be based on the average of wholesale costs for a particular container, supplied in a quantity of 100, obtained from wholesale drug distributors as agreed between the Minister and The Pharmacy Guild of Australia, increased by a mark-up of 10 per cent. The particular containers will be a 150 millilitres vial for use for injectables and a 25 millilitres vial for use for other ready-prepared pharmaceutical benefits. For this purpose the wholesale costs of containers will be ascertained as at 1 May in each year and will take effect on 1 August in the same year.
16. The price for a benefit or container will in each case be taken to the nearest cent, one half cent being counted as one cent.
17. Where a quantity of a benefit is ordered and supplied which is less than the quantity contained in a standard or non-standard pack (that is, a broken quantity), the amount referred to in subparagraph 13 (b) (i) or 13 (c) (ii) will be worked out by:
- (a) adding mark-up as specified in paragraph 14 to the approved price to pharmacists of the standard or non-standard pack, as applicable, and taking the result to the nearest cent, one half cent being counted as one cent;
 - (b) ascertaining the percentage that the quantity or number of units in the broken quantity bears to the quantity or number of units in the standard or non-standard pack, as applicable;

- (c) selecting, in column A of the table set out hereunder, the percentage worked out in accordance with subparagraph (b), or, where that percentage is not specified in that column, the next higher percentage so specified;
- (d) taking the percentage set out in column B of the table set out hereunder, immediately below the percentage selected in accordance with subparagraph (b); and
- (e) taking that percentage, ascertained in accordance with subparagraph (d), of the amount worked out in accordance with subparagraph (a).

Column A — 5 10 15 20 25 30 35 40 45 50 55 60 65 70 75 80 85 90 95 100 per cent

Column B — 10 18 26 32 38 44 50 54 58 62 66 70 74 78 82 86 90 94 98 100 per cent

- 18. Notwithstanding anything contained elsewhere in this determination, the Commonwealth price in respect of the supply of a quantity of a ready-prepared pharmaceutical benefit will not exceed the Commonwealth price for a greater quantity of that benefit.
- 19. Where a prescription calls for a quantity of one of the pharmaceutical benefits specified in Schedule 4 to the determination in force under paragraph 98C (1) (b) of the Act as being a benefit the complete pack of which will be supplied regardless of any lesser quantity ordered, the Commonwealth price will be worked out on the basis that the complete pack was supplied.

Part III — Extemporaneously-Prepared Pharmaceutical Benefits

20. In this Part:

“wastage” means the combined loss that arises from:

- (a) transferring drugs and chemicals from the package in which they are delivered to the approved pharmacist to the dispensing package delivered to the patient; and
- (b) deterioration; and
- (c) obsolescence.

21. The Commonwealth price of an extemporaneously-prepared pharmaceutical benefit, including a standard formula preparation, will, subject to paragraph 37, be the sum of the following amounts:

- (a) the amount in respect of the quantity supplied of each of the ingredients, worked out in accordance with paragraphs 22 to 25; and
- (b) the amount in respect of the appropriate container, worked out in accordance with paragraph 31; and
- (c) an extemporaneously-prepared dispensing fee.

22. For the purposes of paragraph 21 the amount in respect of an ingredient of an extemporaneously-prepared pharmaceutical benefit, where the quantity of the ingredient is equal to the agreed purchase quantity, will be the sum of:

- (a) the basic wholesale price of the ingredient;

- (b) mark-up, as specified in paragraph 23, on (a); and
- (c) an amount where applicable representing mark-up on (a) to cover wastage, ascertained in accordance with Appendix A.

23. The mark-up referred to in this Part will be —

- (a) 10 per cent, where the basic wholesale price for the agreed purchase quantity of the ingredient is not more than \$180.00; or
- (b) \$18.00, where the basic wholesale price for the agreed purchase quantity of the ingredient is more than \$180.00 but not more than \$450.00; or
- (c) 4 per cent, where the basic wholesale price for the agreed purchase quantity of the ingredient is more than \$450.00.

24. For the purposes of paragraph 21 the amount in respect of an ingredient of an extemporaneously-prepared pharmaceutical benefit, where the quantity of the ingredient is less than the agreed purchase quantity, will be ascertained as follows:

- (a) by ascertaining the basic pricing unit to be used for the quantity to be dispensed by reference to the table of basic pricing units in Appendix B;
- (b) by ascertaining the cost of the basic pricing unit by reducing the amount ascertained in accordance with paragraph 21 by the quantity factor or factors shown in Appendix B appropriate to the basic pricing unit required and rounding off the resultant amount to the nearest cent, one half cent being counted as one cent; and
- (c) by multiplying the cost of the basic pricing unit by the fraction that the quantity to be dispensed bears to the quantity contained in the basic pricing unit, except for:
 - (i) quantities exceeding 700 milligrams or 700 microlitres but not exceeding 1 gram or 1 millilitre, which will be priced at the amount for 1 gram or 1 millilitre;
 - (ii) quantities exceeding 7 grams or 7 millilitres but not exceeding 10 grams or 10 millilitres, which will be priced at the amount for 10 grams or 10 millilitres; and
 - (iii) quantities exceeding 80 grams or 80 millilitres but not exceeding 90 grams or 90 millilitres, which will be priced at the amount for 80 grams or 80 millilitres.

For the purposes of this paragraph the quantity of the ingredient will be calculated to the next higher 50 milligrams or 50 microlitres.

25. For the purposes of paragraph 21 the amount in respect of an ingredient of an extemporaneously-prepared pharmaceutical benefit, where the quantity of the ingredient is greater than the agreed purchase quantity, will be worked out as follows:

- (a) except in the case of drugs which are unstable or packed sterile, as specified in Schedule 2 to the determination under paragraph 98C (1) (b) of the Act, by dividing the quantity dispensed by the quantity contained in the agreed purchase quantity and multiplying by the basic wholesale price of the agreed purchase quantity; or

(b) where the ingredient is one of the drugs which are unstable or packed sterile, as specified in Schedule 2 to the determination under paragraph 98C (1) (b) of the Act, by multiplying the price of the agreed purchase quantity by the number of whole packs of the agreed purchase quantity required to dispense the quantity of the ingredient.

26. The Commonwealth price in respect of an extemporaneously-prepared pharmaceutical benefit which comprises a vehicle which is specified in the prescription under a particular name and an additional specified ingredient or ingredients will be calculated in accordance with the provisions of paragraph 27 or 28 as applicable.

27. Where the vehicle is a single liquid ingredient and one or more other ingredients are added, displacement of the vehicle by solids (if any) will be disregarded for pricing purposes and the Commonwealth price for the pharmaceutical benefit as a whole will be calculated in accordance with the provisions of paragraph 21.

28. Where the vehicle is compounded from two or more ingredients and one or more other ingredients are added, displacement of the vehicle by solids (if any) will be disregarded for pricing purposes and the amounts for the respective ingredients will be the sum of:

(a) the price of each ingredient of the vehicle; and

(b) the price of each ingredient that is added to the vehicle;

worked out in each case in accordance with paragraph 22, 24 or 25 as applicable.

29. The basic wholesale price of a drug used in the preparation of an extemporaneously-prepared pharmaceutical benefit will be calculated as the arithmetic average of wholesale costs of the drug, in a purchase quantity agreed upon by the Minister and The Pharmacy Guild of Australia and available from wholesale drug distributors. For this purpose the basic wholesale price of a drug will be ascertained as at 1 May in each year and will take effect on 1 August in the same year.

30. In calculating the amount in respect of an ingredient or the basic wholesale price of a basic pricing unit, the amount so calculated will be taken to the nearest cent, one half cent being counted as one cent, provided that the minimum amount in respect of an ingredient will be one cent.

31. The price for each size and type of container for extemporaneously-prepared pharmaceutical benefits will be based on the average of wholesale costs for that container, in the purchase quantity agreed upon between the Minister and The Pharmacy Guild of Australia and available from wholesale drug distributors, increased by a mark-up of 10 per cent, taken to the nearest cent, one half cent being counted as one cent. For this purpose the wholesale costs of the particular containers will be ascertained as at 1 May in each year and will take effect on 1 August in the same year.

32. Where a wholesale drug distributor will not supply containers of a particular size or type in the purchase quantity agreed upon by the Minister and The Pharmacy Guild of Australia, the price of the purchase quantity will be calculated by multiplying the price of the smallest quantity above the agreed purchase quantity, in which the distributor will supply containers of that size and type, by the fraction that the quantity in the agreed purchase quantity bears to the quantity in which the distributor will supply.

33. In the case of bulk powders the price for the container will be the price for a screw cap jar which is nominally rated to hold at least double the quantity supplied.

34. Where a prescription orders a quantity of an extemporaneously-prepared pharmaceutical benefit in excess of the capacity of the largest size container of the appropriate type for which provision is made, the price for the container will be calculated as if the pharmaceutical benefit had been supplied in more than one of the containers for which provision is made.
35. Notwithstanding anything contained elsewhere in this determination, the Commonwealth price in respect of the supply of a quantity of an extemporaneously-prepared pharmaceutical benefit will not exceed the Commonwealth price for a greater quantity of that benefit.
36. Notwithstanding anything contained elsewhere in this determination, in calculating the price in respect of the supply of a quantity of an ingredient of an extemporaneously-prepared pharmaceutical benefit, that price will not exceed the price of a greater quantity of that ingredient.
37. Extemporaneously-prepared pharmaceutical benefits that are not standard formula preparations will be classified for pricing purposes according to the form of preparation in accordance with the Fourth Schedule to the determinations in force under sections 85, 85A and 88 of the Act. Except in the case of exceptional prescriptions or where the approved pharmacist has made an election pursuant to paragraph 38, the Commonwealth price for such a pharmaceutical benefit will be worked out as follows:
 - (a) on the sixteenth day of the month or as near as practicable thereto the total number of grams or millilitres, as the case may be, priced during the previous four weeks or period as near as practicable thereto, for each form of preparation will be ascertained together with the total amount (exclusive of container costs and dispensing fee) paid for each total quantity;
 - (b) the total amount paid (exclusive of container costs and dispensing fee) ascertained in accordance with subparagraph (a) for each type of preparation will be divided by a number equal to one-tenth of the number of grams or millilitres, as the case may be, for that form of preparation, ascertained in accordance with subparagraph (a);
 - (c) the Commonwealth price will be the average 10 grams or 10 millilitres rate ascertained in accordance with subparagraph (b) calculated at about the sixteenth day of the month prior to the month of supply for the particular form of preparation, multiplied by one-tenth of the number of grams or millilitres, plus an extemporaneously-prepared dispensing fee and an amount for a container worked out in accordance with paragraph 31;
 - (d) on the sixteenth day of the month or as near as practicable thereto, if no prescriptions have been priced during the previous four weeks or period as near as practicable thereto for any of the standard formula preparations listed for a particular form of preparation, the Commonwealth price will be ascertained by taking the average 10 grams or 10 millilitres rate (exclusive of container costs and dispensing fee) of all the standard formula preparations determined for that form of preparation multiplied by one-tenth of the number of grams or millilitres, plus an extemporaneously-prepared dispensing fee and an amount for a container worked out in accordance with paragraph 31;
 - (e) the Commonwealth price of a benefit worked out in accordance with subparagraph (c) or (d) will in either case be taken to the nearest cent, one half cent being counted as one cent.
38. An approved pharmacist may elect to calculate Commonwealth prices of extemporaneously-prepared pharmaceutical benefits that are not standard formula preparations in accordance with paragraph 21 instead of receiving payment in accordance with paragraph 37.

39. Where an approved pharmacist who has not made an election pursuant to paragraph 38 supplies an extemporaneously-prepared pharmaceutical benefit and there is no standard formula preparation of the form supplied (and an average price is therefore not available), the Commonwealth price of the benefit will be worked out in accordance with paragraph 21.
40. Where the benefit comprises a standard formula preparation plus an additive, and the approved pharmacist has not made an election pursuant to paragraph 38, the amount payable will be the Commonwealth price worked out in accordance with paragraph 37, unless the approved pharmacist indicates that the benefit is to be priced as if the prescription had specified only the standard formula preparation without the additive, in which case the amount payable will be the Commonwealth price for the standard formula preparation without the additive worked out in accordance with paragraph 21.
41. Notwithstanding the provisions of paragraph 37, an approved pharmacist who has not made an election pursuant to paragraph 38 may calculate the Commonwealth price for an exceptional prescription in accordance with paragraph 21.

Dated this the day of November 2005.

J. Hamberger

H. Lapsley

B. Frost

Chairperson

Member

Member

APPENDIX A — CLASSIFICATION AND MARK-UP TABLES

Table 1 – Basic wholesale price for the agreed purchase quantity not more than \$180.00

A.	Classification No.	1.	2.	3.	4.	5.
B.	Basic Wholesale Price	100	100	100	100	100
C.	10 per cent mark-up on B.	10	10	10	10	10
D.	Wastage Factor on B.	0	10	20	30	40
E.	Total of B., C. and D.	110	120	130	140	150
F.	Per cent mark-up on B.	10	20	30	40	50

Table 2 – Basic wholesale price for the agreed purchase quantity more than \$180.00 but not more than \$450.00

A.	Classification No.	1.	2.	3.	4.	5.
B.	Basic Wholesale Price	100	100	100	100	100
C.	Mark-up on B.	\$18	\$18	\$18	\$18	\$18
D.	Wastage Factor on B.	0	10	20	30	40
E.	Total of B., C. and D.	100 +\$18	110 +\$18	120 +\$18	130 +\$18	140 +\$18

Table 3 – Basic wholesale price for the agreed purchase quantity more than \$450.00

A.	Classification No.	1.	2.	3.	4.	5.
B.	Basic Wholesale Price	100	100	100	100	100
C.	4 per cent mark-up on B.	4	4	4	4	4
D.	Wastage Factor on B.	0	10	20	30	40
E.	Total of B., C. and D.	104	114	124	134	144
F.	Per cent mark-up on B.	4	14	24	34	44

APPENDIX B — BASIC PRICING UNITS

<i>Quantity</i>	<i>Basic Pricing Unit to be Used</i>
Up to and including 700 milligrams or 700 microlitres	100 milligrams or 100 microlitres price
Over 700 milligrams or 700 microlitres and up to and including 1 gram or 1 millilitre	price as 1 gram or 1 millilitre
Over 1 gram or 1 millilitre and up to and including 7 grams or 7 millilitres	1 gram or 1 millilitre price
Over 7 grams or 7 millilitres and up to and including 10 grams or 10 millilitres	price as 10 grams or 10 millilitres
Over 10 grams or 10 millilitres and up to and including 80 grams or 80 millilitres	10 grams or 10 millilitres price
Over 80 grams or 80 millilitres and up to and including 90 grams or 90 millilitres	price as 80 grams or 80 millilitres
Over 90 grams or 90 millilitres	100 grams or 100 millilitres price

Quantity Factors

To ascertain the 100 grams or 100 millilitres price, divide the 500 grams or 500 millilitres price by 5 or divide the 1 kilogram or 1 litre price by 10.

To ascertain the 10 grams or 10 millilitres price, divide the 100 grams or 100 millilitres price plus 12½ per cent by 10.

To ascertain the 1 gram or 1 millilitre price, divide the 10 grams or 10 millilitres price plus 25 per cent by 10.

To ascertain the 100 milligrams or 100 microlitres price, divide the 1 gram or 1 millilitre price plus 25 per cent by 10.