



*Submission by the
Pharmaceutical Society of Australia
(Victorian Branch)*

to the

**REVIEW OF THE GROWTH CAP ON
FRIENDLY SOCIETY PHARMACY OWNERSHIP
IN VICTORIA**

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Introduction

This paper is a submission by the Pharmaceutical Society of Australia (Victorian Branch) to the review into the growth cap on friendly society pharmacy ownership in Victoria, being conducted by the Services and Workforce Planning Branch of the Department of Human Services.

The Society submits that the cap that has applied to friendly society pharmacy ownership since 2004 has not been a major impediment to friendly societies. On the other hand, the existing cap has benefited the community in that it has ensured friendly society pharmacies have not gained undue market dominance. With the exception of the two largest friendly societies, the cap has maintained a degree of equity between ownership capacity of pharmacist and friendly society.

There would be a potential cost to the community if the current cap was to be removed and friendly societies were able to own an unlimited number of pharmacies. Concentration of ownership would result in unfair commercial advantage in an otherwise regulated pharmacy ownership environment. It could potentially remove from individual pharmacists the ability to be solely responsible for decisions about patient care and would reduce opportunities for pharmacists to pursue ownership leading to increased risk of pharmacists leaving the profession.

The Society argues that a cap on friendly society pharmacy ownership should be retained. Furthermore the constraints that apply to ownership of pharmacies by friendly societies in Victoria should be aligned to the maximum extent possible with the constraints that apply to ownership by pharmacists and to the constraints that apply to friendly society ownership in other jurisdictions.

The Society welcomes the opportunity to discuss the rationale for retention of the cap.

Executive summary

The Pharmaceutical Society of Australia (Victoria Branch) believes the cap on friendly society pharmacy ownership in Victoria should be retained for the following reasons:

- 1. Both the National Competition Policy Review of Pharmacy and COAG support retention of control over the ownership of pharmacies.**

It has been determined by national enquiries and accepted by all levels of government that the community is best served by ownership of pharmacies being regulated, that ownership should be restricted to pharmacists and that the level of ownership by individual pharmacists should be limited.

Friendly society ownership of pharmacies has been an anomalous exception to these arrangements.

All other states have capped the number of pharmacies that friendly societies can own. In all states other than South Australia the number has been closely aligned with the number able to be owned by pharmacists.

2. Concentration of ownership has potentially deleterious effects

Removal of the cap on friendly societies would enable concentration of ownership and the development of undue market influence through size and financial resource. A situation in which ownership by friendly societies was unlimited but pharmacists' ownership remained limited would be inequitable and adversely affect the capacity of pharmacists to maintain services to the community.

Concentration of ownership in any form removes from individual pharmacists the ability to be solely responsible for the total direction of patient care.

Concentration of ownership would lead to fewer pharmacies being available for pharmacists to purchase leading to possible loss of qualified pharmacist to the profession.

3. Retention of the cap on friendly society ownership will provide specific benefits for the community.

Retention of the cap on ownership will limit the number of friendly society owned pharmacies thereby benefiting the community by reducing the potential for concentration of ownership of pharmacies.

The Pharmaceutical Society of Australia

The Pharmaceutical Society of Australia (PSA) is the national professional organisation for pharmacists in Australia. It represents almost 16,000 pharmacists in community practice, hospital, government, the armed services, industry, academic institutions as well as student pharmacist.

The PSA's purpose is to enable pharmacists to optimise their contribution to improve health outcomes for the community through excellence in pharmacy practice. The Society publishes Competency Standards for Pharmacists in Australia and Professional Practice Standards and presents a comprehensive program of professional development for pharmacists.

Submission

The background

PSA has consistently supported the principle of ownership of pharmacies by pharmacists.

We believe that there is strong public benefit in a healthy network of community pharmacies owned by individual professionals who are totally in control of, and accountable for, the decisions made in the interests of their patients' care.

Both the National Competition Policy Review of Pharmacy (The Wilkinson Report) and the COAG Review process that followed found that there was a net public benefit in pharmacists owning pharmacies.

We agree with this outcome of the reviews and see this as vindication of our view.

This position was supported by all political parties prior to the last election

Deleterious effects of concentration of ownership

PSA opposes heavy concentration of pharmacy ownership, whether in the hands of friendly societies or in the hands of pharmacists, and in its submission to the Review of the Pharmacists Act 1974, recommended both a cap on ownership by pharmacists and also that pharmacy ownership by friendly societies should be capped at numbers that then existed.

The Society is not opposed to genuine friendly societies which operate in the way they were originally intended to do.

However we cannot support uncontrolled expansion of friendly society pharmacies and the consequent concentration of ownership that we believe would occur if the cap was removed.

Independence of patient care decisions

Concentration of ownership in any form removes from individual pharmacists the ability to be solely responsible for the total direction of patient care, because many decisions are made for the overall benefit of the group as a whole by a management structure removed from the point of service delivery and based on commercial considerations.

Undue market influence

It would be inequitable for a corporate entity such as friendly society to own an unlimited number of pharmacies when individual pharmacists are limited in their ownership capacity. Individual pharmacist would face increasing difficulties in maintaining services in such a market.

The financial ability of a large corporate entity to access funds and be able to purchase any specific pharmacy would far exceed that of an individual pharmacist.

This was demonstrated in the rush of buying that occurred prior to the introduction of The Pharmacists Act 2004.

In March 2004, the National Pharmacies friendly society owned 17 pharmacies in Victoria and grew by over 40% to 24 by the time the Act was introduced just nine months later in November 2004.

The prices reputedly paid far exceeded normal market values and this would have reduced the capacity of pharmacists to purchase in that instance and would have had a distorting effect on the overall market for pharmacies.

Furthermore, an inflated price paid for a business eventually needs to be recouped from the operation of the business.

Career opportunities for pharmacists

By its nature, concentration of ownership in any form leads to fewer pharmacists being able to own pharmacies, especially young pharmacists. This is because fewer pharmacies are available for purchase.

Pharmacists enter the profession with an expectation of being able to own a pharmacy and pharmacy ownership is a desired career path for young pharmacists.

Denying them this opportunity increases the risk of losing them to the profession and creating a void in the natural succession planning of the profession with subsequent long term costs to the community.

Young pharmacists bring a desirable vigour to the profession and are best able to implement new initiatives and ideas in their own pharmacies.

It is vital that they continually be allowed to reinvigorate the profession.

This is best done in pharmacies that they own and control and where they are fully able to implement their own policies and decisions.

Knock on consequences

Unlocking the cap on friendly societies will allow for unlimited expansion of pharmacy numbers within friendly societies.

We fear this has the potential to lead to further deregulation of pharmacy ownership provisions and provide arguments for the proposition that supermarkets could be permitted to own pharmacies.

This would have dire consequences for the profession and is not supported by any of the major political parties as it would impose heavy costs on the community in decreased levels of patient care.

The argument that expansion is not contemplated or will not occur is not accepted by PSA and cannot be substantiated as evidenced by the buying spree demonstrated by the largest of the friendly societies just prior to the introduction of the Pharmacy Practice Act 2004.

Whilst friendly societies do not appear to be expanding at present, this could change instantly with a new CEO or a change of Board direction if the legislation is changed to allow expansion.

The outcome of unfettered expansion if it did occur would be of such magnitude for the profession that this decision cannot be left to chance.

If no expansion is contemplated, why do we need to unlock the cap?

PSA supports the current cap and believes it to be a fair and equitable to all parties and of net benefit to the community.

The existing cap recognises the realities that friendly societies should be allowed to expand but at the same time has not allowed uncontrolled expansion and is consistent with the existence of caps in all other states.

It is consistent with the concept that capping exists for other pharmacy owners.

Further, it would seem on reflection that the current cap has operated well and has not restricted the ability of friendly societies to expand.

The number of friendly society pharmacies currently existing in Victoria is 55 whereas the total number allowable under the cap is 99.

This means that friendly societies still have significant ability to expand under the current cap and PSA believes that this is the position that should be retained.

Keeping the playing field level

Ownership of pharmacies by pharmacists is our stated preferred model and one which has been supported by both political parties during the last election campaign and by the pharmacy competition reviews.

Uncapping the numbers that friendly societies could own, would allow them to buy unlimited numbers of pharmacies that would not then be available for young pharmacists to otherwise buy.

The COAG Review noted “that the jurisdictions will ensure that the same benefits, standards and ***constraints*** will apply to friendly societies as apply to pharmacist owned pharmacies.”

In view of this, we would argue that it makes no sense to uncap friendly societies whilst retaining a cap on individual pharmacists.

To do this would skew the playing field to give uncapped friendly societies a huge advantage over capped individual-owned pharmacies.

End of submission