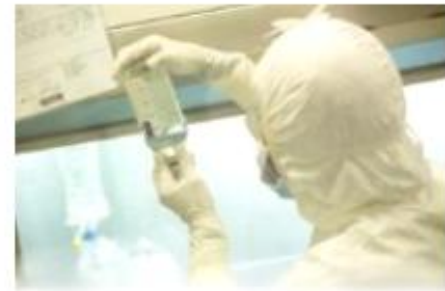


Report on the Impact of the Price Reduction of Chemotherapy Drugs to Community Pharmacies

18 March 2013

Commissioned by
Community Pharmacy Chemotherapy Services Group



Community
Pharmacy
Chemotherapy
Services Group



PITCHER PARTNERS
ACCOUNTANTS AUDITORS & ADVISORS

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To: Members – Community Pharmacy Chemotherapy Services Group

Date: 18 March 2013

- We have been requested to prepare an independent report on the impact of the price reduction of chemotherapy drugs to community pharmacies. In particular, we have been asked to review and consider:
 - the current funding model for delivery of chemotherapy drugs by community pharmacies;
 - previous government submissions made by CPCSG regarding the government funding model;
 - financial information provided by members of CPCSG regarding the impact of the price reduction of chemotherapy drugs on their respective businesses; and
 - the cost of providing chemotherapy drugs by community pharmacies & private hospital pharmacy departments.
- The scope of work in respect of the financial information presented in this report was limited to inquiries of management personnel (of participating members) and analytical and other procedures where appropriate. We emphasise that we have not carried out an independent confirmation of the information nor have we conducted anything in the nature of an audit or review or in any way verified any of the information provided to us.
- This report is confidential and is intended solely for inclusion in a submission by CPCSG to be presented to the Senate Inquiry established by Nick Xenophon to examine patient access to chemotherapy drugs and the cost of supply to pharmacists, suppliers and the private and public hospital systems.
- There are various abbreviations throughout this report. A Glossary of Terms has also been included in Appendix 1 to assist in understanding the short name references.
- We appreciate the assistance provided to us in preparing this report, particularly from those members and their finance teams who have provided various supporting data and commentary.

PITCHER PARTNERS

Ross Walker

Partner

History of Current Funding Model

- May-08 Government announces the Intravenous Chemotherapy Supply Program (ICSP) as a measure to alter the way in which chemotherapy was funded under the PBS. The ICSP was to take effect from Jul-09.
- Apr-09 Health Minister announces the start date to be delayed 2 months to allow for more industry consultation.
- Jun-09 Following meetings with DOHA, CPCSG led the process to develop an “alternative funding model” endorsed by industry wide stakeholder groups for consideration by DOHA.
- Jul-09 CPCSG presents an alternative funding model for the ICSP (see summary of recommendations shown opposite). Includes advice that Price Disclosure reductions would inevitably result in an unsustainable model in the medium term, as existing discounts on a small number of drugs were sustaining service delivery.
- Aug-09 Health Minister announces further delays to the start date for the ICSP to enable further consultation with industry stakeholders.
- May-10 DOHA announces a revised program to ICSP, known as Efficient Funding of Chemotherapy (EFC), to be implemented on 1 Dec-11.
- Oct-10 Changes to Private Hospital pharmacy (s.94) remuneration takes effect, as announced in 2010-11 Federal Budget. The 7.52% wholesale mark-up and the tiered pharmacy mark-up arrangement are replaced with a storage and handling mark-up of 11.1% and a 1.4% private hospital mark-up. Fact sheet issued by Medicare (current version dated 9 Sept 2010) stated that ICSP medicines will not be affected by these changes.
- Dec-10 Introduction of Expanded and Accelerated Price Disclosure (EAPD) and first Main Disclosure cycle.
- Dec-11 The Revised Arrangements for the EFC came into effect which included:
 - an algorithm that determines reimbursement based on the lowest cost combination of vials to make up the prescribed dose;
 - a Preparation Fee, Diluent Fee, Dispensing Fee and Distribution Fee; and
 - Contrary to previous advice from Medicare Australia, for s.94 hospital pharmacies, the \$24 distribution fee replaced the 11.1% storage and handling markup and the 1.4% hospital mark-up was applied to items supplied under EFC. This left s.94 hospital pharmacies receiving lower remuneration than s90 community pharmacies for the same drugs.
- Aug-12 Oxaliplatin (51.76%), Doxorubicin (33%), Mitozantrone (18%) were subject to price reductions.
- Dec-12 Docetaxel was subject to price reduction (76.2%).
- Feb-13 Independent Senator Nick Xenophon moved for a Senate Inquiry into the supply of chemotherapy drugs such as Docetaxel. The inquiry was established after concerns were raised by patients, community pharmacies, public and private hospitals about the wider ramifications of price disclosure impact to pharmacies supplying chemotherapy.
- Apr-13 Paclitaxel (86.94%), Methotrexate (21.14%), Vinorelbine (21.52%) price reductions occur.

CPCSG Recommendations – Jul-09

The alternative funding model to the ICSP proposed by the CPCSG had 5 main elements (shown below), with the final 2 items acknowledged as not requiring immediate implementation (to allow expedient implementation of an amended ICSP model).

	Adopted
(i) \$40 infusion fee, in line with the ICSP model;	Yes
(ii) Per vial based supply, as opposed to per mg of active ingredient provided in the infusion;	Yes
(iii) \$24 supply chain fee per infusion to replace the removal of the wholesaler fee (7.5% of ex-manufacturer cost, subject to a cap).	Yes
(iv) Clinical services fee to be determined. CPCSG highlighted that the cost of supplying chemotherapy drugs remained dependant on, or cross-subsidised by, gross margins (referred to as trading terms) received on a small number of off-patent drugs. The proposed clinical services fee was to remove the dependency on cross-subsidisation.	No
(v) Medication chart as the prescription rather than duplication of the information in the standard prescription format. A partial reduction in administrative burden for doctors was delivered by adding some EFC drugs to the list of drugs eligible for streamlined authority processing.	Partial

Price Reductions due to Price Disclosure

- As highlighted by CPCSG (see (iv) above) both public and private chemotherapy services have historically derived a significant proportion of their income through the trading terms (gross margin) on a small number of off-patent drugs. In effect this has meant that the income made on the supply of some drugs has cross-subsidised the supply of other chemotherapy drugs that don't generate sufficient margin to cover the cost of supply.
- This was highlighted by CPCSG as not sustainable as the trading terms (gross margins) that have historically been available would ultimately disappear due to Price Disclosure.
- On 1 Dec-12 Docetaxel was subject to a 76.2% price reduction due to Price Disclosure. Docetaxel is a relatively low volume, but high margin drug and the last major off-patent drug to undergo a price reduction.
- Fees paid as part of PBS remuneration currently total \$76.37, in addition to the listed ex-manufacturer drug price (except for s.94 operators providing trastuzumab, which attracts only \$51.99) and the legislated pharmacy mark-up. CPCSG argues that the cost to provide these services far exceeds the PBS remuneration, which means the current funding model is not sustainable.

Profitability of Chemotherapy Services

The following summarises the impact of Price Reduction on the profitability by infusion, on average, for the pharmacies reviewed showing **Before** (Prior to 2012/13 Price Reduction) and **After** (Price Reduction).

	Section	Before \$	After \$
Gross profit per infusion (includes compounding costs)	6	97	11
Service cost			
Clinical services, dispensing and other costs	7	(76)	(76)
Profit/(loss) per infusion		21	(65)

- Gross profit reflects revenue received, less ex-manufacturer cost of drug and compounding costs including third-party compounder markups where applicable.

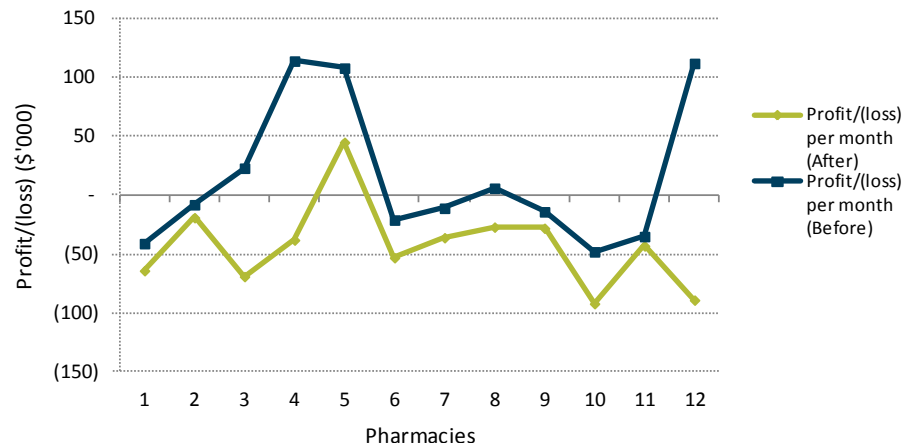
To demonstrate the impact of the Price Reduction on the average pharmacy, we have extrapolated the number of infusions carried out, on average, by the pharmacies reviewed, as follows:

	Before		After	
	Per month	Annualised	Per month	Annualised
Profit/(loss) per infusion	\$21	\$21	\$(65)	\$(65)
No. of infusions	x 719	x 8,628	x 719	x 8,628
Net profit/(loss)	\$15,099	\$181,188	\$(46,735)	\$(560,820)

The above information provides a high level analysis of the financial impact of Price Reduction on the average pharmacy reviewed in this report. The impact on the profitability of the individual pharmacies, before and after Price Reduction, is summarised in the column chart shown opposite, based on each pharmacy's monthly average extrapolated result.

Key Findings

- From the data reviewed, the majority of gross profit (over 80%) achieved by the pharmacies on the 35 chemotherapy drugs funded under EFC, was delivered by 3 drugs – Docetaxel, Paclitaxel and Oxaliplatin. These items represented 12% - 15% of the number of infusions across the pharmacies reviewed and less than 20% of revenue (before Price Reduction).
- The elimination of margin from price disclosure reductions during 2012/13 leaves pharmacies supplying chemotherapy with a significant loss from these activities
- Without additional funding to replace the 'lost' margin that has cross-subsidised pharmacies to date, it is not clear how these businesses will be able to continue to supply oncology services financially.
- CPCSG have requested an increase to the level of fees provided under the EFC model of \$100 per infusion, which for the average pharmacy reviewed, reflects the loss of margin delivered by 2012-13 price reductions on EFC items.
- An increase in remuneration of \$100 per infusion delivers pharmacy with a 5.5% net margin. Community pharmacy in general operate at a 9-10% net margin (Guild Digest). This would ensure the sector could continue to deliver chemotherapy services in a safe, efficient and sustainable manner.
- As private hospitals receive their chemotherapy under s.94 approvals in a variety of manners, it would also seem appropriate to restore their markup arrangements to mirror s.90 pharmacies, and remove an inequality that exists in this very narrow section of the pharmacy remuneration models.
- Pharmacies with lower than average exposure to Docetaxel have a lower impact on profit from Price Disclosure reductions during 2012/13, but already had concerns regarding costs relative to revenue, can be observed in the graph below.



3. Price Disclosure Background

Chemotherapy Drugs Subject to Price Disclosure Reduction (Source: Pharmacy Guild of Australia)

	Dec-09	Aug-10	Apr-11	Aug-11	Apr-12	Aug-12	Dec-12	Apr-13	Total Price Reduction **	\$m Approximate annual reduction to Government
Doxorubicin	-63.5%	-34.6%				-33.0%			-84.3%	20.5
Mitozantrone	-34.4%	-13.3%		-10.6%		-18.2%			-59.3%	0.4
Cisplatin			-39.0%		-30.4%				-58.4%	2.9
Gemcitabine			-37.0%		-53.6%				-71.4%	23.2
Irinotecan			-61.4%		-64.6%				-86.6%	24.1
Paclitaxel			-52.6%					-86.9%	-93.9%	35.9
Oxaliplatin				-72.5%		-51.8%			-87.0%	38.9
Carboplatin*					-66.4%				-67.1%	10.0
Erirubicin*					-78.0%				-78.5%	9.0
Methotrexate*					-20.2%			-21.1%	-38.3%	0.4
Vinorelbine					-63.9%			-21.5%	-72.2%	2.7
Docetaxel							-76.2%		-76.2%	41.5
Ondansetron	-15.4%	-17.6%		-22.5%		-77.2%			-88.0%	0.4
										209.9

* Drugs brought into price disclosure as a result of Expanded and Accelerated Price Disclosure (EAPD)

** Also includes a 2% price reduction across all drugs (except Docetaxel) in Feb-11 as a mandatory reduction as a result of Medicines Australia MOU

Price Disclosure

- Price Disclosure was introduced in 2007. Manufacturers of PBS-listed drugs provide sales data to the government and the PBS price of the drugs is adjusted (down) to the weighted average market price, normally in April and August each year.
- 12 drugs listed under the chemotherapy funding arrangements have been subject to price reductions since Dec-09, with the average total reduction being 67%. These price reductions have taken place since the CPCSG proposal was put forward in Jul-09.
- Since 2009, Price Disclosure has also changed with the introduction of Expanded and Accelerated Price Disclosure (EAPD) in Dec-10. This has resulted in some chemotherapy drugs being brought into Price Disclosure earlier than expected when the proposal was first put forward. For instance, the PBS price reduction for Docetaxel would normally have occurred in the Apr-13 or Aug-13 cycle.
- A 76.2% price reduction on Docetaxel came into effect in Dec-12. This is estimated to result in reduced PBS payments (cost savings to the Government) of \$41.5m per annum. Docetaxel was regarded as the last significant cross-subsidisation opportunity to offset the cost of preparing and supplying other chemotherapy drugs.

Price Disclosure (continued)

- The chemotherapy drugs that remain under patent are mainly biologicals (i.e. substances made from a living cell). These are a new type of drug and, when patents do expire, the generic market for these drugs is not expected to provide the same discount benefits previously received from older drugs.
- A further price reduction of 86.9% on Paclitaxel is due to take effect in Apr-13, along with Methotrexate and Vinorelbine.

Generic vs Patented Drugs

- While drugs are protected by patents only the original manufacturer can supply them to pharmacy. As a result, there is no competition and the price approved by Government is the price charged to the pharmacy. When patents expire and generic manufacturers are able to supply bio-equivalent drugs, competition is created and discounts are offered to pharmacy to encourage substitution of the original product.
- Price disclosure records the price of sales to pharmacies & third party compounders and adjusts the price under the PBS to the weighted average market price. This system was introduced in 2007 at a time when there were only a small number of chemotherapy drugs that were off-patent.
- When a drug becomes available as a generic for the first time, there is an immediate 16% reduction in the price paid by the Government, followed by a data collection period, a price reduction calculation and notification period, before the first weighted average price reduction takes effect. Data calculation continues and provides annual price reductions for as long as the price paid by Government exceeds the weighted average price by more than 10%. During the data collection periods pharmacy receives the benefit of the discounts (lower prices) on off-patent drugs while being remunerated through PBS at the higher price (until adjusted through Price Disclosure), which operates as an incentive to actively participate in generic substitution and market competition, and accelerate the realisation of savings to government.
- Due to the progression of drugs to off-patent status over 2007-12, the overall 'discount' available to pharmacy on chemotherapy drugs remained relatively static until the Docetaxel reduction in Dec-12. This allowed the continuation of pharmacy supporting the cost of providing chemotherapy services by cross-subsidising the on-patent drugs with the higher margin from a small number of off-patent drugs.



Approach and Sources of Information

- We were engaged by CPCSG on 14 Feb-13 to prepare this report.
- We requested copies of the templates provided to the Guild late last year for discussion with DOHA, detailing the cost per infusion to dispense chemotherapy drugs, along with financial data to support the costs included in the templates, including the profit and loss by pharmacy for the period covering the information used as the source for the templates.
- Revenue and expenses included in the pharmacy profit and loss were allocated (by management) between oncology and other services, either on a direct cost basis or using the allocation of revenue for applying to costs. Where applicable, the revenue allocation in the profit and loss was cross-checked against the PBS data for the same period.
- Revenue was allocated to each chemotherapy drug by dollars and number of infusions (based on the milligrams sold according to the PBS data).
- Cost of sales was allocated by drug using either purchases from the respective third party compounder or the manufacturer/wholesaler. This information, in total, was cross-checked against the 'allocated' cost of sales included in the respective pharmacy's profit and loss for the relevant period.
- Gross margins were determined by pharmacy and by drug using the above information. To assess the impact of Price Disclosure Reduction on each pharmacy's profit and loss during the relevant periods, revenue for certain drugs were adjusted for price reductions in Aug-12 (Oxaliplatin, Doxorubicin, Mitozantrone), Dec-12 (Docetaxel) and Apr-13 (Paclitaxel) as shown in Section 2 of this report. Methotrexate and Vinorelbine will also have price reductions in Apr-13, although the dollar impact on pharmacies is considered not to be material.

Pharmacy Groups who Responded

- The level of information required by us was reasonably significant and, given the timeframe and geographical location of members and their accounting data, not all members were able to supply the required information within the agreed time constraints. Where sufficient information was not available to properly analyse the data, the information has not been included in this report to ensure validity of the data presented .
- Those who responded provided their information to Pitcher Partners in confidence in accordance with a signed confidentiality deed, and therefore all financial information is reported in an unidentifiable manner. The information received from these groups related to the data to support the costs set out in the templates previously supplied to the Guild. The number of pharmacies and period of time in which the information was based varied by Pharmacy Group from 1-7 months and 1-4 pharmacies within each group.
- Coverage of those groups who responded & had their information included in this report comprised:
 - 12 pharmacies;
 - Capital city and regional and rural locations;
 - Community pharmacies
 - s.90 and s.94 pharmacies located within hospitals / day hospitals;
 - Private hospitals operating their own s.94 pharmacies; and
 - Pharmacies utilising different approaches to compounding, including in-house compounding, outsourcing to third-party compounders, and a combination thereof.

PBS Remuneration (per infusion)

	s.90	s.94	
	\$	Private \$	Public \$
Distribution fee	24.38	24.38	-
Diluent fee	4.83	4.83	-
Preparation fee	40.64	40.64	40.64
Dispensing fee	6.52	6.52	-
	76.37	76.37	40.64

- *Fees* paid as part of PBS remuneration currently total \$76.37 per infusion, in addition to the listed ex-manufacturer drug price (except for s.94 operators providing Trastuzumab which attracts a reduced set of fees totalling \$51.99).
- *Mark-up* - In addition to the PBS fees, s.90 pharmacies are entitled to receive through PBS a mark-up to cover the costs of storing and handling PBS medicines. The level of mark-up is determined based on the cost of the medicine to the pharmacist for the listed maximum quantity but is subject to a cap of \$70 per infusion (for drug costs over \$1,750). For s.90 pharmacies there are six levels of pharmacy mark-up which CPCSG have estimated to average \$15 per infusion. For s.94 operators the drug mark-up is a flat 1.4% of the drug cost which is estimated to average \$8.

Current weaknesses in PBS Remuneration

CPCSG members have highlighted the following weaknesses they perceive in the EFC model, separate to the price disclosure impacts that were the primary focus of this report.

- *s.94 mark-up* - The change to a 1.4% mark-up for s.94 pharmacy from Oct-10 was initially offset by an increase in the storage and handling fee (7.52% to 11.1%). When EFC was introduced s.94 pharmacies experienced a greater loss of remuneration as their increased storage and handling fee (11.1%) was removed and replaced with the same \$24 distribution fee paid to s.90 pharmacies. By restoring the standard pharmacy tiered mark-up would place s.94 pharmacy on the same footing as s.90, and return that component of their remuneration to what they understood and agreed during negotiation of the EFC model.
- *Pharmacy mark-up* - The introduction of the algorithm to accommodate lowest cost combination of vials as the basis for ex-manufacturer drug cost, altered the dynamic of the pharmacy mark-up calculation, and incorporated a maximum allowable mg dose that was well in excess of the average dose provided in most cases. This resulted in a reduction in remuneration from the pharmacy mark-up calculation. CPCSG members estimated this impact as a \$20 per infusion reduction in remuneration of what they considered an unintended consequence of the algorithm rules. CPCSG also estimate that this has delivered \$12.8m in annual savings to Government over and above the savings that were initially contemplated in the preparation of the funding model.

For all other items (non-chemotherapy drugs) on the PBS, a flat \$70 mark-up payment is provided if the cost of the drug exceeds \$1,750. As a result of the Maximum Quality calculation, a large volume of comparatively priced chemotherapy infusion are receiving a mark-up of as little as \$15. CPCSG's suggestion is that the pharmacy mark-up calculation be based on the dispensed infusion cost, rather than pro-rata to the maximum infusion quantity, which they consider to be more equitable outcome.

	Per Pharmacy	
	Monthly	Annualised
No. of infusions:	#	#
Docetaxel	28	336
Oxaliplatin/Doxorubicin/Mitoxantrone	54	648
Paclitaxel	47	564
Other	591	7,092
	719	8,628
Revenue – PBS remuneration (before Price Reduction):	\$'000	\$'000
Docetaxel	56	672
Oxaliplatin/Doxorubicin/Mitoxantrone	25	300
Paclitaxel	24	288
Other	408	4,896
	513	6,156
Gross profit by drug (before Price Reduction)		
Docetaxel	47	564
Oxaliplatin/Doxorubicin/Mitoxantrone	7	84
Paclitaxel	17	204
Other	(1)	(12)
	70	840
Impact of Price Reduction:		
Docetaxel	(41)	(492)
Oxaliplatin	(4)	(48)
Paclitaxel	(17)	(204)
Other	-	-
	(62)	(744)
Gross profit by drug (post Price Reduction)		
Docetaxel	6	72
Oxaliplatin/Doxorubicin/Mitoxantrone	3	36
Paclitaxel	-	-
Other	(1)	(12)
	8	96

Comments on Impact of Price Reduction

- *Annualised Summary* - Since the financial information received by the Pharmacy Groups varied in terms of the number of months and number of pharmacies in which the data was collected, we have annualised and calculated an overall pharmacy average for presenting the information shown opposite.
- *Gross Profit* - This represents the gross margin on total revenue (including PBS fees) after deducting cost of sales comprising drug cost and compounding. All other costs of delivery of services are classified as operating expenses. For the purpose of this exercise, it is assumed that costs will remain consistent before and after the price reduction for Oxaliplatin, Docetaxel and Paclitaxel, and the other items listed in the table in section 2.
- *Oxaliplatin /Doxorubicin and Mitoxantrone* – These drugs had a price reduction in Aug-12. CPCSG estimate that this equated to approximately \$10 per infusion (when spread across all infusions).
- *Docetaxel* - While Docetaxel represents less than 12% of revenue and 4% of infusion volume in most pharmacies, Docetaxel contributed over 50% of gross profit, on average, for the pharmacies shown opposite. The impact of the Price Reduction of 76.2% in Dec-12 shown opposite assumes the Price Reduction had been in place for the period under review.
- *Paclitaxel* - This drug is currently providing pharmacy with short term margin until a further price reduction comes into effect in Apr-13. For the purpose of this exercise it is assumed that the impact of the Apr-13 price reduction had been in place for the period under review.
- *Impact of Price Reduction* - The financial impact on the price reduction of Oxaliplatin, Docetaxel and Paclitaxel and other items during 2012/13 will depend on the volume of these two drugs being delivered by the pharmacy. On average, Docetaxel represents 10%-12% of total revenue for all pharmacies within the pharmacies reviewed. As shown opposite, the impact on gross profit is significant. The decrease in margin is also assumed to represent the decrease in net profit as there would be no material change in costs currently being incurred to provide these services.
- *Summary* – Gross profit per infusion

	Before	After
Gross profit – see opposite	\$840,000	\$96,000
No. of infusions	8,628	8,628
Gross profit – per infusion	\$97	\$11

Supply Cost* (per infusion)

	\$
Compounding costs including drug mark-up by the compounder	104
Dispensing and other costs	76
	180

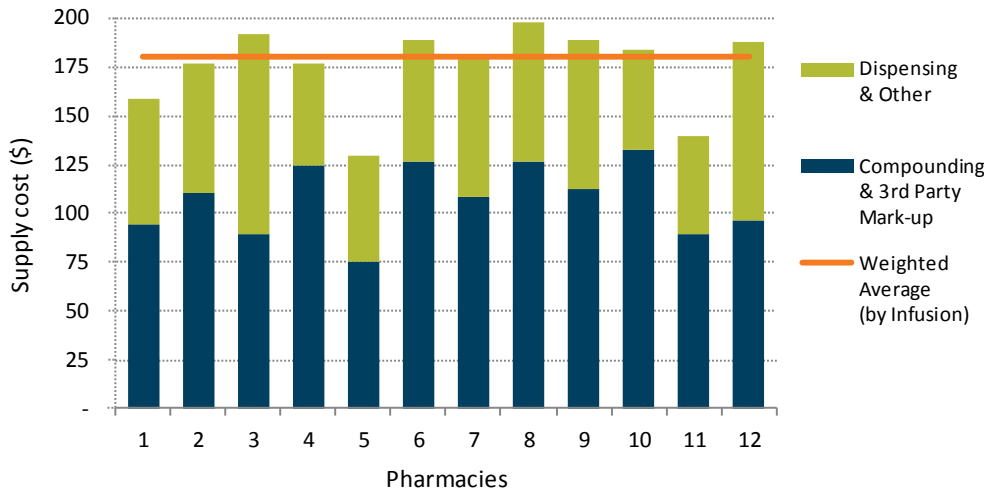
* Excluding listed ex-manufacturer drug price. Supply cost also does not include any profit allowance or return on capital invested.

- The individual pharmacies reviewed as part of this report, together with a column chart of their respective supply cost per infusion, are set out below.

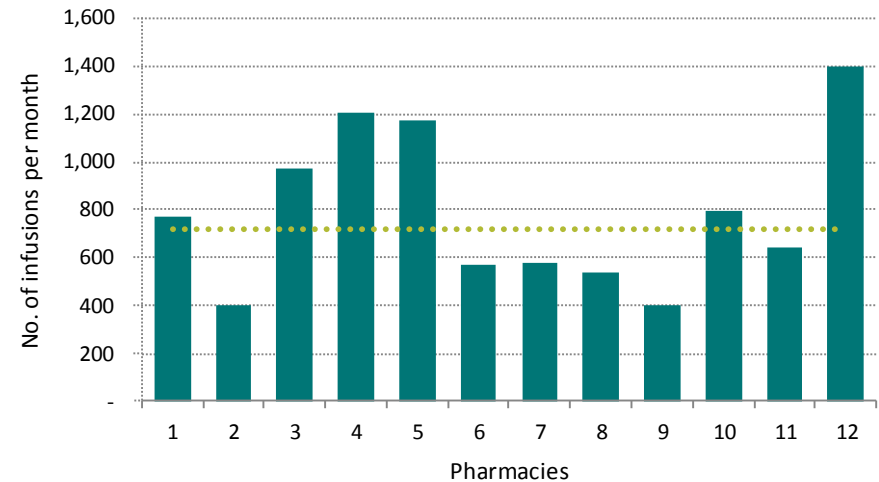
Supply Cost

- Source** - The information summarised opposite was extracted from the templates prepared for the Guild’s discussion with DOHA in Dec-12 and updated where applicable. As part of our engagement we were asked to review the methodology and source of information used to prepare the data shown opposite. See further comments in Section 4 of this report.
- Compounding Costs including third party mark-up**- Pharmacies supplying chemotherapy drugs to hospitals can either purchase the active ingredient from manufacturers/wholesalers and compound the drug in-house, or purchase the drug in compounded form ready for infusion from companies who provide compounding services such as Baxter Healthcare and Fresenius Kabi. As such, the cost of compounding can be an internal or external cost.
- Dispensing and other Costs** – This includes labour costs relating to the process of ordering drugs, dispensing drugs, managing prescriptions, and administrative tasks, as well as overheads required for the operation of the pharmacy (apportioned to reflect chemotherapy activity only) such as rent, electricity, telephone, etc.

Supply Cost per infusion per pharmacy



No. of infusions per month per pharmacy



CPCSG	Community Pharmacy Chemotherapy Services Group
Docetaxel	Anti-mitotic chemotherapy medication used mainly to treat breast, ovarian, prostate and lung cancer
DOHA	Department of Health and Aging
EAPD	Expanded and Accelerated Price Disclosure
EFC	Efficient Funding of Chemotherapy
Fifth Agreement	Fifth Community Pharmacy Government Agreement
Government	Commonwealth Government of Australia
Guild	Pharmacy Guild of Australia
ICSP	Intravenous Chemotherapy Supply Program
Infusion	Medication delivered by an infusion 'pump' entering the bloodstream through a needle in the vein, a port or catheter
Minister	Government Minister of Health and Aging
mg	Milligrams
Paclitaxel	A mitotic inhibitor used in cancer chemotherapy to treat patients with lung, ovarian, breast, head and neck cancer
PBS	Pharmacy Benefits System
Price Disclosure	A system whereby drug manufacturers are required to provide information to Government showing the market prices of their drugs
s.90	Section 90 of the National Health Act
s.94	Section 94 of the National Health Act
TGA	Therapeutic Goods Administration

Qualifications

Pitcher Partners - Pitcher Partners is a full service accounting, audit and business advisory firm providing advice to privately owned, corporate and public organisations. The firm is a leader in the middle-tier accounting market. This report was prepared by Pitcher Partners' Brisbane office which is a member of an association of independent accounting firms located in Melbourne, Sydney, Perth and Adelaide and, in turn, a member of Baker Tilly International, a global network of independent firms. The Brisbane office continues to be owned and operated by the 14 resident partners while enjoying the benefit of the wider network to service clients nationally and internationally.

JR Pharmacy - is a specialist division of Pitcher Partners Brisbane office which provides accounting, tax and financial management services to pharmacy businesses across Australia

Engagement Partner - Ross Walker is the partner responsible for the preparation of this report. He has in excess of 25 years partner experience in accounting, audit and corporate finance activities and has undertaken a number of independent expert reports involving acquisitions, divestments, valuations and financial due diligence. Ross was managing partner of Pitcher Partners Brisbane office from 1992-2008 developing the firm into one of the larger mid-tier accounting practices in Brisbane. His focus is on small to medium sized public and private companies specialising in statutory audits and corporate advisory services.

Independence

- Pitcher Partners is not aware of any matter or circumstances that would preclude it from preparing this report on the grounds of independence under regulatory requirements. In particular, Pitcher Partners has had regard to the provision of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and ASIC. Pitcher Partners was not involved in advising on, or otherwise acting in any capacity for any member of CPCSG in relation to the submission to be presented by CPCSG to the Senate Inquiry. Further, Pitcher Partners, or any member of the firm, has not held and does not hold and shareholding in or other relationship with any member of CPCSG that could be regarded as capable of affecting its ability to provide this report in an unbiased manner.
- Pitcher Partners provides accounting services to a number of members of CPCSG including:
 - Pitcher Partners' Brisbane office acts as accountants and tax agents for APHS, Integrated Clinical Oncology Network Pty Ltd and Brand's Pharmacy; and
 - Pitcher Partners' Melbourne office acts as accountants and tax agents for Slade Pharmacy.

Independence (continued)

- Pitcher Partners' Brisbane office will receive a fee based in time spent in the preparation of this report. Drafts of this report were provided to CPCSG members for review of factual accuracy. Certain changes were made to the report as a result of the circulation of the draft report(s). However, no changes were made to the methodology, conclusions or recommendations made in this report.

Disclaimer

- This report has been prepared at the request of the CPCSG members specifically for the purpose of inclusion in a submission by CPCSG to be presented to the Senate Inquiry established by Senator Nick Xenophon into the supply of chemotherapy drugs. It is not intended that this report be used for any purpose other than to accompany CPCSG's submission to the Senate Inquiry. Accordingly, this report and the information contained herein may not be relied upon by anyone other than CPCSG in respect of their submission, without written consent of Pitcher Partners.
- Neither Pitcher Partners or any member or employee thereof undertakes any responsibility to any person, other than the members of CPCSG, in respect of this report, including any errors or omissions, however caused.
- In the preparation of this report we have considered the information and explanations given to us. We emphasise that we have not carried out an independent confirmation of the information nor have we conducted anything in the nature of an audit or review or in any way verified any of the information provided to us. We do not imply, and it should not be construed, that our assessment has revealed all the matters which an audit, review or more detailed examination might disclose.
- We have evaluated the information provided to us by the CPCSG members analysis and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report.
- The statements and opinions given in this report are given in good faith and the belief that such statements and opinions are not false or misleading. The statements and opinions are based upon Pitcher Partners' consideration and assessment of the information provided by the CPCSG members as well as other parties and which is believed to be reliable and accurate. We have no reason to believe that any information has been withheld from us.

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