
Third Community Pharmacy Agreement

between

The Commonwealth of Australia

and

The Pharmacy Guild of Australia

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THIS AGREEMENT is made the 16 day of May 2000

Between

THE HONOURABLE DR MICHAEL WOOLDRIDGE, MINISTER FOR
HEALTH AND AGED CARE, on behalf of the Commonwealth of Australia

And

THE PHARMACY GUILD OF AUSTRALIA of 15 National Circuit, Barton in
the Australian Capital Territory

INTRODUCTION

1. BACKGROUND

- 1.1. This Third Community Pharmacy Agreement ("Agreement") is the third cooperative agreement between the Commonwealth of Australia ("Commonwealth") and The Pharmacy Guild of Australia ("Guild"), (referred together in this Agreement as "the parties") and represents a five year collaborative relationship between the parties from 1 July 2000 to 30 June 2005. This third Agreement builds on the outcomes of the Second Community Pharmacy Agreement, recognises the intention to actively manage the Agreement and, within its scope, to respond flexibly to emerging needs and changing priorities.
- 1.2. The parties understand that the Pharmaceutical Society of Australia ("Society"), 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. STRUCTURE OF AGREEMENT

- 2.1. This Agreement is composed of this Introduction and two Parts.
- 2.2. The Introduction deals with background, principles and objectives and administrative matters common to both Parts. Clauses in the Introduction are intended to be legally binding on the parties only to the extent that they relate to Part 1.
- 2.3. Part 1 concerns the Pharmaceutical Benefits Scheme and constitutes an agreement as to the manner of ascertaining the Commonwealth price intended to create legal relations between the parties and to be legally binding and enforceable, for the purposes of and as specified in the preamble to that Part.

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- 2.4. Part 2 concerns provisions for pharmacy approvals and relocations and programs in respect of pharmacies and approved pharmacists and constitutes an arrangement or understanding between the parties in relation to those matters. Whilst Part 2 is not intended to constitute a legally binding Agreement between the parties, they recognise that legislation will need to be enacted, and rules or regulations proclaimed or determined, to enable the relevant terms of Part 2 to be implemented and given effect. The Minister has therefore agreed to act in accordance with clause 64.3.

3. DEFINITIONS AND INTERPRETATION

3.1. Definitions

In this Agreement unless the contrary intention appears:

- a) a word or expression shall be taken to have the same meaning as in Part VII of the *National Health Act 1953* (the Act);
- b) "ACPA" means the Australian Community Pharmacy Authority established under section 99J of the Act and includes any successors to the Authority or any body that performs generally the functions of the Authority whether in substitution for or in addition to it;
- c) "approved pharmacist" means a pharmacist for the time being approved, or deemed to be approved, under section 90 of the Act;
- d) "basic wholesale price" in relation to an ingredient in a pharmaceutical benefit, means the amount that The Pharmacy Guild of Australia and the Minister agree from time to time is to be taken to be, for the purposes of Part VII of the Act, the appropriate price for sales of that ingredient to approved pharmacists;
- e) "Commonwealth price" means the Commonwealth price referred to in section 84 of the Act in relation to the supply of pharmaceutical benefits;
- f) "community pharmacy prescription" means a prescription supplied by an approved supplier, other than a hospital authority approved in respect of a public hospital;
- g) "PBS" means the Pharmaceutical Benefits Scheme established under Part VII of the Act;
- h) "pharmaceutical benefit" means a drug or medicinal preparation in relation to which, by virtue of section 85 of the Act, Part VII of the Act applies;
- i) "RPBS" means the Repatriation Pharmaceutical Benefits Scheme established under section 91 of the *Veterans' Entitlements Act 1986*;
- j) "the Act" means the *National Health Act 1953*;
- k) "the Commonwealth" means the Commonwealth of Australia
- l) "the Department" means the Department of Health and Aged Care or such other Department of State responsible from time to time for the administration of Part VII of the Act pursuant to the Administrative Arrangements Order;

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- m) "the Minister" means the Minister of State responsible for the administration of Part VII of the Act pursuant to the Administrative Arrangements Order;
 - n) "the Rules" means the rules determined by the Minister under section 99L of the Act subject to which the Authority is to make recommendations under Section 99K of the Act.
 - o) "the Secretary" means the Secretary to the Department of Health and Aged Care;
 - p) "Tribunal" means the Pharmaceutical Benefits Remuneration Tribunal established under section 98A of the Act and includes any successors to the Tribunal or any body that performs generally the functions of the Tribunal whether in substitution for or in addition to it; and
 - q) "WCI_9" is the Commonwealth's A New Tax System - exclusive Wage Cost Index 9.

3.2. Interpretation

In this Agreement:

- a) words importing a gender include any other gender;
- b) words in the singular number include the plural and words in the plural number include the singular; and
- c) Clause headings in this Agreement are for convenient reference only and have no effect in limiting or extending the language of the provisions to which they refer, save and except in respect to clauses 41, 42, 43 and 44.

4. PRINCIPLES AND OBJECTIVES

4.1. Principles

This Agreement is based on the following set of principles:

- a) providing consumers with reasonable equality of access to quality pharmacy services in their local community;
- b) ensuring that consumers receive quality patient care and outcomes;
- c) expanding community pharmacy's professional roles;
- d) providing a stable and predictable environment for community pharmacy;
- e) extending the cooperative approach evident in the first two Agreements between the Guild and the Commonwealth; and
- f) maximising the value to the taxpayer by encouraging an effective and efficient community pharmacy network.

4.2. Objectives

During the period of this Agreement, the parties are committed to achieving the following:

- a) provision of a quality, personalised pharmacy service to the Australian community through a network of well distributed, accessible, and viable community pharmacies;
- b) increased access to community pharmacies for persons in rural and remote regions of Australia;
- c) continued development of an effective, efficient and well-distributed community pharmacy service in Australia which takes account of the recommendations of the Competition Policy Review of Pharmacy and the objectives of National Competition Policy;
- d) greater financial stability for the parties to the Agreement through the introduction of risk sharing arrangements;
- e) identification and development of ways in which information technology can be used to improve medication management and more broadly to improve the Australian health care system for the benefit of the community;
- f) development of enhanced medication reviews, in cooperation with the medical profession, aimed at improving health outcomes and quality use of medicines for the Australian community;
- g) implementation of quality standards;
- h) coordination in the delivery of primary health care services and achievement of a multi-disciplinary approach to the provision of quality health and pharmacy services for all sections of the community;
- i) a focus on achieving continued improvement in community pharmacy services provided to Aboriginal and Torres Strait Islander people; and
- j) generally, the fostering of a stable and viable community pharmacy sector in Australia.

5. REMUNERATION OVERVIEW

- 5.1. The remuneration arrangements for community pharmacy are part of the Commonwealth's overall Pharmaceutical Benefits Scheme which has an estimated value of \$22 billion over the five years of this Agreement. Of this, the Agreement covers \$5 208 million dollars in prescription-based remuneration (based on current estimates of volume growth and cost of goods) for Part 1 and \$ 416 million in other payments for Part 2 for a total of \$5 624 million. The details of these arrangements are set out in the respective Parts of this Agreement that follow.
- 5.2. The amounts incorporated in this Agreement represent cash amounts and exclude administrative costs within the Department and the Health Insurance Commission. These may not be directly comparable with figures appearing in Commonwealth Budget documents which are presented on an accrual basis.
- 5.3. Any amounts payable specified in this Agreement do not include an amount to cover any liability for Goods and Services Tax (GST) on any supplies made under this Agreement which are taxable supplies within the meaning of *A New Tax System (Goods and Services Tax) Act 1999* (the GST Act).
- 5.4. The parties agree that, where supplies related to this Agreement are taxable supplies under the GST Act, an appropriate adjustment will be made to the payment, and tax invoice mechanisms will be set up.

6. MANAGING THE OUTCOMES OF THE AGREEMENT

6.1. The Agreement Management Committee

- 6.1.1. The Agreement Management Committee (AMC) will be responsible for the active management of the Agreement. It will be comprised of members of the Department, the Guild and, by invitation, the Society.
- 6.1.2. The Committee will meet regularly, with a minimum of 4 meetings per year, with more frequent meetings as determined. The Department will provide secretariat support for the Committee.
- 6.1.3. Consistent with the objectives set out in this Agreement, the AMC will recognise the major role of the Guild in determining priorities for expenditure within the scope of flexible funding arrangements. The parties note that, consistent with the principles of the Agreement, within the Pharmacy Development Program (PDP) and the Rural and Medication Management elements of the Agreement, all initiatives will need to be supported by the Guild before proceeding. The AMC will advise the Minister on the operation of the Agreement. The parties agree that they will make every effort to ensure initiatives in these areas are implemented in a timely manner such that allocated funds are fully expended. However, flexibility will be available to enable movement of funds between years if circumstances require.

6.2. The Australian Community Pharmacy Authority (ACPA)

- 6.2.1. The parties note that the ACPA is responsible, as set out in the Act, for administration of the rules relating to the location and relocation of community pharmacies.

7. CONSULTATION ON CHANGES TO THE PBS

- 7.1. In order to minimise any adverse impact on community pharmacy, and to assist with policy transition processes, the Minister will, to the maximum extent possible, consult and seek cooperation with the Guild at an early stage on PBS matters affecting community pharmacy. With regard to the implementation of such measures, the Guild will be consulted prior to their implementation.
- 7.2. The parties agree to a joint approach by the Department and the Guild to manufacturers with the aim of providing information to the Guild regarding PBS price changes at the same time this information is given to software providers.

8. TERM OF THIS AGREEMENT

- 8.1. This Agreement will commence on 1 July 2000 and will terminate on 30 June 2005.

9. ENTIRE AGREEMENT AND VARIATION

- 9.1. This Agreement constitutes the entire agreement between the parties and supersedes all communications, negotiations and arrangements and agreements, either oral or written, between the parties with respect to the subject matter of this Agreement.
- 9.2. No agreement or understanding varying or extending this Agreement shall be binding upon either party unless in writing and signed by both parties.

10. NOTICES

- 10.1. Any notice, request or other communication to be given or served pursuant to this Agreement shall be in writing and:
- (a) if given to the Minister, signed by the National President of the Guild, or such other person as is nominated by the National President, and forwarded to the Minister; and
 - (b) if given to the Guild, signed by the Minister, or the Minister's delegate, and forwarded to the National President of the Guild.

10.2. Any such notice, request or other communication shall be delivered by hand or sent by prepaid post or facsimile to the address of the party to whom it is sent.

PART 1

PRESCRIPTION BASED REMUNERATION

11. Preamble

11.1. The parties agree that new arrangements specified in this Part are intended to apply to prescription-based remuneration such that:

- a) each party is partly protected from the effects of movements in volume or average mark up in relation to the growth rates included in the forward estimates when this Agreement was negotiated;
- b) community pharmacy is partly protected from a reduction in prescription volumes;
- c) government is partly protected from increases in prescription volumes and average mark up above agreed thresholds;
- d) the nature of these protections is fully spelled out in the Agreement;
- e) certain changes in prescription volumes or average mark up will automatically lead to adjustments under the Agreement whatever the reason for the change ie whether the change is a result of Commonwealth policy, or the emergence of new medicines or changes in medical practice; and
- f) the forward estimates for prescription-based remuneration be reduced during the Agreement period by \$134m through an agreed adjustment to the dispensing fee and mark up from 1 July 2000, with the reduction in the dispensing fee flowing to the new Pharmacy Development Program.

11.2. It is acknowledged by the parties that these new arrangements provide greater certainty for each of them than the previous Agreement; a fair sharing of risk; and that the automatic adjustment process removes many areas of potential dispute that existed under previous arrangements.

11.3. This Agreement has been negotiated on the basis of the following forward estimate base of pharmacy remuneration agreed by the parties:

Table 1: THE FORWARD ESTIMATE BASE

	Year ending 30 June 2001	Year ending 30 June 2002	Year ending 30 June 2003	Year ending 30 June 2004	Year ending 30 June 2005	
1	Script volume(m)	143.995	146.609	150.045	154.233	158.787
2	Ave Basic DF (\$)	4.46	4.53	4.60	4.67	4.74
3	Ave Other DF (\$)	0.07	0.07	0.07	0.07	0.07
4	Ave Total DF (\$)	4.53	4.60	4.67	4.74	4.81
5	Ave Mark Up (\$)	2.11	2.16	2.21	2.27	2.34
6	Ave Rem/Script (\$)	6.64	6.76	6.88	7.02	7.15
7	Total Rem (\$m)	956.213	991.540	1032.637	1082.307	1135.987
8	Rem Growth	5.79%	3.68%	4.14%	4.81%	4.96%

Notes: Based on index assumption of 1.5% per annum.

Including the effect of initiatives agreed in Clause 50 of this Agreement.

11.4. The Pharmaceutical Benefits Remuneration Tribunal

11.4.1. Section 98BAA of the *National Health Act 1953* provides that where the Minister (acting on the Commonwealth's behalf) and The Pharmacy Guild of Australia or another pharmacists' organisation that represents a majority of approved pharmacists have entered into an agreement in relation to the manner in which the Commonwealth price of all or any pharmaceutical benefits is to be ascertained for the purpose of payments to approved pharmacists in respect of the supply by them of pharmaceutical benefits, the Pharmaceutical Benefits Remuneration Tribunal (PBRT), in making a determination under subsection 98B(1) of the Act while the agreement is in force, must give effect to the terms of that agreement.

11.4.2. The parties agree that clauses 1 to 5 and 8 to 10 of the Introduction and Part 1 of this Agreement constitutes an agreement of the kind referred to in clause 11.4.1 of this Part.

11.5. Prescription-based Remuneration for 2000-01

11.5.1. In respect of Pharmaceutical Benefit items supplied from 1 July 2000 to 30 June 2001 the Commonwealth price will be:

- a) For ready prepared ("RP") items, the sum of:
 - i. A dispensing fee of \$4.40; and
 - ii. A separate mark up of 10% on the approved price to pharmacists for RP items ("the mark up component"), provided that where the

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- approved price to pharmacists is \$180 or more the mark up component will be \$18 per item until the approved price to pharmacists reaches \$450 in which case the mark up component will be 4% of the approved price to pharmacists; and
- iii. The approved price to pharmacists;
- b) For extemporaneously prepared ("EP") and related EP items, the sum of:
- i. A dispensing fee of \$6.28; and
 - ii. A separate mark up of 10% on the approved price to pharmacists for EP items ("the mark up component"), provided that where the basic wholesale price is \$180 or more the mark up component will be \$18 per item until the basic wholesale price reaches \$450 in which case the mark up component will be 4% of the basic wholesale price; and
 - iii. The basic wholesale price; and
- c) For other fees and allowances, the amounts set out in the Schedule to this Agreement.

12. Prescription-based Remuneration for 2001-02 to 2004-05

- 12.1. In respect of Pharmaceutical Benefit items supplied from 1 July 2001 to 30 June 2005 the Commonwealth price will, subject to clauses 13 and 14 be calculated in the same manner as the price in respect of items dispensed in 2000-01 except that the dispensing fee will be indexed with effect from 1 July of each year in accordance with the following formula:

$$F_n = F_{n-1} + (F_{n-1} \times I)$$

Where:

F_n is the dispensing fee for the relevant year

F_{n-1} is the dispensing fee for the year prior to the relevant year

I is the greater of:

- a) Zero; or
- b) An amount determined by the formula:

$$WCI_9 - 0.75 \text{ percentage points}$$

where WCI_9 means the percentage movement of the Commonwealth's A New Tax System (ANTS) -exclusive Wage Cost Index 9 (WCI_9) in respect of the year ending in March prior to the relevant year, or, if WCI_9 is discontinued, the percentage movement of the substitute index agreed by the parties.

- 12.2. Indexation reductions derived from reducing the WCI_9 by 0.75 percentage points will be transferred to the new Pharmacy Development Program.

13. Risk sharing

13.1. Based on the levels of remuneration set out in clauses 11.5.1 and 12.1 above, the growth trends for prescription volumes and average mark up as included in the forward estimates and an assumed forecast of 1.5% per annum for the movement of the WCI_9 index, the parties expect PBS prescription volumes and associated community pharmacy remuneration to be as set out in Table 2 below. These estimates do not include the Repatriation Pharmaceutical Benefits Scheme (RPBS) which the parties agree is not covered by this Agreement or the risk sharing arrangements within the Agreement.

Table 2: THE AGREEMENT BASE - net of funds transferred to the PDP

	Year ending 31 March 2000	Year ending 31 March 2001	Year ending 31 March 2002	Year ending 31 March 2003	Year ending 31 March 2004	Year ending 31 March 2005
1 Script volume(m)	139.027	143.786	146.396	149.827	154.009	158.556
2 Ave Basic DF (\$)	4.38	4.40	4.43	4.46	4.49	4.52
3 Ave Other DF (\$)	0.06	0.07	0.07	0.07	0.07	0.07
4 Ave Total DF (\$)	4.44	4.47	4.50	4.53	4.56	4.59
5 Ave Mark Up (\$)	2.00	2.04	2.09	2.13	2.20	2.26
6 Ave Rem/Script (\$)	6.45	6.51	6.59	6.66	6.76	6.85
7 Total Rem (\$m)	896.303	935.484	964.292	998.481	1040.668	1086.386
8 Rem Growth		4.37%	3.08%	3.55%	4.23%	4.39%

Note: Based on index assumption of 1.5% per annum.
Totals may not add due to the effect of rounding
Reflecting the transfer of \$109m in fee indexation reduction and \$25m in mark up savings.

13.2. The parties agree that the levels of remuneration set out in Table 2 are reasonable in the light of the underlying assumptions of growth in prescription volume and mark up. The parties further agree, however, that adjustments to the remuneration arrangements are appropriate if the actual movement in community pharmacy prescription volume or average mark up vary from the Agreement Base as shown in Table 2. Such adjustments are appropriate irrespective of the reasons for changes in prescription volumes or average mark up.

13.3. Accordingly, the parties have agreed to a risk sharing arrangement under which remuneration is adjusted if prescription volumes or the average mark up vary, relative to the Agreement Base, as follows:

- a) If average mark up is more than 4% above the Agreement Base for the previous year to 31 March as set out in line 5 of Table 2, then the value of excess dollar growth will be shared on a 75:25 (Guild:Commonwealth) basis;

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- b) If community pharmacy prescription volume growth, relative to the Agreement Base for the previous year to 31 March as set out in line 1 of Table 2, is:
 - i. below 2% then the operation of subclause a) above is suspended and an amount equal to 10% of the total costs of the prescription shortfall (including cost to pharmacist of the goods) is paid in the following year as a supplement to the dispensing fee;
 - ii. between 2% and 3% then the operation of subclause a) above is suspended;
 - iii. between 3% and 4% the mark up adjustment operates without alteration; and
 - iv. above 4% then an amount equal to 15% of the excess number of prescriptions multiplied by the average total dispensing fee is recovered in the following year through a discount to the dispensing fee and/or the mark up, and paragraph a) above operates without alteration.
 - c) In calculating the adjustments required under paragraph a) and b) above, the effect of changes in prescription volume and average mark up on the adjustments of \$134 million will be taken into account before any changes are made to the basic dispensing fee or mark up.
 - d) In applying those adjustments, the parties agree that the dispensing fee will not be reduced below \$4.40 for RP items or \$6.28 for EP items. Where the required adjustments would otherwise reduce the dispensing fee below \$4.40 or \$6.28 respectively, then the adjustment will be made to the mark up formula.
 - e) After a period of twelve months, the parties will explore the possibility of diverting a portion of the pharmacist's share of any future mark up growth towards the Pharmacy Development Program at a time to be agreed.

The detailed specification of this risk sharing arrangement is set out in clauses 13.4 to 13.8.

13.4. Subject to clause 14, the parties agree to the following adjustments to pharmacy remuneration:

- a) Subject to subclause 13.4c), if the average mark up per PBS community pharmacy prescription in any year ending 31 March (including the year ending 31 March 2001), is more than 4% greater than the average mark up in the Agreement Base in respect of the previous year ending 31 March, then the dispensing fee or the mark up determined in accordance with clause 12.1 in respect of the following 1 July will, subject to clauses 13.6 to 13.8, be reduced by an amount determined by the following formula:

$$A = (M - (M_{-1} \times 1.04) \times V) \times 0.25$$

Where:

A is the amount of reduction

M is the average mark up for the relevant year to 31 March

M₋₁ is the average mark up for the year ending 31 March prior to the relevant year

V is the total number of PBS general, concessional, entitlement card and doctors bag community pharmacy prescription items processed in the relevant year to 31 March.

The method for achieving this adjustment is set out in clauses 13.6 to 13.8.

- b) If the PBS community pharmacy prescription volume in any year ending 31 March (including the year ending 31 March 2001), is equal to or less than an amount which is 2% greater than the prescription volume in the Agreement Base in respect of the previous year ending 31 March, then the dispensing fee determined in accordance with clause 12.1 in respect of the following 1 July will, subject to clauses 13.6 to 13.8, be increased by an amount determined by the following formula:

$$A = ((V_{-1} \times 1.02) - V) \times (0.1 \times P)$$

Where:

A is the amount of increase

V is the total number of PBS general, concessional, entitlement card and doctors bag community pharmacy prescription items processed in the relevant year to 31 March

V₋₁ is the Agreement Base estimate of the total number of PBS general, concessional, entitlement card and doctors bag community pharmacy prescription items processed in the year ending 31 March prior to the relevant year

P is the average Commonwealth price for the relevant year to 31 March

- c) If the PBS community pharmacy prescription volume in any year ending 31 March (including the year ending 31 March 2001), is less than 3% greater than the prescription volume in the Agreement Base in respect of the previous year ending 31 March, then any adjustment which would otherwise have been made through the operation of subclause 13.3a) will not be made.

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- d) If the PBS community pharmacy prescription volume in any year ending 31 March (including the year ending 31 March 2001), is more than 4% greater than the prescription volume in the Agreement Base in respect of the previous year ending 31 March, then the dispensing fee and mark up determined in accordance with clause 11.5.1 in respect of the following 1 July will be reduced by an amount determined by the following formula:

$$A = V - (V_{-1} \times 1.04) \times 0.15 \times D$$

Where:

A is the amount of reduction

V is the total number of PBS general, concessional, entitlement card and doctors bag community pharmacy prescription items processed in the relevant year to 31 March

V₋₁ is the Agreement Base estimate of the total number of PBS general, concessional, entitlement card and doctors bag community pharmacy prescription items processed volume for the year ending 31 March prior to the relevant year

D is the average total dispensing fee per prescription for the relevant year to 31 March

The method for achieving this adjustment is set out in clauses 13.6 to 13.8.

- 13.5. Clauses 12.1, 13.4a), 13.4b), 13.7 and 13.8 are intended to operate in parallel such that the dispensing fee applying from 1 July of each year will be the unrounded amount determined in accordance with clause 12.1, less any unrounded amounts determined in accordance with clauses 13.4a) and 13.7, plus any unrounded amount determined in accordance with clauses 13.4b) and 13.8. The result will be rounded to the nearest whole cent for payment purposes but the unrounded result will be used as the base for future adjustment purposes.
- 13.6. If required by the operation of clause 13.4a) to 13.4d), approved pharmacists' remuneration will be adjusted by:
- a) amounts determined in accordance with subclauses 13.4a), 13.4b) and 13.4d), plus or minus the effect of:
 - b) any variation between the estimates of prescription volume set out in the Agreement Base and the actual prescription volumes, and/or the estimated number and average price of drugs with an approved price to pharmacist above \$360 on the amount of savings achieved by the means agreed by the parties to achieve estimated savings of \$ 134m through this Agreement. These means were:

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- i. reducing the index on the dispensing fee by 0.75 percentage points as reflected in clause 12.1 ; and
 - ii. a further reduction of 2 cents in the dispensing fee effective from 1 July 2000; and
 - iii. adjusting the mark up formula to extend the flat rate of \$18 to all drugs up to an approved price to pharmacists of \$450, and applying a 4% rate thereafter.

13.7. Any downwards adjustment required by clause 13.6 will be made in the following manner:

- a) Firstly, through reduction in the dispensing fee, provided that the fee does not fall below \$4.40 for RP items or \$6.28 for EP items, calculated in accordance with the following formula:

$$I = A / V + 1$$

Where:

I is the amount of decrease in the dispensing fee

A is the amount of adjustment required in accordance with clause 13.6

V + 1 is the estimated community pharmacy prescription volume for the year to 31 March after the relevant year

- b) If the adjustment would otherwise result in a dispensing fee of less than \$4.40 for RP items and \$6.28 for EP items, then the dispensing fees are set at \$4.40 or \$6.28 respectively and the shortfall in savings is handled in accordance with paragraphs c) and d) below.
- c) The shortfall is debited to a "mark up adjustment bank".
- d) When the debit in the "mark up adjustment bank" exceeds \$10 million, then an adjustment will be made to the mark up formula to achieve the required level of savings as an ongoing amount commencing in the following year.

13.8. Any upwards adjustment required by clause 13.6 will be made by increasing the dispensing fee, subject to clause 14, in accordance with the following formula:

$$I = A / V + 1$$

Where:

I is the amount of increase in the dispensing fee

A is the amount of adjustment required in accordance with clause 13.6

V + 1 is the estimated community pharmacy prescription volume for the year to 31 March after the relevant year

- 13.9. The parties undertake to agree, by 1 July 2000, on precise methodologies for:
- a) The calculation of the difference between the estimated saving of \$134m and the actual savings achieved, as required for the operation of clause 13.6; and
 - b) The savings shortfall referred to in clause 13.7b).

14. FLEXIBILITY OF FUNDING COMPONENTS

- 14.1. The Pharmacy Guild may, before 30 April in any year, propose variations to take effect from the following 1 July, to the amounts of, or methods for calculating any elements of the Commonwealth's funding covered by this Part provided that there is no net change in the total level of Commonwealth funding over the life of the Agreement. Subject to agreement that no net financial impact can reasonably be expected, the Commonwealth will implement such proposals.
- 14.2. The parties acknowledge that, if average mark up is changed through the operation of clause 14.1, a commensurate adjustment will be required to line 5 of table 2 in clause 13.1 so as to avoid inadvertent changes to the effect of the risk sharing arrangements.

15. DRUG OF ADDICTION FEE

- 15.1. The rate of the drug of addiction fee will be increased to \$2.61 as from 1 July 2000, involving an estimated increase of \$7.5 million in prescription based remuneration over the Agreement. The fee increase is to account for the additional charges that have applied to this item since it was last updated in July 1990. The parties agree the new drug of addiction fee is incorporated in the revised forward estimate base for prescription based remuneration.

16. PBS PAYMENT TIMES

- 16.1. The Commonwealth agrees to reduce the maximum payment lag for PBS claims from the current 20 days to 17 days, commencing July 2000. This implies that around 80% of claims will be paid within 15 days and 90% within 16 days. In order to achieve this turnaround ahead of the introduction of electronic transactions, the Commonwealth agrees to meet the additional costs of the Health Insurance Commission.

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- 16.2. An ongoing process of monitoring approved pharmacists' lodgement patterns and the Commission's performance/processing objectives will be established to track the effects of these changes and to determine whether further reductions to payment times are possible.
- 16.3. The Guild and Commonwealth agree that a review will be undertaken with the Health Insurance Commission of the options for further reducing payment lags. This review will be completed by 31 July 2000 and include but not be limited to:
- a) Examining further reductions in payment times by some adjustments to the pattern of lodgement of claims by approved pharmacists or in other ways and at no additional cost to the Health Insurance Commission Budget; and
 - b) Examining the feasibility of early notification by the Health Insurance Commission to approved pharmacists of claims due and payable, so that early allocation of funds can be made by the approved pharmacist's bank of choice in advance of actual payment of the claim.

17. DISPUTE RESOLUTION

- 17.1. The parties agree that any dispute arising 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 so resolved either party may immediately request the dispute to be referred to mediation. If the parties cannot agree upon a mediator within 21 days, either party may request the President of the Law Society of the Australian Capital Territory to appoint a mediator, provided that such appointee is an experienced practitioner;
 - d) the parties may within 7 days of the appointment of the mediator make a submission to the mediator and shall provide a copy to the other party, and each party may make a short reply within 7 days of receipt of the others submission and provide a copy to the other party, and to the mediator;
 - e) the mediator shall as soon as possible after receipt of submissions arrange a conference between the parties to determine if the dispute can be resolved. The parties must make every reasonable endeavour to cooperate with the mediator, and try to resolve the dispute. The mediator shall have no power to resolve the dispute by his or her own determination;
 - f) if the dispute is not resolved within 35 days of the appointment of the mediator, either party may, within a further period of 28 days, refer the matter to the Tribunal for resolution. The parties acknowledge that the Act will need to be amended to confer this power on the Tribunal;

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- g) if the parties resolve the dispute they shall, if required, present the agreement reached between them to the Tribunal for an appropriate determination; and
 - h) the costs and expenses of the mediator shall be shared equally by the parties but the expenses of the Guild involved in the mediation may be deducted from the Pharmacy Development Program at the discretion of the AMC.
- 17.2. Clause (17.1) does not preclude either party from commencing legal proceedings for urgent interlocutory relief.

18. WAIVER

- 18.1. A waiver of any provision in this Part must be in writing.
- 18.2. No waiver of a condition of this Part shall operate as a waiver of another breach of the same or of any other condition.
- 18.3. If a party does not exercise (or delays in exercising) any of its rights, that failure or delay does not operate as a waiver of those rights.
- 18.4. A single or partial exercise by a party of any of its rights does not prevent the further exercise of any right.

PART 2

19. THE COMMUNITY PHARMACY NETWORK

20. TIMING

- 20.1. Unless otherwise stated, the proposed rules will apply from 1 July 2000.
- 20.2. The rules relating to pharmacy relocations and new pharmacy approvals that are in force immediately before the commencement of this Agreement will continue except where amendments are necessary to give effect to the matters in clauses 21 to 39.

21. PREAMBLE

- 21.1. Significant reforms to the structure and efficiency of the community pharmacy network have been achieved through the previous two Community Pharmacy Agreements between the Commonwealth and the Guild. The parties recognise the need to build on these benefits by taking into account in this Agreement the intention of the Competition Policy Review of Pharmacy.
- 21.2. Revision of the criteria related to new pharmacy approvals and pharmacy relocation is also consistent with the desire to achieve simplicity and transparency in the administrative arrangements underpinning this Part of this Agreement.
- 21.3. The content of the Agreement relating to pharmacy relocations and new pharmacy approvals encompasses the following changes:
- a) a significant reduction in the number of criteria that have to be satisfied to demonstrate there is a "definite community need" for new pharmacies to be opened, particularly in growing outer metropolitan areas;
 - b) the creation of a special category of new rural pharmacy approvals, supported by rural pharmacy incentive and maintenance programs, to promote improved access to pharmaceutical services in areas currently under serviced;
 - c) significant relaxation of the rules relating to that special category of new approvals in rural locations by removing the need for applicants to satisfy any community need;
 - d) amendment of the rules relating to pharmacy relocations to enhance competition consistent with the maintenance of a viable and well distributed community pharmacy network;

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- e) clarification of the definition of a large shopping centre to simplify ACPA's administration of pharmacy relocations to shopping centres;
 - f) reduction in the number of exclusions from the retail shop definition to enable applicants to more easily achieve the threshold number of shops required to obtain approval to relocate to a shopping centre;
 - g) simplification of the distance measurement process both for applicants and the ACPA by measuring distance in a straight line from door to door rather than by public access routes (except in the case of pharmacies in rural locations); and
 - h) simplification of the rules for short distance pharmacy relocations by removal of the complex rules relating to pharmacy relocations between 1 km and 2 km from their present site.
- 21.4. The parties agree that 12 months prior to the expiry of this Agreement, they will undertake a joint review of the location provisions in preparation for any subsequent Agreement.

22. DEFINITE COMMUNITY NEED

- 22.1. Definite community need, in relation to the catchment area serviced or proposed to be serviced by a pharmacy, means that:
- a) the catchment area proposed to be serviced by a pharmacy has a population of more than 3,000 for most of the year;
 - b) the catchment area has the equivalent of a full-time medical practitioner; and
 - c) the catchment area has general shopping facilities.

23. LARGE SHOPPING CENTRE

- 23.1. Large shopping centre means a shopping complex that:
- a) is an aggregation of discrete commercial establishments and associated facilities under a single management;
 - b) has a total gross leaseable area of not less than 5,000 square metres;
 - c) includes a supermarket that occupies not less than 1,000 square metres and not less than 30 other commercial establishments operating independently of one another; and
 - d) customer parking facilities are provided within the shopping complex.

24. COMMERCIAL ESTABLISHMENTS

- 24.1. Commercial establishments includes retail shops, take away food shops, restaurants, coffee shops, video shops, doctors' surgeries or consulting rooms, travel agencies, financial institutions and other services but do not include:
- a) accountants, solicitors, planners, architects, analysts, designers and insurance companies;
 - b) libraries and child minding facilities; and
 - c) temporary selling points.

The 1 pharmacy in 30 and over, 2 in 100 and over, and 3 in 200 and over commercial establishments' thresholds will continue to apply.

25. NEW APPROVALS

- 25.1. The ACPA will provide a positive recommendation to the Secretary for the granting of a new pharmacy approval provided that:
- a) the applicant can demonstrate a definite community need exists in the catchment area; and
 - b) the proposed site for the new pharmacy is no closer than 2 km (measured via the shortest lawful access route) from an existing pharmacy.

25.2. This 2 km distance will reduce to 1.5 km and the system of measurement changed to 'in a straight line from door to door' on 1 July 2002.

26. SPECIAL CATEGORY OF RURAL NEW APPROVALS

- 26.1. The parties have agreed to a special set of rules for new pharmacy approvals in certain rural and remote locations. The aim of the special rules is to encourage pharmacists to obtain approval to establish a community pharmacy in rural locations which currently do not have access to an adequate pharmaceutical service. The proposed rules represent a significant relaxation of the present rules for new approvals. In particular, the special rules for new approvals in this special category remove the need for applicant pharmacists to prove a community need.
- 26.2. The ACPA will provide a positive recommendation to the Secretary for the granting of a new pharmacy approval number to a pharmacist in a location classified by the Accessibility/Remoteness Index of Australia ("ARIA"), modified for pharmacy, as either 'very remote', 'remote', 'moderately accessible' and 'accessible', provided that the proposed site for the new pharmacy is no closer than 10 km (measured by public access road from door to door) from an existing approved pharmacy.

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- 26.3. The pharmacist approved in respect of the new premises will be eligible to apply for the various Rural Pharmacy Allowances.
 - 26.4. The new approval will be available only to a pharmacist and will be associated with the town in which the new pharmacy is located.
 - 26.5. If the site for the new pharmacy is less than 10 km from an existing pharmacy, these special rules for new approvals (rural) will not apply. In these cases the rules for new approvals as described in clause 25 will continue to apply.

27. PHARMACY RELOCATIONS

- 27.1. In recognition of the recommendations of the Competition Policy Review of Pharmacy, the parties believe there should be an ongoing process of redefining the rules relating to pharmacy location with the objective of achieving equity of access to viable pharmaceutical services for the Australian public.
- 27.2. The parties agree to give further consideration to the question of relocations of community pharmacies to industrial and other similar areas with limited public access.

28. LONG RELOCATIONS

- 28.1. The 2 km distance rule for relocating pharmacies will be reduced to 1.5 km (measured in a straight line from door to door) from 1 July 2002.

29. SHORT RELOCATIONS

- 29.1. The parties are concerned to ensure an efficient distribution of pharmacies is maintained and to avoid, as far as possible, undue concentration of pharmacies. To this end the parties have agreed to simplify the existing rules by removing altogether, from 1 July 2002, the complex arrangements which effectively have excluded pharmacies from relocating between 1 km and 2 km from their present site.
- 29.2. From that time the 1 km distance rule for short relocations will increase to 1.5 km (measured in a straight line from door to door). This allows pharmacies to move an extra 0.5 km from their present site.
- 29.3. As a transitional measure from 1 July 2002 to 30 June 2004, when the measure will be reviewed, pharmacies planning short relocations will continue to be able to move up to 1 km without reference to the distance from an existing pharmacy. However, to avoid undue concentration of pharmacies, in those circumstances where a short relocation of more than 1 km and less than 1.5 km is planned, then the minimum distance between the relocating pharmacy and any pharmacy outside the 1 km distance must be 500 metres.

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- 29.4. Approved pharmacists are able to relocate the same pharmacy on a subsequent occasion after a period of two years has elapsed from the original ACPA approval as per clause 33.

30. RURAL RELOCATIONS

- 30.1. The normal rules for relocations as amended by clauses 28 and 29 will continue to apply to approved pharmacists wishing to relocate their premises to locations classified by ARIA as either 'very remote', 'remote', 'moderately accessible' or 'accessible'. Pharmacies relocating into or between rural locations will not be eligible for the Rural Pharmacy Start Up Allowance, but will be eligible to apply for the Rural Pharmacy Maintenance Allowance.
- 30.2. Pharmacies relocating to or between rural locations will not be 'tied' to those towns, except for pharmacies approved under the special category of rural new approvals outlined in clause 26. Existing pharmacies will be encouraged to remain in rural areas, and new pharmacies encouraged to open, through a comprehensive package of measures to support rural and remote pharmacy. These are detailed at clauses 40 to 46. In recognition of the possibility that there may still be some rural pharmacies unable to continue to operate, relocations will be permitted from rural areas without being subject to the community need criteria. This is a significant relaxation of the rules that applied in the Second Agreement.

31. SPECIAL ARRANGEMENTS FOR EXCEPTIONAL CIRCUMSTANCES

- 31.1. The parties agree that in exceptional circumstances, in respect of rural locations with one pharmacy, and where the local pharmacy provision of Pharmaceutical Benefits is demonstrated by an applicant to be substantially inadequate, the case for an additional pharmacy to be relocated into the area may be addressed by the ACPA.
- 31.2. The parties agree that, in exceptional circumstances where evidence is produced showing substantial population growth in an urban area, where there is already a single existing pharmacy, the ACPA may consider allowing a pharmacy to relocate to that area provided that:
- i. The population of the statistical local area (as defined by the Australian Bureau of Statistics) exceeds 8, 000 residents;
 - ii. The average rate of population growth in that statistical local area over the previous two years exceeds 7 per cent; and
 - iii. The new site is no closer than 500 metres from the existing pharmacy measured in a straight line.

31.3. The ACPA should also consider whether or not there has been a recent amalgamation or closure of a pharmacy in the particular urban growth area, and the level of Pharmaceutical Benefits service available in the same area.

31.4. The provisions of clauses 31.1, 31.2 and 31.3 shall apply from 1 July 2002.

32. DISCRETION FOR RELOCATION TO PRIVATE HOSPITALS AND SHOPPING CENTRES

32.1. The discretion accorded ACPA during the second Agreement regarding applications for relocations into shopping centres and private hospitals will no longer apply. This change, to apply from 1 July 2000, will help to minimise the likelihood of appeals to the Administrative Appeals Tribunal ("AAT").

33. TIME LIMIT ON SUBSEQUENT RELOCATIONS

33.1. Pharmacists who have been approved for a new pharmacy or the relocation of an existing pharmacy cannot relocate for a period of two years from the date of original approval, unless the ACPA is satisfied that there are exceptional circumstances. Such circumstances may include temporary relocation for renovation or redevelopment, relocations within the same large shopping centre (as defined in clause 23), or expansion of the applicant's current premises into adjoining premises. In general, the ACPA will consider exceptional circumstances, not involving commercial interest, which could not reasonably have been foreseen at the time of application.

34. PRIVATE HOSPITALS

34.1. A relocation may be recommended to a private hospital, within the meaning of the *Health Insurance Act 1973*, where that hospital has at least 150 beds, even if the premises are no further than 2 km, measured door to door by the shortest lawful access route, of another approved pharmacist, providing no other pharmacist is approved at the hospital and the governing body of the hospital is not approved under Section 94 of the Act.

35. AGED CARE FACILITIES

35.1. The parties agree to examine the feasibility of extending similar arrangements to those that apply under Section 94 of the *National Health Act 1953* in respect of private hospitals, to residential aged care facilities. The parties also agree to examine the feasibility of introducing new arrangements for pharmacist ownership of these pharmacies in residential aged care facilities.

35.2. The study will be completed and proposals developed for consideration by 30 June 2001. Any changes agreed would be implemented from 1 July 2002.

35.3. A residential aged care facility is a facility where a residential care subsidy under part 3.1 of the *Aged Care Act 1997* is being paid in respect of residential care being provided at the residential aged care facility.

36. ADMINISTRATIVE MATTERS

The parties agree to the following administration processes being implemented.

36.1. Provision of Evidence

The ACPA Handbook (December 1998) contains comprehensive advice for pharmacists detailing the evidence required to be submitted by applicants in support of the various applications. Each listing of evidence needs to be examined, reviewed and where necessary revised to ensure the requirements are kept simple and to the minimum necessary.

36.2. Application Ordering

ACPA's normal process has been to handle applications on a first come first served basis. The ACPA should consider other applications first in appropriate circumstances.

36.3. Comments from Surrounding Approved Pharmacists

The parties agree to develop agreed procedures, within 3 months of the commencement of the Agreement, for the ACPA to consult with those approved pharmacists in the area surrounding the proposed premises who, in the Authority's opinion, may be able to provide information relevant to the application of the particular rule in question.

37. NON TRADING APPROVALS

37.1. With effect from 29 September 1999, the rules were amended to allow all actively trading approvals, plus those legitimately suspended by the Health Insurance Commission at the time of consideration by the ACPA, to be regarded as valid approvals for the purposes of a relocation application. It is proposed that this amendment be incorporated in the rules for the new Agreement.

37.2. The parties agree to develop an appropriate set of Health Insurance Commission guidelines for non trading approvals, in consultation with the HIC. Such guidelines are to be made known to all community pharmacy proprietors and are to be developed by 31 July 2000.

38. UPTAKE OF ACPA RECOMMENDATIONS

38.1. A successful applicant for new approvals or relocations has six months in which to obtain an approval from the Health Insurance Commission and to commence trading. The ACPA may extend the time in which a pharmacist may act on a recommendation for an approval where it is satisfied that is it

reasonable to do so in the circumstances. Such circumstances may involve delays in building works, shop fitting, local government processes not involving building and/or planning approvals, and so on.

39. RIGHT OF APPEAL

- 39.1. All unsuccessful applicants in relation to ACPA recommendations have a right of appeal to the AAT.
- 39.2. The parties note that any approved pharmacists who consider their interests are adversely affected by an ACPA recommendation, but was not an applicant, can apply for a review by the Federal Court of Australia or the Commonwealth Ombudsman in each State.

40. RURAL INITIATIVES

- 40.1. A new set of measures in rural and remote areas will give effect to a shared commitment by the parties to the Agreement to maintain access to quality pharmacy services for the community in rural and remote areas of Australia. These measures will be funded to the level of \$ 74 million over the life of the Agreement. The parties agree that it is appropriate that the amount of funding available across individual initiatives and between years should be flexible and subject to review through the AMC. This is to ensure that spending is directed in the most effective manner towards the aim of increasing the number of approved pharmacists working in rural and remote areas.
- 40.2. The measures will include both allowances payable direct to approved pharmacists and workforce initiatives that encourage the recruitment and retention of approved pharmacists in rural and remote areas.

41. RURAL PHARMACY ALLOWANCES

- 41.1. Funds will be provided in this component over the five years of the Agreement. The AMC will advise the Minister on the rules and conditions applying to these allowances. The parties agree that the allowances will initially include the Rural Pharmacy Maintenance Allowance and allowances to support Aboriginal Health Services and may include other allowances as outlined below:

42. RURAL PHARMACY MAINTENANCE ALLOWANCE

- 42.1. This component will provide a financial incentive for pharmacy proprietors to remain in a rural/remote area of Australia. It will be payable to pharmacies within agreed categories of the ARIA, as modified for pharmacy. The level payable will vary with remoteness of the pharmacy and script volume.

43. START-UP ALLOWANCE

- 43.1. This component will provide an allowance to encourage the establishment of new pharmacies in rural/remote locations where there is a need for a community pharmacy. Pharmacists will be eligible for this allowance if the site for which they seek approval is eligible for approval within the special rural category of new approvals under the Location Rules (see clause 26).

44. SUCCESSION ALLOWANCE

- 44.1. This component will provide a staggered payment over three years to pharmacists wishing to purchase an existing pharmacy in an identified area of need. Eligibility factors will include degree of remoteness according to agreed categories of the ARIA, as modified for pharmacy and a history of inability to attract a purchaser for the existing pharmacy.

45. ALLOWANCE FOR SUPPORT TO ABORIGINAL HEALTH SERVICES

- 45.1. This will provide an annual allowance to community pharmacists who provide medications to remote area Aboriginal Medical Services via arrangements made under Section 100 of the *National Health Act 1953*.
- 45.2. Allowances may also be payable for services provided by community pharmacists who supply medications to State- or Territory- operated remote area Aboriginal Health Services under the section 100 arrangements. Agreement from the relevant State health portfolio will be sought by the Guild on the nature, scope and protocols associated with these services, prior to their implementation.

46. RURAL PHARMACY WORKFORCE DEVELOPMENT PROGRAM

- 46.1. A range of initiatives to address the shortage of pharmacists in rural areas will be put in place under the Rural Pharmacy Workforce Development Program. The parties agree that initiatives may include: an emergency locum scheme; a rural and remote pharmacy infrastructure scheme; an increase in scholarships for pharmacy students from rural and remote areas; funding for pharmacy academic positions in university Departments of Rural Health; expansion of the existing scheme of Continuing Pharmacy Education to improve access for rural and remote pharmacists; and the identification and recruitment of pharmacists with an Aboriginal or Torres Strait Island background.

47. MONITORING/REVIEW

- 47.1. One of the principal objectives of this third Agreement is 'increased access to community pharmacies for persons in rural and remote regions of Australia'. The parties agree to monitor the effect of the package of rural incentives included in this Agreement and to undertake, through the AMC, a Review of the process and its outcomes at the conclusion of the third year of the Agreement.

48. PHARMACY DEVELOPMENT PROGRAM

- 48.1. A new Pharmacy Development Program (PDP) will promote the enhanced involvement of community pharmacy in the pursuit of quality and cost effective service delivery. The PDP will be funded to the level of \$188 million over the life of the Agreement, with the capacity to move funds between years and between components of the program. The normal form that the program will take is periodic grant payments to individual community pharmacies for participation in identified quality activities or achievement of particular quality outcomes.
- 48.2. The PDP funds are to be managed by the AMC so the parties to the Agreement can recommend initiatives for consideration (refer to clause 6.1). The AMC will advise the Minister on the rules and conditions applying to payments from the PDP.
- 48.3. The parties agree that \$7.5 million will be made available to the Guild from within the PDP, to administer the Program.
- 48.4. The PDP represents a shared commitment by the parties to the Agreement to work together on quality initiatives identified by the AMC.
- 48.5. Program funding will be applied to a number of quality initiatives. In some cases a quality initiative may provide payments over several years. In others it may provide payments in only one year.
- 48.6. In the first instance the parties agree that initiatives may include, but not be limited to, quality accreditation (see Clause 49 below), the provision of quality use of medicines information to consumers and information technology enhancements.
- 48.7. The program will also provide, within the total allocation, research and development funds of \$15 million for the development of proposals relating to the objectives of the PDP. Proposals that are developed in this way may be submitted to Commonwealth as possibilities for funding under the measure and share approach described in this Agreement. These funds will be managed by the Guild.

49. QUALITY ASSURANCE AND PROFESSIONAL PRACTICE STANDARDS

- 49.1. Funds for Quality Assurance and Professional Practice Standards are derived from the total PDP allocation.
- 49.2. The Final Report of the National Competition Policy Review of Pharmacy recommends that agreements for the delivery of professional pharmacy and health care services require appropriate quality assurance and professional practice standards to be adopted by community pharmacies covered by the agreements.
- 49.3. The parties acknowledge that the Pharmacy Guild's Quality Care Pharmacy Program (QCPP), which embodies the Professional Practice Standards of the Pharmaceutical Society and the Standards for the Provision of Pharmacist Only and Pharmacy Medicines, is an industry-developed and maintained quality assurance and professional practice standards program.
- 49.4. The Guild is responsible for administering the QCPP, including the accreditation process.
- 49.5. The parties agree that the QCPP is an appropriate Program for the purposes of the recommendation.
- 49.6. The parties agree to encourage community pharmacies to achieve and maintain accreditation under the QCPP, and to introduce a system of financial incentives which will be paid when appropriate QCPP milestones are achieved.

50. MEDICATION MANAGEMENT SERVICES

- 50.1. The parties to the Agreement, together with the Society, acknowledge that there are benefits in pharmacists working cooperatively with general practitioners and other members of the healthcare team to address medication related needs of members of the community. Community pharmacists' contribution to patient care is based on their specialised knowledge and expertise, and includes the provision of Medication Management Services (MMS) in residential aged care and domiciliary settings.
- 50.2. Many individuals in the community are at particular risk of drug misadventure because of the nature of their illness, the characteristics of the medication they are taking and the complexity of their drug treatment regimen. Medication Management Services promote health, reduce the risk of drug misadventure and optimise the benefits achieved from drug treatment by focussing on the achievement of quality use of medicines.

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- 50.3. This Agreement builds on previous arrangements for delivery of medication review by incorporating several new elements which will be phased in over the life of the Agreement. The program will encompass the following elements:
- a) MMS to residents of Residential Aged Care Facilities;
 - b) Domiciliary MMS;
 - c) Case discussions and care planning; and
 - d) Pharmacist facilitators in Divisions of General Practice.
- 50.4. This program will be funded to the level of \$ 114 million over the life of the Agreement. These funds may be moved between the elements of the program and between years.
- 50.5. Collaboration between the patient's usual general practitioner and pharmacy and with the accredited pharmacist providing MMS is an essential element for effective service delivery. The enhanced communication achieved through collaboration is integral to ensuring the service is appropriate to the patient's needs and promotes greater uptake of the recommendations arising from the service. It also establishes the professional rapport required for team based care.
- 50.6. For these reasons, and to optimise the benefits to patients receiving Medication Management Services, the pharmacy and medical professions must work closely together in developing and implementing the MMS program and its materials and protocols. To this end the AMC will ensure that a steering committee, which includes representatives from the medical profession and other key stakeholders, is formed to oversee the development of protocols for the MMS and provide direction and leadership for implementation of the program.

51. HIGHLY SPECIALISED DRUGS PROGRAM

- 51.1. 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 by the Commonwealth for the provision of this service. The Commonwealth agrees that it will remunerate these approved pharmacies for the supply of Highly Specialised Drugs. The mechanism for submitting claims and obtaining reimbursement is to be agreed by the Agreement Management Committee but will be based on a claims transmission system between the pharmacy and the Health Insurance Commission.

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- 51.2. To this end the parties agree that from 1 October 2000 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 greater than \$100.

These arrangements are to apply over the life of the Agreement with funds to be included in the estimates for the Highly Specialised Drugs Program.

52. EXTEMPORANEOUS DISPENSING

- 52.1. It is recognised that for certain extemporaneous dispensing activities pharmacists are not adequately remunerated under the current arrangements.
- 52.2. To this end the parties agree to review the current arrangements, including the remuneration structure, for extemporaneous dispensing and examine options for a Budget neutral reappportioning of current outlays on extemporaneous dispensing to more adequately compensate pharmacists for true extemporaneous dispensing.

53. PBS CREDIT POLICY

- 53.1. In view of the revised mark up formula for high priced items, the Guild and the Commonwealth agree to undertake discussions with pharmaceutical manufacturers with a view to having drug companies institute a pharmacy acceptable policy for the return by pharmacists of products, particularly high cost products.

54. INFORMATION TECHNOLOGY

- 54.1. The Commonwealth and the Guild recognise the enormous potential for using Information Technology to maximise the effectiveness of the prescribing and medication management system. Scope now exists for consumers, medical practitioners, approved pharmacists and governments to work together to build processes and systems to combine and share relevant patient data (with patient consent and appropriate privacy and confidentiality controls) and to use these systems to improve the quality and safety of prescribing, dispensing and medication management.
- 54.2. Recognising the significant development costs involved, the parties agree that an amount of \$10 million will be provided to enable necessary planning, training and change management initiatives to be developed by the Guild.

55. A BETTER MEDICATION MANAGEMENT SYSTEM FOR AUSTRALIA

- 55.1. The Commonwealth and the Guild are committed, in conjunction with other stakeholders, to the development and introduction of a better medication management system for Australia and the associated development and accessing of an enhanced data system for patient medications. An important objective is to use this system to maintain and build productive and cooperative working relationships and teamwork among health professionals, at the same time involving consumers so that they can participate more effectively in their own health choices.
- 55.2. The parties agree to pursue, through this initiative, the possibility of including in the patient medication record, information on the cost of medications, including the level of Commonwealth subsidy.

56. COMMENCEMENT BONUS

- 56.1. The parties agree that an amount of \$11 million will be paid to approved Community Pharmacies as a commencement bonus early in the first year of the Agreement. The parties agree the amount will be distributed between individual pharmacies based on their prescription volume in the previous year. The AMC will advise the Minister on the rules and conditions applying to the payment of this bonus.

57. MEASURE AND SHARE

- 57.1. The parties jointly support development of initiatives in community pharmacy where these can be demonstrated to have net benefits for the health system. The parties agree that either party may, during the life of the Agreement, propose initiatives in support of this objective. Where agreed initiatives lead to measurable savings for either or both parties which is linked to activities undertaken by pharmacy, these savings will be shared between the parties in a manner to be agreed in advance of commencement of the initiative. In this context, the parties note the desirability of enlarging the Pharmacy Development Program.

58. REVIEW OF REGULATIONS

- 58.1. The parties agree to undertake a review of the *National Health (Pharmaceutical Benefits) Regulations 1960* early in the period of the third Agreement. The objective of this review is to ensure the regulations and their associated administrative arrangements are appropriate to current pharmacy and medical practice. The review should take into account and recognise the changes in practice and administration which will flow from the increasing application of information technology in the health system.

58.2. The Review will be undertaken by the PBS Regulation Review Committee. It is intended that this committee will be comprised of representatives of the Department, the Health Insurance Commission, the Guild and the Society. The Committee will also include a doctor representative and a representative from the National Prescribing Service where appropriate. The activities of the PBS Regulation Review Committee will be oversighted by the AMC. The AMC will advise the Minister as to the recommendations of the Review.

58.3. The review is to be conducted in two stages, with the first stage to be completed by 31 December 2000. This stage of the review will give priority to the following elements:

- a) The 7 day rule for owing prescriptions;
- b) HIC rejection codes;
- c) Anomalies concerning Authority prescriptions; and
- d) Distance dispensing issues.

59. PATIENT CONTRIBUTION

59.1. The Minister will not move to amend existing legislative provisions in relation to discounting the patient contribution under section 87 of the Act.

60. ADDITIONAL CHARGES

60.1. For ready prepared ("RP") and extemporaneously prepared ("EP") 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) of the Act ("the list price"); and
- c) A further additional patient charge amounting to 10% of the maximum general patient contribution plus 50 cents.

60.2. The further patient charge in clause 60.1 cannot be recorded on the prescription record form ("PRF") to accumulate towards the Safety Net Entitlement as defined in section 84C of the Act ("the Safety Net Limit").

60.3. Approved pharmacists will be free to discount these items (refer to 60.1a) and 60.1b)) below the list price.

60.4. Approved pharmacists are to make patients aware of the charges under clauses 60.1b) and 60.1c) and of the fact that they are not Commonwealth initiated.

61. CONSUMER INFORMATION

- 61.1. The amount eligible for the Safety Net is to be entered on the PRF for general patients as defined in the Act.
- 61.2. The Guild will encourage its members to make available to the public, a price book or information sheet showing the actual price to be charged for all items listed on the PBS priced at less than the level of the maximum general patient contribution.
- 61.3. Clauses 60.1b) and 61.1 will be subject to review when the system discussed at clause 50 is introduced.

62. VACCINES AND RELATED MATTERS

- 62.1. The Guild and the Commonwealth are committed to improving and simplifying patient access to a wide range of vaccines prescribed by a general practitioner, and agree to explore options around the chain of supply that includes approved pharmacists. Any options to be pursued would need to have no additional cost to Commonwealth. The Guild and the Commonwealth note that the General Practice Memorandum of Understanding (GP MoU) requires the signatories to examine ways of improving access to vaccines at the doctor's surgery and that work undertaken under this clause must involve consultation with the GP MoU signatories.
- 62.2. Such consultation should occur prior to 31 October 2000 so that any changes may be implemented prior to the commencement of the 2001 flu season.
- 62.3. During the five year period of this Agreement the Commonwealth will support approved pharmacists being involved in the supply of any new class of pharmaceutical product (for example bio-tech products) that are introduced to the market.

63. EXTENDED HOURS PHARMACY

- 63.1. The parties agree to consider the question of additional remuneration for extended hours pharmacies within the funding parameters of this Agreement.

64. DISPUTE RESOLUTION

64.1. The parties agree that any dispute arising 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; and
- b) Secondly, the parties will try to resolve the dispute by direct negotiation within 20 working days;
- c) If the dispute is not so resolved either party may immediately request the dispute to be referred to mediation. If the parties cannot agree upon a mediator within 21 days, either party may request the President of the Law Society of the Australian Capital Territory to appoint a mediator, provided that such appointee is an experienced practitioner;
- d) The parties may within 7 days make a submission to the mediator and shall provide a copy to the other party, and each party may make a short reply within 7 days of receipt of the others submission and provide a copy to the other party, and to the mediator;
- e) The mediator shall as soon as possible after receipt of submissions arrange a conference between the parties to determine if the dispute can be resolved. The parties must make every reasonable endeavour to cooperate with the mediator, and to try to resolve the dispute. The mediator shall have no power to resolve the dispute by his or her own determination;
- f) If the matter is not resolved then the dispute will be submitted to a conciliator acceptable to both parties. If a mutually acceptable conciliator cannot be agreed upon by the parties within three weeks, either party may request the President of the Law Society of the Australian Capital Territory to appoint a conciliator, provided that such appointee is an experienced person having regard to the issue in question;
- g) The parties must make every reasonable endeavour to cooperate with the conciliator to try to resolve the dispute. The parties agree to make their best endeavours to give effect to the recommendations of the conciliator; and
- h) The costs and expenses of the mediator and conciliator shall be shared equally by the parties but the expenses of the Guild may be deducted from the Pharmacy Development Program funds at the discretion of the AMC.

64.2. If a party considers there is an anomaly in any of the rules set out in the Minister's Determination referred to in clause 64.3, that party may refer the matter to the other party for discussion. The parties must discuss the matter without delay. If they agree that such an anomaly exists, they must, again without delay, jointly request the Minister to make a suitable amending

Determination, and the Minister agrees to make such amending Determination as soon as is reasonably practicable.

- 64.3. To give proper effect to the provisions of Part 2, and to ensure that such provisions are properly implemented:
- (a) The Minister will without delay amend the present determinations made under Section 99L of the Act to include the proposed changes to the Rules which have been referred to in Part 2 of this Agreement; and
 - (b) The Minister will without delay ensure that such Budget or other processes as are necessary to give effect to the initiatives in Part 2 will be carried out.

The Guild shall be given a reasonable opportunity to consider and comment upon any determination or legislative enactment before it is proclaimed or enacted.

65. ARRANGEMENTS AT THE END OF THE AGREEMENT

- 65.1. The parties agree that if any funds available in accordance with Rural Initiatives, the Pharmacy Development Program or the Medication Management Program remain unspent on 30 June 2005 then the net amount of these liabilities will be taken into account in the next Agreement between the parties, or if there is no such Agreement, will be otherwise taken into account in remuneration arrangements applying in 2005-06.
- 65.2. The parties agree that if:
- a) any funds available in accordance with clauses covered by Part 2 of this Agreement remain unspent on 30 June 2005; and/or
 - b) there are amounts owing to either party at the conclusion of the Agreement through the operation of clause 13 (risk sharing) then the net amount of these liabilities will be taken into account in the next Agreement between the parties, or if there is no such Agreement, will be otherwise taken into account in remuneration arrangements applying in 2005-06.
- 65.3. The parties also agree that it is appropriate that the remuneration arrangements in effect in 2004-05 through the operation of this Agreement will be the appropriate base on which new arrangements to apply from 2005-06 should be built. In particular, but without wishing to limit the flexibility of the parties to negotiate alternate arrangements at that time:
- a) the 2004-05 exit values of the dispensing fee and mark up should be the base values for any new arrangements; and
 - b) the exit value of the Pharmacy Development Program is equivalent to the funds allocated to the PDP for the year 2004-05 (appropriately indexed) or

one-fifth of the total PDP funds over the life of the Agreement
(appropriately indexed), whichever is the greater.

65.4. If the parties have not before 30 June 2005 entered into a new Agreement, they agree that the Tribunal must, in making a relevant determination with respect to dispensing fees for the period after 1 July 2005, take into account cost movements in the 12 month period ending 30 June 2005.

SIGNED by the)
Minister for Health and Aged Care,)
The Honourable Dr Michael Wooldridge)
in the presence of:)

.....

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:)

..... National President

..... Executive Director