Community
Pharmacy
Chemotherapy
Services Group

The Community Pharmacy Chemotherapy Services Group (**CPCSG**) welcomes the Senate Inquiry into the impact of chemotherapy price reduction on community pharmacies and the wider cancer care industry.

The CPCSG was formed in the 2008/09 budget year to assist in reforming the Intravenous Chemotherapy Supply Program. As the primary provider of these drugs via the PBS, the community pharmacy sector played a lead role in the reforms that aimed to deliver a sustainable chemotherapy supply program for all Australians with cancer. The CPCSG was exceptionally proud to be the author of the 2009 Alternate Proposal for the Intravenous Chemotherapy Supply Program which became the foundation for agreement between the Commonwealth and the wider cancer care sector, including all the endorsing bodies on the cover page of the Alternate Proposal. The Alternate proposal forms part 1 of this submission.

You will see in this submission that the 2009 Alternate Proposal clearly identified that a partial reinvestment of the savings reaped from cancer drugs via the Price Disclosure mechanism is an essential aspect of any sustainable chemotherapy funding model. This reinvestment is necessary to cover the full range of pharmacist activities associated with completion of the safe supply of the PBS listed chemotherapy agent. This was point 4 in a 5 point plan.

The CPCSG, like the remainder of the cancer care sector, supported the immediate implementation of the first 3 points in the plan to deliver approximately $120M in forward estimate savings via the 2010 May Federal Budget. However, it did so with an expectation that points 4 and 5 (point 5 related to the reduction in administrative burden for doctors by allowing the patient treatment chart to become the prescription basis for reimbursement) would be implemented at the appropriate time.

The CPCSG, and all other stakeholders, respected the Government's stated position at the time that they wished to see the savings flow through from the price disclosure process before they committed to a remuneration increase to address point 4. They also understood there was a series of state based legislative actions required around the conversion of the medication chart to the prescription, which would be prioritised for the aged care industry and utilised in the cancer care setting at a later date to address point 5. Partial progress was also made in reducing the administrative burden for prescribers by introducing streamlined authority codes for a number of the commonly prescribed cancer drugs, which reduced the amount of time these specialists were required to spend on the phone seeking prior government approval for drugs with no abuse potential.

Just over 12 months ago, on 8 March 2012 at the Australian Pharmacy Professional conference on the Gold Coast, members of the CPCSG informed the lead Department of Health and Ageing (**DoHA**) representative that the community pharmacy industry was now in a position to accurately forecast the tipping point at which the impact of price disclosure would require a fee increase to remain sustainable. This message was based on internal community pharmacy modelling and market behaviour, which indicated a likely price reduction of 70% on Oxaliplatin (it turned out to be 72%) as of 1 August and a similar sized reduction to Docetaxel (it turned out to be 76%) on 1 December. These price drops would see an average cancer care pharmacy go from delivering the minimum level of profitability required for a sustainable commercial operation in July 2012 through to a business whose costs exceeded revenue once the 1 December price drop was actioned. This situation would be exacerbated by the 87% price disclosure cut to Paclitaxel scheduled to occur on 1 April 2013.

At the encouragement of the DoHA representative, the CPCSG re-formed the very next day to commence preparing an information pack detailing the impact of price disclosure and the level of reinvestment required.

Over the following months the CPCSG worked up a substantial body of material detailing all of the essential steps required by a community pharmacy to safely supply chemotherapy drugs, as well as establishing a financial case confirming that price disclosure savings out of the sector would be in excess of $200M per annum by the time 1 April 2013 price cuts rolled through the system. The CPCSG were also able to establish that the required sum for reinvestment to return a cancer care pharmacy to a modest but sustainable financial footing was $100 per infusion, representing a reinvestment of less than 30% of the annual price disclosure savings to cover the 640,000 infusions delivered under the PBS by CPCSG members and private hospital pharmacy departments annually.

This information has subsequently formed the basis of all discussions the CPCSG have undertaken with key stakeholders as we have sought to have the fee increase implemented for the benefit of cancer care delivery to all Australians. You will find this 13 page information pack with the working title of "You Can't Cut Corners with Chemotherapy" included as Part 2 of this submission.

The CPCSG were disappointed it took until the eve of the 1 December 2012 Docetaxel price drop before there appeared to be genuine traction in discussions between the Government and the Pharmacy Guild around the need for the fee increase. However, the industry took some comfort for our patients that the rhetoric of these discussions was of a productive nature. The Pharmacy Guild statement included a request to maintain supply to patients under our care over the forthcoming Christmas/New Year period, with the indication they would be seeking subsequent fee increases to be backdated to 1 December in recognition of the funding shortfall that CPCSG members would be meeting.

With over 13,000 infusions delivered each week this was a $1M per week goodwill gesture on behalf of the community pharmacy and private hospital sectors. To find ourselves still meeting this funding shortfall and holding out hope for a backdated fee increase nearly 4 months after those announcements is exceptionally disappointing, not to mention highly draining on the financial health and wellbeing of the family owned and operated pharmacy businesses that constitute the majority of CPCSG members.

CPCSG signatory members have written to senior Gillard Government Ministers as well as their local MP's across Australia highlighting their concerns. A number of these responses indicated that if they were suffering financial hardship or felt that patient safety and equity of access was likely to be impacted by the implemented price cuts then they should be providing evidence of this financial outcome to DoHA. As DoHA were already locked in confidential negotiations with the Pharmacy Guild on a solution, the primary mechanism for fulfilling this directive was via the provision of financial information to the Pharmacy Guild for inclusion in their dialogue in a manner that protected commercial confidence.

The CPCSG were disappointed to be advised in early February 2013 that negotiations between DoHA and the Pharmacy Guild had effectively stalled on the basis of a request from DoHA that the Pharmacy Guild fund the fee increase from existing 5th Pharmacy Agreement monies. The CPCSG strongly supports the premise that the funding for the fee increase should be found from the very price cut savings that have created the need for the fee increase and certainly does not see why the entire community pharmacy sector should suffer financial hardship or have to reduce the service they provide to their patients in this circumstance.

When the Senate Inquiry was called, the CPCSG decided to commission Pitcher Partners, a national accountancy practice, to undertake an independent report on the impact of the chemotherapy price reductions. A copy of this report is included as the third and final component (Part 3) of the CPCSG submission and should provide the Senate Inquiry with an independently produced, fully informed view of the impacts on pharmacy financial performance and viability of the price cuts.

The Pitcher Partners report also includes assessment of the impact of other aspects of the 2011 implementation of the Efficient Funding of Chemotherapy arrangements based on points 1 to 3 of the 2009 Alternate Proposal. The Senate Inquiry will note from the information in Part 2 that some of these outcomes, whilst potentially unintended, were not exactly in keeping with the understanding or expectations of the CPCSG and other private chemotherapy providers from original negotiations. The CPCSG feel these should also be addressed in any re-setting of the funding arrangements to deliver a long term sustainable funding model.

The CPCSG hopes that having considered the information contained across our 3 Part submission, the Senate Inquiry will agree with the CPCSG and support our key recommendations that:

1. Fees associated with the supply of chemotherapy items paid to any private pharmacy provider (pharmacy or private hospital) be **increased by $100 per infusion.**

2. That **the fee increase be backdated to at least 1 December 2012** to reflect the goodwill of the community pharmacy and private hospital sectors for continuing to maintain supply and cover the funding shortfall whilst a solution was identified.

3. That the EFC implementation arrangements and algorithm be reviewed to ensure that community pharmacy and private hospital pharmacy departments receive **equivalent funding for the delivery of equivalent chemotherapy supply services** and that the **mark-up payment is calculated on the cost of the drug in the infusion** not on an artificially created maximum quantity that results in a $2000 item generating as little as $15 in mark-up payments, when similar cost non-chemotherapy items above $1750 receive a mark-up of $70.

The CPCSG have arranged for 2 representatives, Mr David Slade and Mr Stuart Giles, to attend the Senate Hearing in Sydney next Thursday 28 March 2013. They will be pleased to discuss any aspect of this submission at this time.

CPCSG welcomes any other questions regarding our submission and looks forward to a positive outcome for the entire cancer care industry.

Yours sincerely

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CPCSG Submission

Part 1: 2009 Alternate Proposal for the Intravenous Chemotherapy Supply Program

Part 2: You Can't Cut Corners with Chemotherapy

Part 3: Report on the Impact of the Price Reduction of Chemotherapy Drugs to Community Pharmacies: an independent report by Pitcher Partners