WPC MEMBER SURVEY - Funding & Payment Structures

RESPONSE - AUSTRALIA

INTRODUCTION

This survey is designed to provide WPC members with a better understanding of funding and formal payment structures for community pharmacy in each WPC country. This includes payments for dispensing, payments for pharmacy services, and other general or specific purpose payments that are specific to community pharmacy.

The survey does not seek to collect specific fee levels or payment amounts. The focus is on the structure and types of payments, and on what is paid for by each funding stream, and on the relative significance of each component. The focus is not on comparing funding levels or fee amounts.

In some countries the funding arrangements may vary significantly between states, regions or funders. This survey is not intended to capture every variation. As far as possible, please provide the most appropriate answer in a national context.

The results of this survey will not be made public. Findings will be distributed only to WPC members only, for your internal use.

Responses, and any questions relating to this survey, should be emailed to the WPC Chief Economist at <u>stephen.armstrong@worldpharmacycouncil.org</u>. If possible, responses would be appreciated by 31 March 2021. Thank you.

DEFINITIONS

To guide your completion of this questionnaire, please read the following definitions.

Fee-for service payments

Fee-for-service payments have traditionally been the most common types of payments in the community pharmacy context (and also in most other healthcare settings) and are an amount paid per occasion of service.

Capitation-style payments (including casemix or bundled payments)

Capitation-style payments are those calculated based on the number of patients (and/or the types of patients, as in a casemix model) rather than on the number of occasions of service. Capitation-style payments may be bundled payments that cover more than one service type (this may also be the case with outcomes-based payments or lump-sum payments).

Outcomes-based payments (including performance-based or value-based payments)

In an outcomes-based model, payments (or payment levels) depend on defined measures of performance, benchmarks or targets. These may include direct or indirect measurements of patient outcomes, or metrics related to quality.

Lump sum payments per pharmacy

Lump sum payments are amounts per pharmacy paid at regular intervals (eg. monthly, quarterly or annually) to either all pharmacies or particular groups of eligible pharmacies. Lump sum payments differ from Capitation-style or Outcome-based payments in that the amounts are not related to the number of patients serviced or to any specific performance measure. Examples of lump sum payments include payments made to all registered pharmacies, or to all pharmacies that are registered for a particular program. The amount of lump sum payments may vary from pharmacy to pharmacy based on certain criteria (but will not vary directly in proportion to service volume, as that would make it a fee-for-service).

Section 1 - Dispensing

Fees and other payments for dispensing are those amounts that are additional to the cost price of the medicine, and represent a gross profit margin on the dispensing service.

Please note that this question is <u>not</u> referring to the pharmacy's purchase price of the medicine. It is referring only to amounts additional to the purchase price, that are intended to ensure the viability of the dispensing service.

Question 1.1 - Through what process(es) are fees and/or other payments for dispensing determined? (please select all that apply):

Select those that apply	Method for determining fee or payment level for <u>dispensing</u>
	Regulation/legislation
\boxtimes	Formal negotiation at a national, state or regional level
	Analysis of the cost of dispensing
	Commercial negotiation between individual pharmacies (or groups of pharmacies) and the payer
\boxtimes	Consumer-focused competition
	Other (please specify): ⇔

Question 1.2 - What is/are the most common fee or payment structure(s) for <u>dispensing</u> in your country? (please select all that apply):

Select all that apply	Fee or payment structure for <u>dispensing</u>
\boxtimes	Flat fee(s) per item dispensed (this may include additional amounts for specific categories of drugs)
	Differential fees depending on whether the dispensing is an original (first-time or acute) or repeat (refill)
	Differential fees depending on the total number of items dispensed on one occasion
	Differential fees depending on the total number of items dispensed annually by the pharmacy
	Differential fee depending on the period of treatment dispensed (for example, higher fees for more than one month's quantity)
	Specific fee or differential fee for generic substitution or dispensing a generic medicine
	Mark-up or margin on the cost price of the medicine
	Capitation-style payments (including casemix or bundled payments)
	Outcomes-based payments (including performance-based or value-based payments)
	Lump sum payments per pharmacy (not linked to prescription numbers, patient numbers or to outcomes, performance or value)
\square	Unregulated or semi-regulated fees/charges/surcharges paid by patients
	Other (please specify): ➡

Question 1.3

In relation to <u>dispensing</u>, are different payment structures or levels applicable for specific types of pharmacy (only include those pharmacies supplying to the community, not hospital pharmacies), such as those listed below?

Distance-selling or internet/mail-order pharmacies	\boxtimes	No	
		Yes (please briefly describe): ➡	
Centralised or hub-and-spoke dispensing models	\boxtimes	No	
		Yes (please briefly describe): ➡	
Rural or remote location pharmacies	\boxtimes	No	
		Yes (please briefly describe): ➡	
Pharmacies servicing care facilities for aged people	\boxtimes	No	
		Yes (please briefly describe): ➡	
Specialised pharmacies		No	
	\boxtimes	Yes (please briefly describe): ➡ Higher fees for chemotherapy and other compounding.	
Other (please specify):		No	
		Yes (please briefly describe): ➡	

Question 1.4

Please briefly describe the market situation with regard to purchasing of <u>prescription-only medicines</u> by pharmacies. Specifically, please briefly cover the following points:

- What, if any, regulations exist with regard to the purchase price of prescription-only medicines?
 For drugs listed on the Pharmaceutical Benefits Scheme (>90% of prescriptions), there is a government-listed Price to Pharmacist.
 Wholesalers can charge less than this (they provide small trading terms) but cannot charge more.
- Is there a regulated cap or limit on the amount of purchasing margin made/retained by pharmacies? No.
- Are reimbursement prices regularly reviewed in response to changes in market prices? Yes. All PBS drugs that have more than one manufacturer are in a system of Price Disclosure whereby the manufacturers must disclose sales data (dollars and volumes) to a government agency. Prices are then reduced to the weighted average market price, if the different exceeds a threshold (usually 10%).
- Does the government (or do other third party payers) conduct a competitive process amongst drug manufacturers to determine prices and/or which products are available to be funded? No, there is no tendering for drug purchasing in relation to the community pharmacy market. Tendering for generics does occur through the state-run hospitals.

Question 1.5

Questions 1.1 to 1.4 provided a high level overview of funding arrangements for dispensing. If you think other details would be useful to WPC members to allow a better overall understanding of your country's funding model for dispensing, please provide further details below:

 \Rightarrow The two core fees for dispensing under the Pharmaceutical Benefits Scheme (PBS, which is >90% of dispensing) are the dispensing fee (a flat fee per item dispensed) and the Administration, Handling & Infrastructure fee, which is a flat fee for most items but increases where the price of the medicine is higher than \$100. Additional fees are paid for controlled (dangerous) drugs and for compounding. The fees are

negotiated and agreed through the five-year Community Pharmacy Agreement. It is important to note that approximately 30% of PBS prescriptions are "below co-payment", and these are paid for entirely by the patient. The pricing of these scripts is unregulated and subject to significant competitive pressure. The prices are often discounted so that the remuneration retained by the pharmacy is less than the full dispensing fee and AHI.

Please continue to Section 2 below.

Section 2 - Payments for services <u>related</u> to dispensing/supply

This section relates to payments received for add-on or associated services that are <u>related</u> to individual occasions of dispensing/supply.

Service What is/are payment so this service (please sele apply)	urces for f ? a ct all that f (What type(s) of fee/payment are applicable for this service? (refer to definitions at the start of this document)	fees/payı	the levels of nents determined? elect all that apply)	servi any or a so, p	payments for this ice capped (limited) in way, eg. on a national per pharmacy basis? If please briefly describe arrangement.
1: Compliance aids/packaging □ Insure □ Patien □ None/I applica □ Other	r t t Not	Fee-for service Capitation-style Outcomes-based Lump sum		Regulation/legislation Formal negotiation at a national, state or regional level Negotiation between individual pharmacies (or groups of pharmacies) and the payer Consumer-focused competition Other (please specify): ➡		No Yes (please describe): ➡ Effective 4 January 2021, the weekly base cap per pharmacy increased to 60 DAA services per week, and is up to a maximum of 200 DAA Patients per week for some pharmacies.

Question 2.1 - please complete the table below

Service	What is/are the fee or payment sources for this service? (please select all that apply)	What type(s) of fee/payment are applicable for this service? (refer to definitions at the start of this document)	How are the levels of fees/payments determined? (please select all that apply)	Are payments for this service capped (limited) in any way, eg. on a national or a per pharmacy basis? If so, please briefly describe this arrangement.
2: Home delivery of prescription medicines	 ☑ Government (some subsidy during COVID) ☑ Insurer ☑ Patient ☑ None/Not applicable ☑ Other (specify): It is often done at no charge. 	Fee-for service Or free Capitation-style Outcomes-based Lump sum	□ Regulation/legislation □ Formal negotiation at a national, state or regional level □ Negotiation between individual pharmacies (or groups of pharmacies) and the payer ⊠ Consumer-focused competition □ Other (please specify): ➡ The payer	No □ Yes (please describe): →

Service	What is/are the fee or payment sources for this service? (please select all that apply)	What type(s) of fee/payment are applicable for this service? (refer to definitions at the start of this document)	How are the levels of fees/payments determined? (please select all that apply)	Are payments for this service capped (limited) in any way, eg. on a national or a per pharmacy basis? If so, please briefly describe this arrangement.
3: Staged supply (supply in instalments)	Government Insurer Patient None/Not applicable Other (specify):	Fee-for service Capitation-style Outcomes-based Lump sum There is a fee per patient per week, and an additional lower fee per additional day. For example, daily dosing attracts one weekly fee and six daily fees.	□ Regulation/legislation ⊠ Formal negotiation at a national, state or regional level □ Negotiation between individual pharmacies (or groups of pharmacies) and the payer □ Consumer-focused competition □ Other (please specify): ➡	□ No ⊠ Yes (please describe): ⇒ Maximum of 15 patients per month per pharmacy will be paid.

Service	What is/are the fee or payment sources for this service? (please select all that apply)	What type(s) of fee/payment are applicable for this service? (refer to definitions at the start of this document)	How are the levels of fees/payments determined? (please select all that apply)	Are payments for this service capped (limited) in any way, eg. on a national or a per pharmacy basis? If so, please briefly describe this arrangement.
4: Prescription renewal or extension	□ Government □ Insurer □ Patient ☑ None/Not applicable □ Other (specify):	 Fee-for service Capitation-style Outcomes-based Lump sum 	□ Regulation/legislation □ Formal negotiation at a national, state or regional level □ Negotiation between individual pharmacies (or groups of pharmacies) and the payer □ Consumer-focused competition □ Other (please specify): → →	□ No □ Yes (please describe): ⇒ ⇒

Service	What is/are the fee or payment sources for this service? (please select all that apply)	What type(s) of fee/payment are applicable for this service? (refer to definitions at the start of this document)	How are the levels of fees/payments determined? (please select all that apply)	Are payments for this service capped (limited) in any way, eg. on a national or a per pharmacy basis? If so, please briefly describe this arrangement.
5: Prescription adaption (eg. pharmacist- initiated change of dosage or formulation)	□ Government □ Insurer □ Patient ⊠ None/Not applicable □ Other (specify):	 Fee-for service Capitation-style Outcomes-based Lump sum 	 Regulation/legislation Formal negotiation a national, state or regional level Negotiation between individual pharmacies (or groups of pharmacies) and the payer Consumer-focused competition Other (please procisito) 	at Yes (please describe):
			specify): ⇒	

Service	What is/are the fee or payment sources for this service? (please select all that apply)	What type(s) of fee/payment are applicable for this service? (refer to definitions at the start of this document)	How are the levels of fees/payments determined? (please select all that apply)	Are payments for this service capped (limited) in any way, eg. on a national or a per pharmacy basis? If so, please briefly describe this arrangement.
6: Refusal to dispense ("non- dispensing")	□ Government □ Insurer □ Patient ⊠ None/Not applicable □ Other (specify):	 Fee-for service Capitation-style Outcomes-based Lump sum 	□ Regulation/legislation □ Formal negotiation at a national, state or regional level □ Negotiation between individual pharmacies (or groups of pharmacies) and the payer □ Consumer-focused competition □ Other (please specify): ⇒	□ No □ Yes (please describe): → →

p tt	What is/are the fee or payment sources for his service? please select all that apply)	What type(s) of fee/payment are applicable for this service? (refer to definitions at the start of this document)	fees/payr	the levels of nents determined? elect all that apply)	servi any w or a p so, pl	ayments for this ce capped (limited) in vay, eg. on a national per pharmacy basis? If lease briefly describe arrangement.
7: Other dispensing- related services (please specify and add rows as needed) ⇒	□Government□Insurer□Patient☑None/Not applicable□Other (specify):	 Fee-for service Capitation-style Outcomes-based Lump sum 		Regulation/legislationFormal negotiation at a national, state or regional levelNegotiation between individual pharmacies (or groups of pharmacies) and the payerConsumer-focused competitionOther (please specify): m		No Yes (please describe): ➡

Section 3 - Payments for other services

This section covers payments for services that are <u>not</u> specifically related to individual episodes of dispensing.

Question 3.1 – Please complete the table below

Service	What is/are the fee or payment sources for this service? (please select all that apply)	What type(s) of fee/payment are applicable for this service? (refer to definitions at the start of this document)	How are the levels of fees/payments determined? (please select all that apply)	Are payments for this service capped (limited) in any way, eg. on a national or a per pharmacy basis? If so, please briefly describe this arrangement.
1: Medication management or medication review services	Government Insurer Patient None/Not applicable Other (specify):	Fee-for service Capitation-style Outcomes-based Lump sum	□ Regulation/legislation ⊠ Formal negotiation at a national, state or regional level □ Negotiation between individual pharmacies (or groups of pharmacies) and the payer □ Consumer-focused competition □ Other (please specify): ➡	NoYes (please describe):

Service	What is/are the fee or payment sources for this service? (please select all that apply)	What type(s) of fee/payment are applicable for this service? (refer to definitions at the start of this document)	How are the levels of fees/payments determined? (please select all that apply)	Are payments for this service capped (limited) in any way, eg. on a national or a per pharmacy basis? If so, please briefly describe this arrangement.
2: Chronic disease management services	 ☐ Government ☐ Insurer ☑ Patient ☐ None/Not applicable ☐ Other (specify): 	 Fee-for service Capitation-style Outcomes-based Lump sum 	□ Regulation/legislation □ Formal negotiation at a national, state or regional level □ Negotiation between individual pharmacies (or groups of pharmacies) and the payer ⊠ Consumer-focused competition □ Other (please specify): ⇒ →	No □ Yes (please describe): □ ⇒

Service	What is/are the fee or payment sources for this service? (please select all that apply)	What type(s) of fee/payment are applicable for this service? (refer to definitions at the start of this document)	How are the levels of fees/payments determined? (please select all that apply)	Are payments for this service capped (limited) in any way, eg. on a national or a per pharmacy basis? If so, please briefly describe this arrangement.
3: Services relating to public health, OTC medicine supply and/or common (minor) illness	GovernmentInsurerPatientPatientNone/Not applicableOther (specify):Other (specify):There are government payments (state- based) for some public health services including opioid substitution therapy.	 Fee-for service Capitation-style Outcomes-based Lump sum 	□ Regulation/legislation ⊠ Formal negotiation at a national, state or regional level □ Negotiation between individual pharmacies (or groups of pharmacies) and the payer □ Consumer-focused competition □ Other (please specify): ➡	No □ Yes (please describe): →

Service	What is/are the fee or payment sources for this service? (please select all that apply)	What type(s) of fee/payment are applicable for this service? (refer to definitions at the start of this document)	How are the levels of fees/payments determined? (please select all that apply)	Are payments for this service capped (limited) in any way, eg. on a national or a per pharmacy basis? If so, please briefly describe this arrangement.
4: Vaccination services	☑Government☑Insurer☑Patient☑Patient☑None/Not applicable☑Other (specify):Pharmacist flu vax is paid by the patient.A government fee has been announced for Covid-19 vaccination.	 Fee-for service Capitation-style Outcomes-based Lump sum 	□ Regulation/legislation ⊠ Formal negotiation at a national, state or regional level □ Negotiation between individual pharmacies (or groups of pharmacies) and the payer ⊠ Consumer-focused competition □ Other (please specify): ➡ ➡	No □ Yes (please describe): ⇒

Service	What is/are the fee or payment sources for this service? (please select all that apply)	What type(s) of fee/payment are applicable for this service? (refer to definitions at the start of this document)	How are the levels of fees/payments determined? (please select all that apply)	Are payments for this service capped (limited) in any way, eg. on a national or a per pharmacy basis? If so, please briefly describe this arrangement.
5: Pharmacist prescribing (in a community pharmacy setting)	□ Government □ Insurer □ Patient ⊠ None/Not applicable Other □ Other (specify):	 Fee-for service Capitation-style Outcomes-based Lump sum 	□ Regulation/legislation □ Formal negotiation at a national, state or regional level □ Negotiation between individual pharmacies (or groups of pharmacies) and the payer □ Consumer-focused competition □ Other (please specify): ⇒	□ No □ Yes (please describe): → →

Service	What is/are the fee or payment sources for this service? (please select all that apply)	What type(s) of fee/payment are applicable for this service? (refer to definitions at the start of this document)	How are the levels of fees/payments determined? (please select all that apply)	Are payments for this service capped (limited) in any way, eg. on a national or a per pharmacy basis? If so, please briefly describe this arrangement.
6: Consultations (not covered by one of the categories above)	□Government□Insurer□Patient□Patient☑None/Not applicable□Other (specify):Some professional programs such as MedsCheck may soon move to a more flexible consultation-based funding model under the 7CPA.	 Fee-for service Capitation-style Outcomes-based Lump sum 	□ Regulation/legislation □ Formal negotiation at a national, state or regional level □ Negotiation between individual pharmacies (or groups of pharmacies) and the payer □ Consumer-focused competition □ Other (please specify): ➡	□ No □ Yes (please describe): ⇒ ⇒

Service	What is/are the fee or payment sources for this service? (please select all that apply)	What type(s) of fee/payment are applicable for this service? (refer to definitions at the start of this document)	How are the levels of fees/payments determined? (please select all that apply)	Are payments for this service capped (limited) in any way, eg. on a national or a per pharmacy basis? If so, please briefly describe this arrangement.
7: Other services (please specify and add rows as needed) ⇒	□ Government □ Insurer □ Patient ☑ None/Not applicable Other □ Other (specify):	 Fee-for service Capitation-style Outcomes-based Lump sum 	□ Regulation/legislation □ Formal negotiation at a national, state or regional level □ Negotiation between individual pharmacies (or groups of pharmacies) and the payer □ Consumer-focused competition □ Other (please specify): ⇒ →	□ No □ Yes (please describe): → →

Section 4 - Payments not relating to specific services (including payments relating to quality, standards or pharmacy accreditation)

This section relates to any other fees or payments made to some or all community pharmacies as part of formal arrangements, which are not specifically related to dispensing or to other services. These may include, but are not limited to, payments relating to staff training, records, compliance with premises standards or other general quality measures. It may also include payments for specific groups of pharmacies, such as those in rural areas.

Under each of the following headings, please briefly describe any fees or payments that are not related to dispensing or to other services (and therefore have not been covered in earlier sections). If there are no payments in the category, simply write "None".

Type of payment	Description(s) and payment source(s) (only include significant payments that have not been included in previous sections)
Capitation-style payments (including casemix or bundled payments)	
Outcomes-based, performance-based or value-based payments	
Lump sum payments per pharmacy, including establishment or infrastructure payments or subsidies (such as for IT, automation, consultation infrastructure and staff training) (Note: Lump sum payments may include payments that vary from pharmacy to pharmacy based on certain criteria, but not in direct proportion to service volume)	The Regional Pharmacy Maintenance Allowance, under the 7 th Community Pharmacy Agreement, makes lump sum monthly payments to pharmacies based on their level of rurality/remoteness and inversely to their script volume (subject to certain limits).

Question 4.1 – Please complete the table below

Section 5 - Relative size of funding components

Question 5.1

Of all of the fees and other payments that you have listed in this document, please list the top five in order of value for a typical community pharmacy in your country. For example, a list may be (1) dispensing fees, (2) payments for medication reviews, (3) outcomes-based quality payments, etc.

In the right hand column, please provide your best estimate of the proportion of overall third-party funding (government and insurer) each of the listed fees or payments represents for a typical (average) community pharmacy. A rough estimate will be fine, as this is only to provide a guide as to the relative importance of each fee/payment.

Rank	Fee or payment name	Approximate or estimated percentage of overall Government and other Third Party funding represented by this fee or payment*
1	Dispensing fee and AHI – subsidised prescriptions	60%
2	Margin on unsubsidised prescriptions (private prescriptions and below co-payment PBS prescriptions)	35%
3	Professional services & allowances	5%
4		
5		

Section 6 – Process for review, adjustment or indexation of payments

Question 6.1

As briefly as possible, please describe any process that exists to review, adjust or index the amounts paid for the top five services you listed in the previous question. Examples may include, but are not limited to:

- Renegotiation after a set period of time
- Annual adjustment based on an inflation measure
- Adjustment within a fixed or pre-determined pool of funding

Fee or payment number corresponding to your Question 5.1 response	Method of review or adjustment for amounts paid		
1		Renegotiation after a set period of time	
		Annual adjustment based on an inflation measure	
		Adjustment within a fixed or pre-determined pool of funding	
	Other, a	nd/or further details:	
2		Renegotiation after a set period of time	
		Annual adjustment based on an inflation measure	
		Adjustment within a fixed or pre-determined pool of funding	
	Other, a	nd/or further details:	
3		Renegotiation after a set period of time	

Fee or payment number corresponding to your Question 5.1 response	Method of review or adjustment for amounts paid		
	Annual adjustment based on an inflation measure Adjustment within a fixed or pre-determined pool of funding Other and/or further details:		
4	Other, and/or further details: Image: Contract of the set		
	Adjustment within a fixed or pre-determined pool of funding Other, and/or further details:		
5	Renegotiation after a set period of time Annual adjustment based on an inflation measure Adjustment within a fixed or pre-determined pool of funding Other, and/or further details:		

Question 6.2

What (if any) changes to payment models and structures are currently being discussed or pushed in your country, or are likely to be discussed or pushed in the foreseeable future? Please include any changes that your organisation is seeking, as well as those that may be being pushed by other parties such as government or other payers.

Answer:

THANK YOU FOR COMPLETING THIS QUESTIONNAIRE. Please email your completed response to <u>stephen.armstrong@worldpharmacycouncil.org</u>.