Pharmaceutical Margins Discussion Document

2015

A summary of feedback

25 September
Background - the Pharmaceutical Margins Discussion Document

On 6 August, the Pharmaceutical Margins Taskforce released a Discussion Document to the pharmacy sector for feedback. This document provided information on three potential pharmaceutical margins funding models.

The Pharmaceutical Margins Taskforce includes representation from community pharmacy representatives, the Ministry of Health, District Health Boards and PHARMAC. The Taskforce is mandated to provide a solution to the margins issue for implementation by 1 July 2016. Seeking feedback on the models is a key step towards finding a solution to this complicated issue.

The Models

The three models detailed in the Document were presented on a funding neutral basis. This was to allow the sector to concentrate on the relative merits of a different model. The models are:

1. The Hybrid Model (Taskforce preferred model)
2. Regressive subsidy based model
3. Fixed fee per dispensing.

Feedback process

Both pharmacy owners and the wider sector were invited to comment on the Document. Feedback was due by 5pm Wednesday 9 September giving 20 working days for feedback.

Feedback questions

1. Do you agree with the Taskforce’s preference for the Hybrid Model?
2. What are your views on the potential funding models?
   - What are the benefits of each model?
   - What are the risks of each model?
3. What other information/engagement do you need for the formal consultation early next year so that the Taskforce arrives at a funding structure you support and understand?

Available feedback channels

- Electronic survey
- Emailing the Taskforce directly
- Providing feedback to their sector agent or DHB Pharmacy Portfolio Manager
- By viewing/attending a webinar.

Feedback

The Pharmaceutical Margins Taskforce received 36 individual responses to the Document via the Community Pharmacy Services Programme email and DHB Portfolio Managers. An additional 30 responses to the electronic survey were collected. Individual feedback responses included:

- 27 individual pharmacy owners/pharmacists
- Three sector agent submissions: Green Cross, PharmacyPartners, Pharmacy Guild of New Zealand
- Other: included wholesalers, pharmacy software vendor, pharmaceutical companies.
Approximately 70 people viewed the Document static webinar that is available on the TAS website. The interactive webinar where attendees would have had the opportunity to ask questions of the Taskforce was cancelled due to a lack of interest with only two registrations and these people were contacted to discuss the Document.

**Electronic survey feedback**

The questions asked:

1. *Do you agree with the Taskforce’s preference of the Hybrid Model?*
   Of the respondents, 60% (18 of the 30) were in favour of the Hybrid Model.

2. *Which model do you prefer if not the hybrid mode?*
   Three respondents were in favour of the Fixed Price Model while six were in favour of a Regressive Model.

**Analysis of overarching feedback themes**

Themes discussed in the direct feedback and in the electronic survey were consistent and included:

1. Why change the model if there is no intention to increase margin funding?
2. No reduction on high cost medicines but increase on those that are low cost
3. Unacceptable for pharmacy to be out of pocket
4. Maintaining the right to charge patients for any shortfall
5. Lack of detail prevented ability to make informed decisions
6. Pharmaceutical pack sizes, medicines wastage, Section 29 and Section 26 medicines and Special foods
7. Dominant DHB behaviour
8. PHARMAC tendering processes and savings
9. Only short term solution needs to consider long term solution
10. Involvement of wholesaler representative at Taskforce

1. **Why change the model if there is no intention to increase margin funding?**
   The majority of responses indicated dissatisfaction that no funding increase was included as a component of any of the models. The belief is that increased funding would alleviate the issues associated with the current model. This was reiterated in the number of responses, which referred to a specific point made in the Environmental Scan Regarding Drug Margins completed by Deloitte in January 2015.

   Of the feedback received, some respondents are of the option that without an increase in funding, for margins, there is nothing to be gained by altering the current margins model.

   It was also evident that some respondents see the models as shifting funding around but failing to provide a long-term solution to the overarching issues. Feedback reflected a strong desire for a margin model that is balanced, avoids winners and losers, safeguarding all pharmacies from making a loss when dispensing medicines.
2. **No reduction on high cost medicines but increase on those that are low cost**
   One core theme was pharmacists/pharmacy owners opposition to a reduction or change to the margin applied to high cost medicines with support of an increased margin for low cost medicines.

3. **Unacceptable for pharmacy to be out of pocket**
   Comments included the opinion that the dispensing medicine at a loss is unacceptable.

4. **Maintaining the right to charge patients for any shortfall**
   A significant proportion of respondents remarked that any alternative margin model must address the stockholding and wastage risks experienced by pharmacy. Respondents were of the opinion that if a new margins model does not address this shortfall then pharmacy should be able to pass the costs they incur onto patients without being in breach of the current CPSA.

   Some respondents also commented that this could lead to possible reluctance from some pharmacies to dispense where it causes a financial loss and this may negatively impact patients.

5. **Lack of detail prevented ability to make informed decisions**
   Respondents cited insufficient detail on the proposed models in the Document. Some respondents expressed that more detailed and actual figures would have helped them make their decisions about the models with greater certainty.

   Feedback also cited a calculator would be helpful to indicate how each model would affect their specific pharmacy.

6. **Pharmaceutical pack sizes, medicines wastage, Section 29 and Section 26 medicines and Special foods**
   a. **Section 29 and Section 26 Medicines**
      Section 29 and Section 26 medicines was cited with those who responded wanting a solution that improves how costs applied by wholesalers to these unregistered high cost medicines are managed. Feedback indicated that respondents were not aware the Taskforce is working on both an interim solution and long-term solution.

   b. **Special foods, medicines wastage and pack size**
      Some responses signalled that respondents think an increased margin should be applied to special foods on the Pharmaceutical Schedule. These same respondents also indicated that medicines wastage and pack sizes must be considered as part of any future model. Some feedback reflected support for the new model to be based entirely on the dispensed amount rather than the pack size.
7. **PHARMAC tendering processes and savings**
   A few respondents cited the impact of the PHARMAC tender process and the cost savings it generates. These same respondents were also of the opinion that savings made by PHARMAC should be reinvested towards increased funding of pharmaceutical margins.

8. **Only short term solution needs to consider long term solution**
   Some respondents stated that the pharmaceutical margins issue should have been addressed sooner. A few respondents raised concern about the Taskforce’s ability to delay the solution process and that any new model could be nullified because of wholesaler behaviour.

9. **Involvement of wholesaler representative at Taskforce**
   A few respondents commented that the advice sought by the Taskforce from pharmaceutical wholesalers was inadequate.

**Summary**

The majority of individual email responses did not indicate a preference for the hybrid model or convey a view on the benefits and risks associated with models in the discussion document. Of the 30 respondents to the electronic survey only 18 indicated support of the Hybrid Model.

From the submissions received many stated that increased funding for pharmaceutical margin is the solution that is needed.

Some respondents indicate a desire for any new model to be fair to all pharmacies and that any new model will need to address how Section 26/29 medicines, special foods, pack sizes are managed.

Many respondents cited that any new model must achieve a solution to the negative impacts on Pharmacies.