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BACKGROUND

UTS: Pharmacy

UTS Pharmacy was established in 2011 to address the emerging needs of the pharmacy profession. As the first discipline in the UTS Graduate School of Health, it provides innovative, practice-based pharmacy education and high impact research that improves the quality use of medicine and professional services. The School is proud to offer an innovative, student-focused approach for highly motivated, career-minded students. Over the last few years it has successfully established itself as the program of choice for graduates who wish to have a career as pharmaceutical services providers and managers. UTS Pharmacy is committed to producing career-ready graduates. Integrated problem-based learning, simulated environments, clinical placements and interdisciplinary workshops are used to help students apply the theory they learn and build their considerable skill set and competencies. A wide range of interdisciplinary electives give students the choice to specialise or diversify their skills to best suit their career needs. The Graduate School is a leader in various areas of research including the design, evaluation and implementation of community pharmacy business and professional practice models. Committed to collaborative research that has a real impact on the pharmacy profession and the health of patients, our focus is on innovative practice-oriented research that improves the quality use of medicine and informs health policy.

QuintilesIMS

QuintilesIMS delivers integrated information and technology solutions to drive healthcare forward. Around the world healthcare stakeholders are working to improve real-world patient outcomes through treatment innovations, care provision and access to healthcare. For the information, technology and service solutions they need to drive new insights and approaches, they count on QuintilesIMS. With a global team of 50,000, we harness insights, commercial and scientific depth, and executional expertise to empower clients to achieve some of their most important goals: Improving clinical, scientific and commercial results. Realizing the full potential of innovations and ultimately, driving healthcare forward. Visit www.quintilesims.com for more information.

Bankwest

Bankwest Pharmacy Banking Specialists have an in-depth knowledge of the pharmacy industry in Australia and are financial experts to the industry. They have built solid, long standing relationships by understanding the specific issues and in particular the legislation facing practitioners in the Pharmacy industry. Bankwest Pharmacy Banking Specialists work as part of an industry team that regularly discusses trends and best practices both internally and with industry experts. This enables them to create genuinely innovative products and services specifically for the Pharmacy industry. With the goal of being simple and transparent, Bankwest can provide effective value for money solutions. Building a depth of knowledge takes a lot of dedication which is why you may find some of their team attending the same industry conferences and meetings as yourself. This level of involvement means they can assist your business by leveraging our strong knowledge and contacts within the industry. Their specialists understand cash flow, acquisition and equipment finance funding requirements of Pharmacy businesses and can recommend and implement tailor made financial packages to meet your business needs. Their products are innovative, yet simple to understand and use, and their structuring expertise delivers flexible financing solutions.
A number of major reforms have had and will continue to have impact on the delivery, focus and funding of health in Australia. Government-led national health care, PBS reforms and retail trends have significantly affected the distribution, funding and provision of pharmaceutical products and services. Specific examples of such changes include:

- Expanded and Accelerated Price Disclosure (EAPD)
- Generic substitution
- Changing remuneration systems
- Discount pharmacy models
- Primary Health Care Networks
- Wholesaler terms and conditions
- Advanced practice
- Increased use of medications
- Professional shift from product based to service based
- Patient self-management
- Ageing population
- Increased policies directed at preventative services
- Sharing of electronic health data
- 6th Community Pharmacy Agreement

The sixth Community Pharmacy Agreement effective from June 2015 has resulted in the move away from reimbursement being dependant on cost of medication (through essentially the deletion of the mark-up component). There has also been an increase in funds for professional services. Differentiation in terms of the professional and business models favouring health service provider model are predicted. The impact of all these factors on community pharmacy business and professional practice, and on individual community pharmacists and their supporting infrastructure, are still generally unclear but one would expect acceleration in transition models. What is clear is that community pharmacist employees, community pharmacy owners and managers, and the pharmaceutical industry cannot continue with the current business and professional model.

Business models in community pharmacy are differentiating; driven initially by the retail success of the discounters, but now accelerated by the expected decline or at best maintenance of profits from dispensary income and the recent appearance of new professional service models. The depth of knowledge and impact of these coming changes and on and by individual pharmacy owners and employees is uncertain. In addition the King Review’s discussion paper has amplified the instability of the pharmacy environment. The review has posed 140 questions that challenge everything from location and ownership rules to other arrangements that apply to pharmacy and wholesalers for the dispensing and supply of medicines and other services, thus further enhancing the sense of uncertainty amongst the pharmacy profession. Concurrently, the business model used by many pharmaceutical companies for acquiring loyalty, market share and sales i.e. pure discounting mechanisms, is changing. Accompanying all these changes has been much debate in the scientific literature, professional and trade journals and professional pharmacy and other stakeholder organisations, of the potential impact that these changes will have on the pharmacy industry as a whole. An understanding of the perceived and the eventual impact of all these changes and their future effect on the professional and business strategy concerns many players including:

- Community pharmacy owners and practitioners
- Pharmaceutical companies and manufacturers (branded and generic)
- Pharmaceutical wholesalers
- Professional organisations
- Pharmacy educators and researchers
- State and federal governments
- Finance industry including banks, lending institutions and investors

All these stakeholders require accurate and timely feedback on how this $15 billion industry is thinking, changing and how it is likely to evolve.
The UTS Community Pharmacy Barometer™

UTS: Pharmacy and QuintilesIMS developed the Community Pharmacy Barometer in response to sector challenges and perceived gaps in knowledge of the impact upcoming changes may have on pharmacy business and professional practice.

The UTS Community Pharmacy Barometer™ is the first comprehensive research tool available to all the stakeholders in the Australian Pharmacy sector designed to track the confidence, perceptions and opinions of pharmacy owners and employees. On an annual basis, the UTS Community Pharmacy Barometer™ tracks the viability of the pharmacy business, the profession, perceptions and opinions of the impact of the coming changes on the current and future value of pharmacies as well as researching in depth a key topic at each wave.

The UTS Community Pharmacy Barometer™ measures opinions, perceptions, potential behaviours and ideas with data and verbatim comments from pharmacists and expert commentary from key leaders of Australian Pharmacy. The expert panel includes, Head of the UTS Graduate School of Health and Professor of Pharmacy Practice, Professor Charlie Benrimoj; UTS Adjunct Professor John Montgomery; Pharmaceutical Society of Australia (PSA) Director, Warwick Plunkett; and State Manager NSW & ACT, Bankwest Business, Mario Saia. In 2016 we have added to the expert panel General Manager and Director, QuintilesIMS Australia and New Zealand, Andrew Sutton and Engagement Manager - Primary Intelligence, QuintilesIMS Australia and New Zealand, Kai Meischke.
The questions were designed to assess the confidence of pharmacists in their business in the short-term (one year) and medium-term (three years). The first wave report was completed in April 2012 with the additional topic focusing on Expanded and Accelerated Price Disclosure (EAPD). One of the most interesting findings in the inaugural study was the positive feedback surrounding a service-based model. The focus of the second wave, completed in October 2012, was therefore decided to be on service provision in community pharmacy. The third wave, completed in October 2013, delved deeper into a specific range of services, focusing on minor ailment services. In the fourth wave, the topic of the sixth Community Pharmacy Agreement was addressed during the period of its negotiation, followed by wave five exploring the sixth Community Pharmacy Agreement post ratification. Wave six continues to assess the implications of the sixth Community Pharmacy Agreement twelve months on whilst simultaneously examining questions posed in the Review of Pharmacy Remuneration and Regulation discussion paper, “the King Review” and examining pharmacist perceptions of the potential collaboration between pharmacists and general practitioners.

The 2016 survey for UTS Community Pharmacy Barometer™ was created in collaboration with QuintilesIMS, University of Technology Sydney pharmacy expert panel and Bankwest financial experts.

Data collection occurred in September 2016, with an invitation to participate in the online survey emailed to the pharmacists on the QuintilesIMS online panel (a sample from the panel of 1,000 pharmacists that is nationally representative of the general community pharmacy population). Participants included those who identified themselves as working in community pharmacy (majority of the time), and were either an owner (14%), owner/manager (36%), pharmacist-in-charge/pharmacy manager (35%) or employed pharmacist (15%). The questionnaire also captured the type of pharmacy in which the pharmacist worked (independent [48%], banner [38%] or buying group [14%]).

The sample was increased to 362 pharmacists in 2016 in order to have ±5% marginal error with 95% confidence interval, with the sample being representative of the Australian community pharmacy sector. Open-text questions were coded into themes that could aggregate the main topics raised by the pharmacists. Tables were produced for all questions with the following groups: Type of pharmacist: Owner [combination of owner & owner-managers] vs. Employed [combination of pharmacist-in-charge & employed pharmacist]; and Type of pharmacy: Independent vs. Group [combination of banner and buying groups].

Certain questions were only offered to ‘decision makers’ (owner, owner-managers and pharmacist-in-charge/pharmacy manager n=307). The data were tested for statistically significant differences (z-tests for proportions and t-tests for means; both using a 95% confidence interval). Certain questions were analysed as cross-tabs, to investigate potential relationships and themes.
The UTS Community Pharmacy Barometer™ measure was derived using the following questions:

1. Do you believe the value of your pharmacy will increase, decrease or remain the same in the next year?
2. Do you believe the value of your pharmacy will increase, decrease or remain the same in the next 3 years?
3. On a scale of 1 to 10 where 1 is extremely pessimistic and 10 is extremely optimistic, how confident are you in the future viability of community based pharmacy?

The first two questions were only asked of ‘decision makers’ (owner, owner-managers and pharmacist-in-charge/pharmacy manager n=307), while the third was asked of all pharmacists (n=362). For the calculation of the Barometer measure only those who answered all three questions were included (n=253).

For each of the first two questions above, responses were assigned the following values:

- Increase = 2
- Remain the Same = 1
- Decrease = 0

The sum of the values was calculated for each question and the sum divided by the total number of pharmacists who selected one of the three options for that question (i.e. an option other than ‘not sure’).

For the third question responses were assigned the following values:

- Optimistic (rating of 8-10) = 2
- Neutral (rating of 4-7) = 1
- Pessimistic (rating of 1-3) = 0

The first two questions provided insights into the ‘value’ pharmacists’ foresee for their pharmacy and the third gives an emotional insight into their confidence in the future. We used ‘value’ + ‘emotional insight’ = ‘Pharmacy Barometer’ as the basis for providing a 50% weighting to the two value questions and a 50% weighting to the emotion (pessimism - optimism scale) question. As the first question refers to ‘next year’ (more immediate) and the second to ‘next three years’ (further away, shadowed with uncertainty), the 50% weighting for ‘value’ as 35% for next year and 15% for three year timeframes. The UTS Community Pharmacy Barometer incorporates these three weighted scores.

In 2016 we have added 5 questions posed by the “Review of Pharmacy Remuneration and Regulation- King Review”.

1. To what extent do you agree or disagree with this statement?
   The dispensing fee remuneration should more closely reflect the level of effort in each individual encounter through having tiered rates according to the complexity of the encounter

2. a) Currently community pharmacists have discretion over some charges. For subsidised PBS prescriptions, should community pharmacists be able to charge consumers above the ‘dispensed price’ for a medicine in some circumstances?

3. a) Should community pharmacists be allowed to discount medicines in some circumstances?

4. a) Should there be limitations on some of the retail products that community pharmacies are allowed to sell?

5. a) Would a community pharmacy that solely focused on dispensing, medicines and professional services provide an appropriate or better health environment for consumers than current community pharmacies?

b) Would such a pharmacy be?
   - Attractive to the public?
   - A viable pharmacy?

b) Please comment
Members of the UTS Community Pharmacy Barometer Expert Panel

**Professor Shalom (Charlie) Benrimoj**  
Head, Graduate School of Health & Professor of Pharmacy Practice, University of Technology Sydney and Emeritus Professor, the University of Sydney.

Professor S.I. (Charlie) Benrimoj B.Pharm (Hons), Ph.D. F.P.S., FRPSGB, FFIP is Head of the Graduate School of Health University of Technology Sydney 2011 to present). He was the Foundation Professor of Pharmacy Practice, Dean of the Faculty of Pharmacy and Pro-Vice Chancellor (Strategic Planning) University of Sydney. He is a visiting professor at the University of Granada. He graduated with B. Pharm. (Hons) 1976, followed by completion of a Ph.D. 1980, University of Bradford, U.K. His research interests encompass the future of community pharmacy and professional cognitive pharmaceutical services from community pharmacy. These include the provision of drug information to consumers, clinical interventions, patient medication reviews, disease state management systems, Pharmacy and Pharmacist only medications, change management and international pharmacy practice. Research interests involve the clinical, economic and implementation aspects of cognitive pharmaceutical services from community pharmacy in current and emerging health care systems. He has published over 170 papers in refereed journals, 20 major research reports and presented and co-authored 200 conference presentations. He has co-authored a book "Community Pharmacy: Strategic Change Management" (2007). He was the Australian Pharmacist of the year in 2000. He was awarded the Andre Bedat in 2010 by International Pharmacy Federation (FIP). He was elected a Fellow of three distinguished international and national societies in 2008 - Pharmaceutical Society of Australia, 2008 - Royal Pharmaceutical Society of Great Britain, 2007 - International Pharmacy Federation.

**Adjunct Professor John Montgomery**  
John Montgomery has over 35 years’ experience in the pharmaceutical industry including the US, UK, Australia and Japan. John was CEO of Alphapharm and Regional Director, Asia Pacific for Merck Generics, and then President, Mylan Asia Pacific from 1999 to 2010. Since then, John was General Manager of Pfizer Established Products for Australia and NZ and then Managing Director of STADA Pharmaceuticals Australia. Before Alphapharm, he spent 20 years with Warner Lambert in a variety of roles including Regional President Australia and NZ. He was Chairman of the Generic Medicines Industry Association (GMiA) for 5 years.

**Warwick Plunkett**  
Director and Past-President, Pharmaceutical Society of Australia.

Warwick Plunkett is a director of the PSA, having served as National President. He is also proprietor and partner in Newport Pharmacy on Sydney’s northern beaches, former CEO of Plunkett Pharmaceuticals and a consultant to a pharmaceutical company. As a director of PSA, Warwick has a day-to-day involvement in the broad scope of all matters involving pharmacists but on a personal level he lists his three main areas of interest as being community pharmacy, organisational pharmacy and the pharmaceutical industry. His major achievements include the establishment of the Self Care program, and the unification of PSA.

**Mario Saia**  
State Manager NSW/ACT, Bankwest Business

With a career in financial services spanning over 20 years, Mario has an extensive range of financial experience gained working mostly in institutional, corporate and business banking, both in relationship and risk management, including working offshore. Prior to joining Bankwest as State Manager NSW/ACT in February 2013, Mario held the role of Regional Executive Manager in the Corporate Division of the Commonwealth Bank.
Andrew Sutton
General Manager, QuintilesIMS Australia and New Zealand
Andrew Sutton is the General Manager of QuintilesIMS in Australia and New Zealand, based in Sydney. He has over 20 years’ experience in the healthcare industry working in Australia, North America and SE Asia. Early in his career, Andrew spent six years with KPMG in Sydney and New York and then joined The Boston Consulting Group. His casework covered the full breadth of corporate strategy and operations for more than 30 companies in seven countries. Experience includes leading a regional project team to manage the merger integration for the creation of one of the world’s largest pharmaceutical companies and managing a nine month corporate restructuring program for one of Asia’s largest healthcare conglomerates. After leaving BCG, Andrew spent four years with AstraZeneca as Head of Strategy. In 2008, he joined Novartis as Director of Marketing and Sales Operations and was a member of the Novartis Group Executive team until 2013.

Kai Meischke
Engagement Manager, QuintilesIMS Australia and New Zealand
Kai Meischke is an Engagement Manager at QuintilesIMS, helping clients in consumer health, pharmaceutical and medical technology companies with customer insights on brand positioning, communication evaluation, and sales force effectiveness. He has 8 years’ experience working in market research and worked in many different therapy areas. For two of the biggest therapy areas, asthma and diabetes, Kai used mixed methodology online research communities, and published an article in Research News on this methodology. Other methodologies Kai has experience with are in-depth interviews, focus groups and quantitative surveys. His qualifications include an MA from Leiden University and post-graduate certificates in Marketing from the University of Sydney and in Pharmaceutical Market Research from the University of Georgia.
The UTS Community Pharmacy Barometer™ is an annual study to track the confidence and opinions of pharmacy owners and employees as well as an in-depth investigation of key current topics. The focus topic for this study is the ongoing delivery of the sixth Community Pharmacy Agreement, the Review of Pharmacy Remuneration and Regulation (“The King Review”) and the assessment of the relationship between pharmacists and general practitioners.

The barometer survey was conducted in September 2016, with 362 pharmacists responding, drawn from the QuintilesIMS panel.

Results:
> The UTS Pharmacy Barometer™ score was 85.9 out of 200 (a score of 100 represents neutral confidence) indicating community pharmacy confidence continues to remain steady and neutral about the future of pharmacy, following a previous boost in confidence when the 6th CPA was signed.

> The overall confidence has decreased 3% in the past year, returning to the fairly neutral values seen when the Barometer began in 2012 (84.8 in wave 1 and 86.0 in wave 2). While increases were anticipated, the neutral stance remains, potentially as pharmacists wait to see the full impact of the 6th CPA. Confidence has dropped from last year (93.2 in wave 5) but remains above the previously pessimistic turn experienced in years 2013 and 2014, (61.2 in Wave 3 and 68.9 in Wave 4).

> Similar to the previous year, the percentage of pharmacists that indicated that they believe the value of their pharmacy in the next year remains the same (37% in wave 6, 38% in wave 5, up from 27% in wave 4 and 24% in wave 3), or decrease in value (37% in wave 6, 36% in wave 5, down from 57% in wave 4 and 63% in wave 3) while less believe their pharmacy will increase in value (16% in wave 6, down from 19% in wave 5 but still greater than 11% in wave 4 and 6% in wave 3).

> Pharmacists’ predictions of the value of their pharmacies in three years’ remained consistent with 2015 values suggesting they still hold some sense of optimism while waiting for the full effects of the 6th CPA to be seen. Slightly more pharmacists believe their pharmacies will remain the same (28% in wave 6, versus 26% in wave 5), while less believe they will increase in value (2% in wave 6, versus 22% in wave 5), with the same number believe their pharmacies will decrease in value (37% in wave 6 and 5) or were unsure (16% in wave 6 versus 15% in wave 5).

> The 16% of pharmacists who predicted their pharmacies would increase in value in the coming twelve months believed on average the value increase would be 21.1%, the highest seen yet, an improvement compared to 13.1% in wave 5.

> The expected value decrease in the next twelve months predicted by pharmacists (37%) returned to previous years predictions -17.7% with the bounce back seen last year losing momentum (-14.8% in wave 5).

> The expected change in value of their pharmacy in three years’ time, by pharmacists who believe their pharmacies will increase in value, has increased to a record high (20.4% in wave 6 versus 16.1% in wave 5). However the expected decrease in value of pharmacies in three years by those that predicted their pharmacies would decrease in value remained about the same (-18.7% in wave 6 versus -18.1% in wave 5).
Overall pharmacists remained neutral (mean of 5.87 out of 10, SD: 2.34), about the 6CPA dispensary remuneration change, from a mark-up to a fixed administration and handling & infrastructure fee.

The majority of pharmacists were neutral (5.92 out of 10, SD: 2.01) about the likelihood of changing their business model as a result of the 6CPA, with owners demonstrating the most inclination to do so (6.06 out of 10).

Pharmacists indicated the direction of a business model change as strongly orientated towards a health destination service based model (84%), over a dispensary based model (36%), or a discount model (36%).

Majority of all pharmacists are neutral: neither satisfied nor dissatisfied, about the sixth Community Pharmacy Agreement on an economic level (5.27 out of 10, SD: 1.83. With owner/owner managers having the greatest level of satisfaction whilst still remaining neutral (5.55 out of 10).

Similarly, pharmacists expressed a neutral (5.51 out of 10, SD: 1.89) opinion on their satisfaction with the 6CPA on a professional level.

59 % of Pharmacists stated that in the previous twelve months they have started to implement new professional services compared with 14% "no" and 27% "no change".

There remains a level of uncertainty in the security of the future of community pharmacy after the signing of the sixth Community Pharmacy Agreement, when it was expected to make the system more secure. Compared to 2015 there has been a 14% drop in pharmacists feeling more secure and a 9% rise in those feeling less secure. Overall pharmacists remain about the same in their level of satisfaction (65%) with the 6CPA after 18 months.

Over two thirds of pharmacists indicated there has been no remuneration change in the last year, with three quarters of pharmacists indicating that they earned between $30-$40/hour.

Pharmacist support towards a tiered payment rate based on effort of interaction was neutral (5.64 out of 10, SD: 3.03), with pharmacist managers/pharmacist in charge (6.06) and employed pharmacists (6.00) demonstrating greater eagerness when compared with owner/owner managers (5.23).

Greater support was demonstrated for pharmacists being able to charge above the dispensed price for medicines yet still remained at an overall neutral view (6.22 out of 10, SD2.81). However notably, pharmacists disagreed with being able to discount medicines (3.55 out of 10, SD: 2.37), with owner/owner managers most opposed (3.01) followed by pharmacist manager/pharmacist in charge (3.88) and employed pharmacists (4.55).

Additionally pharmacists expressed a neutral view (4.99 out of 10, SD: 3.17) with the possibility of limitations on the sale of some retail products in community pharmacy neither agreeing nor disagreeing.

Largely pharmacists believe they have a good (54%) if not excellent (30%) relationship with their main prescribing general medical practitioner with over 84% indicating good/excellent relationships and less than 2% indicating poor relations.

The concept of pharmacists working in medical practices was generally supported by all pharmacy types (49% owners/owner managers supported, 63% of pharmacy managers/pharmacists-in-charge, and 80% of employed pharmacists).

Opinion was split on a local community pharmacist working on a sessional basis or a pharmacist being employed by the GP surgery. It appears both models should be trialed.

Pharmacists remained fairly neutral on the benefit of solely focused dispensing, medicines and professional services pharmacies to improve health outcomes for consumers (5.97 out of 10, SD: 2.83). With a 50/50 split in support of this model being attractive to the public. However only one quarter of pharmacists believed it to be a viable business model (24%) with majority indicating it to be unsustainable (46%).
“Will the value of your pharmacy increase, decrease or remain the same at one year and three years from now?”

**Expert commentary**

“No big surprise here. Pharmacists still digesting the 6CPA and awaiting the King Review.”

**John Montgomery**

“Amazingly consistent, only very slight decline in people’s pessimism in the value of their pharmacy. Despite what has happened in the last twelve months it does not yet appear to have dramatically changed people’s views.”

**Warwick Plunkett**

“This year we see virtually no change in the expected value of pharmacy in 1 year or in 3 years from now, with close to 4 in 10 pharmacists thinking the value of their pharmacy will remain the same.”

**Kai Meischke**

“Feedback on perception of value by existing owners correlates with trends we have recently observed in the market. John’s comment also resonates, with developments being keenly observed.”

**Mario Saia**

Wave 6 of the UTS Community Pharmacy Barometer shows no marked change in pharmacists’ belief on the value of their pharmacy in the twelve months ensuing from wave 5 in 2015. While there was an optimistic shift at wave 3 in 2013 and wave 4 in 2014, the opinion of pharmacists has remained fairly consistent between waves 5 and 6. Pharmacists (owners, owner managers, pharmacy managers and pharmacist-in-charge) are indicating that they believe the value of their pharmacy will remain the same (39% in wave 6, 38% in wave 5), or decrease in value (37% in wave 6, 36% in wave 5) in the next year, and less believe the pharmacy will increase in value (16% in wave 6, down from 19% in wave 5). The percentage in the “unsure” category has remained stable, at 8%.

**Figure 1: Expected value of pharmacy in the next year**

- Wave 5 (2015):
  - Not sure: 7%
  - Decrease: 36%
  - Remain the same: 38%
  - Increase: 19%

- Wave 6 (2016):
  - Not sure: 8%
  - Decrease: 37%
  - Remain the same: 39%
  - Increase: 16%

*Note: Answered only by Owners, Owner managers, Pharmacy managers and Pharmacist-in-charge; n=307.*
Pharmacists’ predictions of the value of their pharmacies in three years’ time continues to follow the trend of the stabilisation of their financial situation with little to no change being observed between wave 5 and 6. There was a small decrease in the percentage of pharmacists who believed their pharmacies will increase in value (20% in wave 6, versus 22% in wave 5), while there was an increase in those that believe their pharmacies will remain the same (28% in wave 6, versus 26% in wave 5). No change was seen in those believing their pharmacies will decrease in value (37% in wave 6 and 5), though a 1% increase was seen in those who were unsure (16% in wave 6, versus 15% in wave 5).

The similarity between findings in wave 5 and 6 suggests that pharmacists are still hopeful of the ability of the sixth Community Pharmacy Agreement to provide stability in the pharmacy sector, yet uncertainty may be developing with a greater proportion of pharmacists feeling less secure than twelve months ago (see figure 12). The main shift appears to be from those that believe their pharmacies will remain the same in twelve months to being unsure at three years’ time. This may suggest that there is lack of confidence around the sustainability of the terms over the duration of the agreement and that the full impact of the agreement has not yet come into effect or that policies outside the 6CPA are affecting the response; negating the positive effects of the 6CPA.
Expert commentary

“There’s a small group that’s working the system very well and taking advantage of changes but the bulk of pharmacists do not appear to be reacting to the inevitable changes.”

Charlie Benrimoj

“Whilst the earnings profile of some pharmacies might stay the same, some valuers may adopt a more conservative view because there are still a lot of balls up in the air.”

Mario Saia

One third of the respondents who believed the value would change felt there would be an increase in value in the next twelve months. Those pharmacists that predicted their pharmacies would increase in value believed on average the value increase would be 21.1%, which is an 8% increase compared to 13.1% in wave 5 (2015). However, two thirds of pharmacists predicted their pharmacies would decrease in value in the next year, expecting on average the percentage value decrease to be -17.7%, which is more than twelve months ago (-14.8% in wave 5) but on par with wave 4 (-17.7% in wave 4).

It appears pharmacists are feeling less financially secure after the signing of the sixth agreement, indicating a greater sense of uncertainty in the viability of pharmacy in the future.

### Table: Average changes in value expected in the next year

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<td><strong>Responders who think the value will INCREASE (n=50 in this wave)</strong></td>
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<td>Average INCREASE</td>
<td>15.0%</td>
<td>10.0%</td>
<td>17.0%</td>
<td>9.7%</td>
<td>13.1%</td>
<td><strong>21.1%</strong></td>
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<tr>
<td>Maximum</td>
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<td><strong>50%</strong></td>
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<td>Minimum</td>
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<tr>
<td><strong>Responders who think the value will DECREASE (n=112 in this wave)</strong></td>
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<tr>
<td>Average DECREASE</td>
<td>-16.0%</td>
<td>-17.0%</td>
<td>-20.0%</td>
<td>-17.7%</td>
<td>-14.8%</td>
<td><strong>-17.7%</strong></td>
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<tr>
<td>Maximum</td>
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<td><strong>70%</strong></td>
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<tr>
<td>Minimum</td>
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<td><strong>5%</strong></td>
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Expert commentary

“It’s good to see a small core of pharmacists who are bullish on their medium term future and believe that the value of their businesses will increase by 20%+.”

John Montgomery

“We are seeing a smaller number of people saying they are going to do really well, and then there are the ones that are going to decrease that are just decreasing over time at the same rate”.

Charlie Benrimoj

“Certainly the ones that are wallowing in the decrease story are not changing their view very much, and the ones that are thinking right are on top of this and are doing well with a new model.”

Warwick Plunkett

“There are some elements where the perceived value from the owner’s perspective is going up because they can see they are earning more money, seeing gross profits stabilise and their margins doing okay. However, from an independent perspective, say prospective purchasers, they would be more pessimistic because they are not necessarily seeing overall increased value.”

Mario Saia

Figure 4: Average changes in value expected in the next 3 years

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<tr>
<td>Average INCREASE</td>
<td>18.0%</td>
<td>15.0%</td>
<td>17.0%</td>
<td>16.8%</td>
<td>16.1%</td>
<td>20.4%</td>
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<td>Maximum</td>
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<td>Minimum</td>
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<tbody>
<tr>
<td>Average DECREASE</td>
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<td>-20.0%</td>
<td>-24.0%</td>
<td>-23.8%</td>
<td>-18.1%</td>
<td>-18.7%</td>
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<td>Minimum</td>
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<td>2%</td>
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The expected increase in value of their pharmacy in three years’ time, by one third of pharmacists who believe their pharmacies will increase in value, has increased to 20.4% in wave 6 - the highest increase seen yet. While the two thirds of pharmacists who predicted their pharmacy will decrease in value in three years’ time has remained fairly stable with the expected percentage decrease to be -18.7% in wave 6 versus -18.1% in wave 5, another indication that the implications of the 6CPA have not yet come into effect. This demonstrates that pharmacists remain uncertain about the future, with majority of respondents indicating a likely decrease in value.
The view from pharmacy
Pharmacists were asked to indicate the reasons for their predicted change in the value of their pharmacy with responses in 2016 following 2015 trends. Interestingly the King Review featured prominently as a reason for potential decreases in pharmacy value, while failing to be mentioned as a contributing predictor to increases in value.

Predicted an increase in value
The most prominent themes for those that predicted an increase in value were:

> Increased service offering
> Location/demographics of pharmacy
> Population growth
> Professional services
> Public awareness of services

“Increasing consumer awareness of their own health”
“Greater emphasis on remunerated services and less front of shop sales”
“Integration of care with other healthcare providers”
“Improving professional service offering and increasing social media profile”
“Suburb growth”
“More professional services, more primary health involvement”
“Young families moving into the area”
“General raise in the business value plus upgrade of the pharmacy role in the society”
“Strong buying power of being part of a big group”

“Quality service offering in local area”
“Improved efficiencies enhancing prescription and customer growth”
“Growth of professional services offered (flu shots, medical certificates and private programs)”
“Addressing the needs of the ageing population”
“Increased services resulting in increased profitability, coupled with low reliance on generic substitution and so, PBS reforms are less impactful than industry standard”
“Accumulative benefits of 6CPA through enhancement of pharmacy efficiency”
Predicted a decrease in value

The most prominent themes for those that predicted a decrease in value were:

> Competition, particularly from discounter
> Government reforms- the King Review
> PBS cuts
> Reduced medication pricing (price disclosure)

“Reduced profitability and increased cost of business”
“Lower remuneration levels for PBS subsidised medication and heavy reliance on over the counter sales which can deter from healthcare provision”
“Negativity surrounding the King Review”
“Erosion of sales to Discount Pharmacies and reduced prescription margins as result of co-payment discounting and exclusion of originators in respect to price disclosure calculations”
“Reduced remuneration from dispensing of prescriptions”
“Decreasing profit from generic substitution, less drugs coming off patent, caps on government incentives, increasing rent from landlords and staff wanting better pay conditions”
“Decreased in cash flow and increase in external expenses”
“Pharmacy review discussion paper”
“New competitors entering the market”
“Government reforms and the potential for deregulation”
“Price drops, negative competition from supermarkets, online stores and discounter”
“Increasing market share of large pharmacy groups, eroding the market for independent pharmacies”
“Profitability eroded due to an emphasis on price”

Expert commentary

“Interestingly in the ones that think they are going to increase no one mentions anything about the King Review, but if you look at the ones that are going to decrease, the King Review is mentioned quite a bit. I wonder why, as the King Review also includes positive questions that provide opportunities for pharmacists?”

Charlie Benrimoj

“Great opportunity for young pharmacists to purchase some of these negative pharmacies.”

Warwick Plunkett
Confidence in the future

“On a scale of 1 to 10 where 1 is extremely pessimistic and 10 is extremely optimistic, how confident are you in the future viability of community based pharmacy?”

Expert commentary

“Overall pharmacists seem to be in a holding pattern in relation to confidence. Still buffeted by the constant change around them with their confidence held up by an underlying resilience.”

John Montgomery

“When the agreement came in there was a thought that everything was going to be better, but twelve months on everything is not better and we are seeing a shift back. That initial enthusiasm is gone! The question is whether the decline in pessimism will continue for the duration of the 6CPA”

Charlie Benrimoj

“This reflects that nothing much has changed for the better as a result of the 6CPA.”

Warwick Plunkett

Since September 2015 there has been a 4% increase in the pessimistic view of pharmacists’ confidence in the future viability of community pharmacy, with one fifth of pharmacists now feeling this way. The pessimistic ratings between 1 and 3 have increased (20% in wave 6 up from 16% in wave 5), and optimistic scores between 8 and 10 have decreased (14% in wave 6 down from 18% in wave 5). Neutral ratings between 4 and 7 have remained constant for two years at 66% in both wave 5 and 6.

On average the overall confidence was 5.3 maintaining a fairly neutral rating which is not dissimilar from the previous year (wave 5, 5.6). These figures remain closely aligned with wave 1 (5.4) and wave 2 (5.7). Following price disclosure there was a decrease in overall confidence in wave 3 (4.8), and wave 4 (5.05). It is pleasing to see that the display of confidence being restored from last year has remained strong at a fairly neutral level, with pharmacists indicating neither hope nor despair for the future.

There was a trend for employed pharmacists (5.29) and pharmacy manager/pharmacist-in-charge (5.07) to have lower confidence in the future viability of community pharmacy compared to owner/owner managers (5.52). However no significant differences existed between any of these groups. When assessing confidence based on the type of pharmacy, again no significant differences existed between independent pharmacies (5.42), being part of a buying group (5.10) or being part of a banner group (5.30). Consistent findings across type of pharmacy and pharmacist further cement the view of a provision of stability with an overall neutral confidence in the viability of community pharmacy.
Twelve months on from the signing of the 6th CPA it was expected that pharmacists’ confidence would have increased. However, pharmacists’ confidence has decreased in the past twelve months with the UTS Community Pharmacy Barometer score decreasing to 85.9 out of 200. When the Barometer began in 2012 a slightly negative although fairly neutral Barometer score was recorded (84.8 in wave 1 and 86.0 in wave 2). Subsequently a pessimistic turn occurred (61.2 in Wave 3 (October 2013) and 68.9 in Wave 4 (October 2014)) before bouncing back to a high of 93.2 in wave 5. In this latest Barometer the score has remained at a neutral stance slightly negative at 85.9. One can conclude that the 6th Agreement has done little to ease the instability of the community pharmacy sector. This may be due to pharmacists being uncertain about the effects of the agreement and/or not yet being able to see the effects of the agreement in action.

**Figure 6: UTS Community Pharmacy Barometer Index (n=253)**

Twelve months on from the signing of the 6th CPA it was expected that pharmacists’ confidence would have increased. However, pharmacists’ confidence has decreased in the past twelve months with the UTS Community Pharmacy Barometer score decreasing to 85.9 out of 200. When the Barometer began in 2012 a slightly negative although fairly neutral Barometer score was recorded (84.8 in wave 1 and 86.0 in wave 2). Subsequently a pessimistic turn occurred (61.2 in Wave 3 (October 2013) and 68.9 in Wave 4 (October 2014)) before bouncing back to a high of 93.2 in wave 5. In this latest Barometer the score has remained at a neutral stance slightly negative at 85.9. One can conclude that the 6th Agreement has done little to ease the instability of the community pharmacy sector. This may be due to pharmacists being uncertain about the effects of the agreement and/or not yet being able to see the effects of the agreement in action.

**Expert commentary**

“Just minor disappointment. There is still a sense of let’s wait and see.”

Warwick Plunkett

“We are back to 2012 levels of pessimism. That’s a disappointment when the service opportunities are growing and government policy is driving the profession to primary health care.”

Charlie Benrimoj

“Do pharmacists actually know how to get the most out of the 6CPA? There are opportunities but it’s knowing how to effectively tap into that.”

Mario Saia
“Where do you see the greatest opportunities for community pharmacy over the next three years?”

Expert commentary

“Once again professional services are seen to be the greatest opportunity. Is this a failure of the professional organisations to provide an economical sustainable model that allows these pharmacists to take the opportunity or is it the fundamental change in business model too complex while under pressure from the discounters? Strategic decisions with operations leadership need to be taken or we will continue in this way.”

Charlie Benrimoj

“Professional services have been identified as the greatest opportunity for several Pharmacy Barometers. One wonders whether this is more a hope than a reality.”

John Montgomery

Professional pharmacy services were once again identified as the greatest opportunity for community pharmacy over the next three years, with the growth of this sentiment being increasingly expressed across all years of the UTS Community Pharmacy Barometer. Pharmacists saw value in government funded health initiatives continuing to expand from those already in existence (MedsChecks, medication reviews, staged supply, dose administration aids and clinical interventions), with many highlighting specific services such as vaccinations, BP/cholesterol/coagulation monitoring, health checks, screening services, medication management, asthma management, expanded diabetes services, sleep apnea, weight management, smoking cessation.

Other opportunities encompassed the specialisation of pharmacists’ roles, development of interdisciplinary healthcare teams/alliances, enhancement of role in primary healthcare, growth of pharmacy and pharmacist only medicines, pharmacist prescribing, health destination pharmacies, minor ailment schemes, wound management, compounding and working with the medication profession. A small number of pharmacists continued to see opportunity in increasing dispensary income through Webster packing and the ageing population. Responses also included comments by those who saw no opportunities over the next three years.
Sixth Community Pharmacy Agreement

Background
The viability of community pharmacy relies heavily on the Community Pharmacy Agreements, which are negotiated by the Pharmacy Guild of Australia and the Australian Government every five years. Traditionally community pharmacy agreements are largely based around dispensing fees and mark-up of pharmaceutical care benefits. In the past these agreements permitted trading terms with pharmaceutical suppliers. Following the fifth agreement the government introduced a number of policies including Expanded and Accelerated Price Disclosure (EAPD) which had obvious negative impacts on the commercial future of the industry. In addition as part of the fifth agreement dispensing fees were frozen. However, separate to dispensing remuneration each agreement has seen an increased shift of funds being allocated to the remuneration of professional pharmacy services. The sixth agreement was seen by many stakeholders as critical to the future economic viability and professional identity of the profession.

Key elements of the agreement included:
> A modification in the payment method for dispensing, from a dispensing fee + mark-up to dispensing fee + fixed administration and handling & infrastructure fee
> The Community Services Obligation continued, but remained fixed without indexation
> An additional $600 million of funding be provided for professional pharmacy services, with $50 million for a Pharmacy Trial Program for new services
> A number of reviews have been agreed on;
  - Location rules
  - Wholesaler remuneration
  - Evaluation of 5CPA professional programs

A significant impact of the changes was stabilisation of pharmacies’ dispensary remuneration. Essentially the remuneration was separated from medicine pricing. In addition the increase in funds allocated for professional pharmacy services continued into the sixth agreement. An addition $600 million has been allocated to professional pharmacy services, taking the total up to $1.2 billion. The continuation of existing services funded under the fifth agreement will receive $600 million. A new Pharmacy Trial Program will receive $50 million to fund a number of trials to improve patient outcomes and seek to expand the role of pharmacy in delivering a wider range of primary healthcare services with an additional $600 million allocated to support a range of new and/or expanded programs based on recommendations of an independent health technology assessment body. In September 2016 the money allocated to support Pharmacy Trial Programs has yet to be allocated.
“As a result of the 6th CPA, do you agree with the change of payment for dispensing, from a model of dispensing fee + mark-up to dispensing fee + fixed handling and admin fee?”

**Expert commentary**

“We can see that the move away and impact of retail approach of a ‘mark-up’ on an agreed cost price is a difficult concept for pharmacist to support.”

Charlie Benrimoj

“Pharmacists relative neutrality about this important change is surprising. I would have expected to see a more positive view. Given the price disclosure price cuts in the last year, they are much better off under this model than the previous one.”

John Montgomery

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**Figure 7a: Opinion about changes to dispensing payment methods by pharmacist type (n=362)**

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<th>Type</th>
<th>Mean</th>
<th>SD</th>
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<td>Owner/Owner Managed (n=181)</td>
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<td>Pharmacist Managed/Pharm-in-charge (n=126)</td>
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<td>Employed pharmacist (n=55)</td>
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<tr>
<td>All (n=362)</td>
<td>5.87</td>
<td>2.34</td>
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</table>

*No statistically significant difference between W5 (Sep 2015) and W6 (Sep 2016)*

**Figure 7b: Opinion about changes to dispensing payment methods by type of pharmacy**

<table>
<thead>
<tr>
<th>Type</th>
<th>Mean</th>
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<tr>
<td>Independent (n=172)</td>
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<tr>
<td>Part of a buying group (n=52)</td>
<td>5.69</td>
<td></td>
</tr>
<tr>
<td>Part of a banner group (n=138)</td>
<td>5.80</td>
<td></td>
</tr>
<tr>
<td>All (n=362)</td>
<td>5.87</td>
<td>2.34</td>
</tr>
</tbody>
</table>

*No statistically significant difference between W5 (Sep 2015) and W6 (Sep 2016)*
Pharmacists were asked their opinion of the changes made to dispensary remuneration under the sixth agreement, from a dispensing fee plus mark-up to a dispensing fee plus fixed administration and handling & infrastructure fee. Overall pharmacists were neutral about the change with a total sample mean of 5.87 out of 10 (SD: 2.34), on a scale from 1 being strongly disagree to 10 strongly agree, similar to 2015 where 60% of pharmacists were neutral. Continuing to follow last year’s trend, there were statistically significant differences in opinions between all pharmacist types, owners/owner managers agreeing more with the change (6.48), to pharmacy managers/pharmacists-in-charge (5.42) and employed pharmacists (4.89). A similar percentage of pharmacists appeared neutral to the change in dispensing remuneration model. When examining pharmacists’ opinion based on type of pharmacy the neutral stance remained with no significant differences demonstrated between independent pharmacies (5.98), being part of a buying group (5.69) or part of a banner group (5.80).

With remuneration from dispensing being a fundamental contributor to economic viability, it appears pharmacists continue to remain unsure as to whether the change of payment of dispensing is a positive step, with the majority remaining neutral. Owners are most positive probably due to the stabilising effect on income; however this has seen a slight downwards shift since 2015 where they held a more optimistic opinion (7.06 in wave 5).
“As a result of the 6th CPA, have you made any changes to your business model?”

Pharmacists overall remain neutral about having made any significant changes to their business model following the introduction of the 6th CPA (5.92). Pharmacists continued to follow the trend from 2015, where 57% were neutral to making changes to their business model compared with 66% in 2016. While 33% of pharmacists indicated they were likely to change their business model in 2015, only 21% of pharmacists have changed their business model in 2016. The proportion of pharmacists who were unlikely to change their model in 2015 (10%) is consistent with 2016 findings (13%). Comparisons between pharmacist type and type of pharmacy show no major variations in findings. Being part of a buying group (6.42), part of a banner group (6.14) or the owner/owner manager (6.06) exhibited the most inclination to make changes to the business model, however remaining in a neutral position.
For those pharmacists scoring greater than or equal to five (n=300) on their likelihood to make changes to their business model, the change was strongly oriented towards a health destination services model (84%). Employed pharmacists were the most likely to be driven towards the health destination model (91%), possibly due to their ability to see changes in the pharmacy environment and moving towards a professional practice. Owner/owner managers were the least inclined to move towards a discount model (29%) with pharmacist managers/pharmacists in charge being the most likely to adopt this model (44%). While approximately one third of pharmacists were driven towards a dispensing model (36%). The health destination model continues to be the model pharmacists are driven towards (84% in 2016, 82% in 2015) however growth towards the discount model (35% in 2016 versus 9% in 2015) and dispensing model (36% in 2016 versus 18% in 2015) has been seen in the last twelve months, indicating a diversifying of the community pharmacy market.
“As a result of the 6th CPA, have you made any changes to your business model?”

**Figure 9b: Direction of business model change to ONLY one model**

*Note answered by pharmacists who changed towards (ONLY) one model and scored ≥5 in previous question (n=121)*

Similarly pharmacists who only answered yes to adopting one business model and scored greater than five in the previous question also indicated that the health destination model was the most adopted (88%). For those individuals who have changed towards a combination of more than one model (n=156), the most likely combination was health destination plus dispensing (39%), followed by health destination plus discounting (32%) and discounting plus dispensing (7%).

**Expert commentary**

“People are just sitting on their hands not making a decision to do much yet.”

**Warwick Plunkett**

“For those who are changing their model, the health destination model seems preferred in this and last year’s Barometer. However overall there does not seem to be a strong momentum for change.”

**John Montgomery**

“Employed pharmacists are more likely to report a change in business model towards a health destination service (figure 9) based model and are also more likely to report to have implemented professional services in the last 12 months (figure 11) – is this an indication that innovation in the sector may be driven by employed pharmacists rather than owners? Banner groups also appear to adopt professional services to a greater extent than independents.”

**Kai Meischke**

“Many are sitting on the fence and this could be harmful to their business.”

**Mario Saia**

“Discounting is not seen as the answer by many. The majority of them would see the delivery of services either new professional services or services linked to prescription dispensing process as the way they are going to try and do better.”

**Warwick Plunkett**

“Where is the evidence of the economic viable health destination model? Pharmacists seem to be waiting for it to appear.”

**Charlie Benrimoj**
“What is your level of satisfaction with the 6th CPA on an economic level and professional level?”

From an economic perspective all pharmacist types remain neutral at 5.27 (SD1.83), neither satisfied nor dissatisfied, about the sixth Community Pharmacy Agreement. Interestingly there has been a 6% increase in financial pessimism the last twelve months with 16% in wave 6, versus 10% in wave 5, indicating that the 6CPA has not been the answer to all the financial problems. Pharmacists’ remaining neutral has stayed consistent (75% in wave 6, versus 77% in wave 5), however there has been a decrease in pharmacists who are satisfied (9% in wave 6, versus 13% in wave 5) with the 6CPA on an economic level highlighting the sense that the industry is no longer sinking, but is not moving forward either.

There were statistically significant differences between responses from owner/owner-managers (5.55), pharmacy managers/pharmacists-in-charge (5.04) and employed pharmacists (4.84), but difference between pharmacy managers/pharmacists-in-charge (5.04) and employed pharmacists (4.84) were not statistically significant. That is, owner/owner managers are more satisfied with the 6CPA on an economical level as they are able to see the potential financial stability it is establishing. Interestingly the inverse was demonstrated in 2015 with employed pharmacists being the most satisfied with the 6CPA on an economic level (6.36), calling into question as to what has changed in twelve months.
“What is your level of satisfaction with the 6th CPA on an economic level and professional level?”

Expert commentary

“Surprisingly low level of satisfaction with 6CPA given the positive outcomes and the potential alternative. Is it simply too early to measure?”

John Montgomery

“For community pharmacists the 6CPA is not seen as the answer to all the future economic and professional woes! What a pity because the 6CPA did signal a change in economic and professional direction.”

Charlie Benrimoj

“The 6CPA has been a failure at moving the profession forward, both professionally and financially!”

Warwick Plunkett

Figure 10b: Level of satisfaction with 6th CPA on a professional level (n=362)

A second part to the question was pharmacists’ degree of satisfaction with the 6CPA on a professional level. Again pharmacists demonstrated a neutral rating 5.51 (SD1.89), neither satisfied nor dissatisfied, rating their satisfaction being between 4 and 7 (one being strongly dissatisfied and ten being strongly satisfied). No statistically significant differences were seen across pharmacist types. The same proportion of pharmacists remain neutral when compared with 2015 (74% in wave 6 and 5), however there has been a 6% shift from those who were satisfied in 2015 (13% in wave 6 down from 19% in wave 5) to being dissatisfied in 2016 (13% in wave 6 up from 7% in wave 5).

With the neutral trend continuing from 2015, there is the possibility that the same group of pharmacists who are neutral about the professional effect of the 6th CPA are also neutral about the economic effect of the sixth agreement and feel the same about the future viability of the profession. Whilst there is limited satisfaction with the 6CPA, pharmacists are continuing to move towards services, many of which fall outside the scope of the 6CPA.

* Note: Scale from 1 (strongly dissatisfied) to 10 (strongly satisfied)
“In the last year, has your pharmacy started to implement new professional services?”

Expert commentary

“Has the change to adopt professional services really started? We have seen this trend for the past few years, but we’re yet to see the rubber hit the road, even in terms of future confidence as a result of change in strategy.”

Charlie Benrimoj

In the previous twelve months 59% of pharmacists have started to implement professional services. Services are being implemented by employed pharmacists (80%) over pharmacist manager/pharmacist in charge (58%) and owner/owner managers (53%). A similar trend exists between owner/owner managers and pharmacist managers/pharmacist in charge in terms of the proportion choosing to implement services (53% owner/owner manager, 58% pharmacist manager/pharmacist in charge), make no change (32% owner/owner manager, 26% pharmacist manager/pharmacist in charge) or not implement services (16% for both), with employed pharmacists being more likely to make changes towards service implementation.

These data highlight that the profession is beginning to realise the financial and professional benefit of service implementation and its role in maintaining the viability of pharmacy, despite the general neutral stance adopted by pharmacists in regards to the 6th CPA.
With pharmacists identifying that professional pharmacy services are the greatest opportunity for community pharmacy over the next three years, pharmacists are following up their views with action through implementation of such services. Many of these services fall outside the scope of the 6CPA.

When asked to specify which services in particular they were implementing the most common responses included:

> MedsCheck
> Vaccinations
> Blood pressure and cholesterol monitoring
> Diabetes services
> Clinical interventions
> Health checks
> Sleep apnoea and CPAP
> Home Medication Reviews
> Medical Certificates
> Compounding
> Health clinics
> Staged supply
> Inhaler technique
> Weight loss clinics/management
> Coeliac testing
> Women’s health checks
> Wound care
> Anaemia testing
> DNA testing
> Baby clinic
> Dietician services
> Breast awareness clinic
> Nurse consultations
> Wellness coaching

“Which services has your pharmacy started to implement?”
Pharmacists in 2015 were hopeful that the 6th CPA would help to counteract the negativity associated with price disclosure and PBS reforms. It appears that some of this feeling may have been lost twelve months on. In 2016, there was a 14% drop in the number of pharmacists who felt more secure (8% in 2016 versus 22% in 2015) and a 9% rise in the number of pharmacists who felt less secure (27% in 2016 versus 18% in 2015), while those who felt the same remained fairly stable (65% in 2016, 60% in 2015).

Pharmacists are unsure about the potential of the 6th Community Pharmacy Agreement bringing stability with approximately two thirds (65% in 2016 versus 60% in 2015) indicating that they feel the same about the future of community pharmacy twelve months after signing the agreement. The feeling of “more security” is strongest amongst owner/owner managers (11%) while less common among pharmacist managers/pharmacist in charge (5%) and employed pharmacists (4%). The 6th CPA may have brought some financial stability to the community pharmacy sector particularly for owner/owner managers however doubts remain about its viability from pharmacist managers/pharmacists in charge and employed pharmacists as it has not enhanced the prospects of job security or rise in wages. Approximately one quarter (27% in 2016, up from 18% in 2015) of pharmacists indicated that they feel less secure twelve months on. The issues of stability and prospects for the future of community pharmacy need to be addressed.

**Figure 12: Future of community pharmacy twelve months after 6th CPA (n=362)**
"Has the remuneration level of your pharmacist employee (or if you are an employed pharmacist) changed in the last year?"

**Expert commentary**

"Not a very compelling reason to devote the time and energy to become qualified as a pharmacist. This is also a fundamental driver in the high sales prices for small pharmacies as they are effectively buying themselves a wage."

Mario Saia

"The way that pharmacists reacted to discounting was to cut wages, the size of the pharmacy and staff instead of looking at where they could compete effectively. That has had a really staggering effect on salaries. Vast majority of pharmacists have had no wage changes in twelve months. The level of remuneration for your average employee is frightening low. How are we to attract the best to our profession at this level?"

Charlie Benrimoj

**Figure 13: Changes in pharmacist remuneration level (n=362)**

Interestingly when pharmacists were asked about changes in their remuneration level in the previous twelve months, the vast majority indicated that no change had occurred (68%). Owner/owner managers were more likely to indicate that “yes” remuneration had changed (32%), to a lesser extent pharmacist manager/pharmacist in charge (18%) and even lower employed pharmacists (13%).

From the owners who indicated yes, no or not sure (n=169) they were asked to specify the average hourly rate for employee pharmacists. Approximately three quarters of pharmacists earn between $30-$40/hour and one fifth $40-$50/hour. Findings were consistent across all pharmacy types. Surprisingly independent pharmacies had the highest proportion of pharmacists earning less than $30/hour (8%) when compared with being part of a buying group (0%) or part of a banner group (3%). Three quarters of owner/owner managers who thought the value of their pharmacy would increase in the next year (n=26) and/or increase in the next three years (n=33) paid employee pharmacists an average hourly rate of $30-$40/hour with approximately one fifth paying employee pharmacists $40-$50/hour.
Review of Pharmacy Remuneration and Regulation – King Review

Background

During negotiations for the Sixth Community Pharmacy Agreement the Australian Government and the Pharmacy Guild of Australia made a commitment to conduct an independent Review of Pharmacy Remuneration and Regulation, known commonly as the King Review. The Review will provide recommendations on future remuneration, regulation including pharmacy location rules, and other arrangements that apply to pharmacies and wholesalers for the dispensing of medicines and other services provided under the Pharmaceutical Benefits Scheme (PBS), to ensure consumers have reliable and affordable access to medicines. The panel of reviewers have met with a broad range of stakeholders and representative bodies from the consumer, pharmacy, and wholesaling and hospital sectors in order to prepare a Discussion Paper. The paper aims to stimulate debate on both the current arrangements for pharmacy remuneration and regulation, and on how these arrangements can be improved in the interests of the Australian community.

In July 2016 the Discussion Paper was released presenting a series of questions for the public and other stakeholders. Key elements of the discussion paper encompassed:

> Pharmacy and Pharmaceutical Services in Australia
> Regulatory landscape
> Pharmacy remuneration for dispensing
> Regulation
  - Location rules
  - Hospital pharmacies
  - Aboriginal health services
> Wholesaling logistics and distribution arrangements
> Accountability and regulation
> Consumer experience
> Chemotherapy arrangements

While the sustainability and viability of an effective community pharmacy sector is a key consideration of the Review, this is primarily a consumer focused review that aims to identify which services and programs consumers value being provided by community pharmacy. In developing recommendations, the Panel seeks to ensure that future arrangements will support reliable and affordable access to medicines by the Australian community and will promote the quality use of medicines. The Panel also consider any future arrangements in the context of the long-term sustainability and equitable distribution of the PBS as a government funded ‘community resource’. The King Review poses 140 questions around most aspects of the Australian community pharmacy model, but predominately focuses on fees, business models, location rules and the role of the pharmacist and what they charge for their services. The questions are intended to challenge respondents to analyse current arrangements, re-think the role of community pharmacy, and consider new and innovative ideas about what community pharmacy could look like in the future. We have selected a few of the questions for review.

“To what extent do you agree or disagree with this statement:
‘The dispensing fee remuneration should more closely reflect the level of effort in each individual encounter through having tiered rates according to the complexity of the encounter’”

Expert commentary

“Seems like no real consensus that the dispensing fee should reflect the level of effort. Maybe this is because this is a complex and likely controversial area where the devil is in the detail?”

John Montgomery

“Some warmth towards this idea, particularly from employed pharmacists due to the potential for increased pay.”

Warwick Plunkett

“Not surprised that employees support the concept more than owners, who appear neutral. Employee pharmacists in general wish to practice as professionals, not retailers of non-health related goods.”

Charlie Benrimoj

Pharmacists were asked to comment on their agreement or disagreement with the statement ‘the dispensing fee remuneration should more closely reflect the level of effort in each individual encounter through having tiered rates according to the complexity of the encounter’. While no significant differences existed between pharmacist types, pharmacist manager/pharmacist in charge (6.06) and employed pharmacists (6.00) demonstrated more support towards moving away from a flat rate system compared with owner/owner managers (5.23). Even though pharmacists were not uninclined to support this tiered system, overall they remained fairly neutral at 5.64, neither agreeing nor disagreeing with the statement.
“Currently community pharmacists have discretion over some charges. For subsidised PBS prescriptions, should community pharmacists be able to charge consumers above the ‘dispensed price’ for a medicine in some circumstances?”

Expert commentary
“In the past the profession has always been strong and lobbied effectively. It appears they believe that will continue.”
Charlie Benrimoj

Figure 15: Opinion on whether you should be able to charge above the dispensed price for a medicine

Generally pharmacists remained slightly more partial to agree (6.22), with owner/owner managers (6.55) expressing the greatest inclination to support this notion. Pharmacy managers/pharmacists in charge were least likely to agree with this (5.64) when compared with owner/owner managers (6.55) and employed pharmacists (6.45), however all pharmacist types remained slightly positive.

When pharmacists were asked to comment as to why they would be inclined to charge above the dispensed price there was a general sentiment that the level of involvement by the pharmacist and cost of sourcing and stocking certain high cost medications should be taken into consideration, however there was some concerns this may leave them less competitive against discounters. Those who were against charging above the dispensed price expressed concerns about the potential to further increase price disparities in the market and the negative impact it could have on patients.
“Currently community pharmacists have discretion over some charges. For subsidised PBS prescriptions, should community pharmacists be able to charge consumers above the ‘dispensed price’ for a medicine in some circumstances?”

The view from pharmacy
Pharmacists were asked to comment about charging consumers above the ‘dispensed price’ for medicines in some circumstances.

Comments from those who agreed with being able to charge above the dispensed price
“At times when medications are out of stock you may have to obtain them from other sources, incurring a higher cost and having to pay freight”
“The mark up on some of the high price items is so low that it is not viable for our pharmacy to provide them”
“Dispensing of some medications in some circumstances requires more effort, time and cost than usual”
“For too long pharmacists have worked for no extra remuneration, this has devalued the advice being offered”
“If individual pharmacies are currently allowed to offer up to a $1 discount on PBS prescriptions they should be allowed to charge more as well according to their individual circumstances”
“In any other business people pay more for afterhours service, pharmacy should be the same”
“It costs to leave a medication on the shelf”

Comments from those who disagreed with being able to charge above the dispensed price
“I can’t think of an example that would make me charge above the dispensed price”
“This is not fair to the consumer”
“Even if this was allowed most discount pharmacies wouldn’t do it anyway, further increasing the gap between discounters and non-discounters”
“Medications should be charged at the PBS price if on the PBS not over and not less”
“Not sure how beneficial this would be as discount model would not discount so might lose customers”
“The criteria hasn’t been spelled out and this will be critical”
“Should community pharmacists be allowed to discount medicines in some circumstances?”

**Expert commentary**

“Overall a very clear message against discounting medicines in certain circumstances. Owners very much against and employed pharmacists less so but still negative. This suggests that pharmacists understand that they can’t discount their way out of the problem of lower margins”

John Montgomery

“Shows fear of the discounters and the impact they can have. Employed pharmacists are less worried because it doesn’t affect their bottom line but owners and managers are not keen on such a proposal.”

Warwick Plunkett

There has been a rise in the discounter model, with their price competition appearing to place increased pressure on traditional pharmacies. Remarkably however when pharmacists were asked whether they should be allowed to discount the majority disagreed (3.55). Significant differences existed between owner/owner managers who were strongly against discounting (3.01) compared with employed pharmacists who had a fairly neutral stance. This is possibly due to the fact that owner/owner managers are considering their bottom line and the financial implications of discounting whereas employed pharmacists are the ones having to deal with customers requesting a price match.

It appears pharmacists don’t want to discount but want to charge more for their services. Pharmacists indicated that discounting undermines the integrity and value of pharmacy, ultimately leading to a devaluation of the profession, wages and services. Yet many expressed that discounting was at times unavoidable if you wish to remain competitive.
“Should community pharmacists be allowed to discount medicines in some circumstances?”

The view from pharmacy
Pharmacists were asked to comment about discounting medicines in some circumstances.

Comments from those who agreed with being able to discount
“Remaining competitive is the main factor”
“To keep customer loyalty and promote repeat business”
“If there is room in your business margins, why not? Some people have a discount model, others a service model, let customers choose”
“In some areas where there is strong competition it may be the only way to attract customers”
“This allows disadvantaged customers to afford expensive medications”

Comments from those who disagreed with being able to discount
“Discounting medicines undermines the integrity and value of pharmacy”
“This is devaluing the profession and the services we provide”
“Don’t we already discount enough?”
“This detracts from professional services”
“This may cheapen the image of quality care”
“Pharmacies should not compete on prices but in the quality of service they provide”
“Should there be limitations on some of the retail products that community pharmacies are allowed to sell?”

**Expert commentary**

“Employed pharmacists appear significantly more open to limiting the sale of certain products than owners however overall there does not seem much desire to change. This seems to contradict the stated aim to move to a health destination model.”

**John Montgomery**

“Most pharmacies would not see this as being the province of others to tell them what they can and can’t sell.”

**Warwick Plunkett**

“The sale of some products seems a bit counter intuitive to a health model.”

**Mario Saia**

“How can pharmacy defend its health positioning if we sell ineffective or harmful products.”

**Charlie Benrimoj**

An issue highlighted in the King Review was the potential that the retail environment devalues the service offered by pharmacists and that it could detract from ensuring that the best health outcomes for patients are met. Overall it appeared pharmacists remained neutral (4.99) to this proposition. Owner/owner managers had the greatest opposition to this statement (4.68) when compared with pharmacist manager/pharmacist in charge (5.08) and employed pharmacists (5.78) yet no significant differences existed.

For those pharmacists that indicated there should be limitations (scoring greater than or equal to 5) they were asked to specify what should be limited. The most prominent responses included:

> Alcohol
> Tobacco
> Homeopathy
> Cosmetics
> Cleaning/Detergents
> Confectionary/Soft drinks
“Would a community pharmacy that solely focused on dispensing, medicines and professional services provide an appropriate or better health environment for consumers than current community pharmacies?”

Across all pharmacist types, pharmacists are neutral with the proposal that pharmacies focusing on dispensing, medicines and professional services would provide a better health environment for consumers. There were statistically significant differences between responses from owner/owner-managers (5.41), pharmacy managers/pharmacists-in-charge (6.42), and employed pharmacists (6.80), but these differences were not statistically different. Nevertheless employed pharmacists and pharmacist managers/pharmacists see greater health value to consumers by removing retail oriented products that detract from the fundamental health offering in community pharmacy. On the other hand owners remain neutral.

The second part of the question asked pharmacists whether such a pharmacy would be attractive to the public. A similar trend ensued with employed pharmacists seeing the greatest potential of this model for the public (55% stating ‘yes’), followed by pharmacist managers/pharmacists in charge (47% stating ‘yes’) and lastly owner/owner managers (38% stating ‘yes’).
Expert Commentary

“Employed pharmacists seem to like the idea of a dispensing/services model although the customer attractiveness and financial viability received a lower rating. Maybe this is too radical a shift at this time.”

John Montgomery

“Wariness of the business model due to a lack of understanding- better the devil you know than the one you don’t!”

Mario Saia

“It is supportive of the earlier trend that the professional services model is the more acceptable track for pharmacists to go down.”

Warwick Plunkett

Figure 18b: Would such a pharmacy be a viable pharmacy? (by type of pharmacist)

Whilst some pharmacists demonstrated support of implementation of such a pharmacy environment they were less likely to believe that it would be a viable business model (figure 18b). Only one quarter of pharmacists (24%) believed it to be a viable pharmacy with 46% indicating it would not be and the remaining unsure (29%). On analysing the owner/owner manager group (n=181) 22% indicated that it would be a viable business option, with 34% unsure.
Pharmacists Collaboration with General Practitioners

“How would you rate your relationship with your main prescribing general medical practitioners?”

There has been much debate about the collaboration between pharmacists and general practitioners and the most appropriate model to support this collaboration.

Expert Commentary

“It’s good to see such a high rating of pharmacist relationships with their GPs. This bodes well for even closer collaboration.”

John Montgomery

“All the hype about bad professional relationships and what gets in the media is political posturing by political leaders of the profession. On the ground, community pharmacists and general medical practitioners are working together extremely collaboratively.”

Charlie Benrimoj

Pharmacists were questioned on their perceived relationship with their main prescribing general practitioners. On the whole there is a perception that the existing relationship is good (54%) if not excellent (30%), with all pharmacist types having a combined good/excellent rating above 80%. Interestingly when asked if this relationship impacts their decision to provide professional services, there was a fairly even split between those who said “yes” (43%) and those who said “no” (47%). Pharmacist manager/pharmacist in charge (49%) and employed pharmacists (47%) were least likely to allow the relationship to impact their service implementation strategy while owner/owner managers failed to demonstrate a standpoint either way with 45% stating “no” and 45% stating “yes”.

It appears from the open commentary that while pharmacists realise the need to maintain a good rapport with their main general practitioners they also realise the importance of maximising their business offering to stay competitive.
The view from pharmacy

Pharmacists were asked to comment on whether their relationship with their main general practitioner would impact their decision to provide professional services.

Comments from those who felt their relationship with GP’s didn’t impact their decision

“We would provide extra services regardless of our relationship. This represents another avenue for potential income, while providing more complete and competitive pharmacy service”

“I don’t want to impose on their services, but I also believe that if they aren’t offering a service that is needed then I am happy to fill this healthcare gap”

“We need to maximise our business to ensure viability”

“The wellbeing of the patient comes first and services add value to patient healthcare”

“Professional services are independent of the doctors offering”

“There is a professional responsibility regardless of the relationship”

“We don’t have a choice but they understand that the current economic climate makes many avenues difficult”

“I make decisions independently of the doctors but there are some services I don’t provide because I know local doctors do them well”

Comments from those who felt their relationship with GP’s did impact their decision

“The debate of pharmacist versus doctors and that pharmacists are marketed by the Australian Medical Association as “stepping on their turf” can create conflict which will result in decreased referrals to the pharmacy”

“Don’t want to step on their toes and encroach on their territory. Trying to work ‘with them’ rather than them feeling we are doing ‘their job’”

“Good relationships allow for a more collaborative approach to care”

“Because we have a mutual understanding that there services we provide are due to a necessity to provide better health outcomes for patients, rather than a profitability-driven reason”

“We have a very symbiotic relationship with the medical practitioners in the area. It is a trust based relationship which has flourished over the years”

“Our services are patient-centred with the goal of improving quality use of medicine and maintaining good inter-collaboration with other health professionals”
“Do you support having pharmacists working in GP’s surgeries?”

**Expert Commentary**

“At the end of the day this probably won’t have a great impact on retail community pharmacy one way or another, except possibly in the rural setting as usually there is greater professional interaction. Still it’s good to see that there is greater acceptability this year for professional collaboration.”

Warwick Plunkett

“Clearly the concept of community pharmacists working in medical practices is strongly supported, as long as various models are tested and in practice, and the pharmacy profession is not actually or seen to be controlled and managed by doctors.”

Charlie Benrimoj

**Figure 20a: Support for pharmacists in GP surgeries**

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<th>Owner/Owner Manag (n=181)</th>
<th>Pharm Manag/Pharm-in-charge (n=124)</th>
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<td>Yes</td>
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**Figure 20b: Preferred arrangement for pharmacists in GP surgeries**

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<th>Owner/Owner Manag (n=180)</th>
<th>Pharm Manag/Pharm-in-charge (n=74)</th>
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* Note: Answered only by those who said Yes in question 20(a); n=212
There was support for pharmacists working in GP surgeries across all pharmacist types (49% for owner/owner managers, 63% for pharmacist managers/pharmacist in charge and 80% for employed pharmacists). Slight decreases in acceptance from owner/owner managers (49% in 2016 versus 65% in 2015) and pharmacist managers/pharmacist in charge (63% in 2016 versus 71% in 2015) were reported while employed pharmacists increased their support (80% in 2016 versus 67% in 2015). A greater sense of job security and opportunities for increased remuneration may be attributable to this rise. Pharmacists that supported pharmacists working in GP practices were then asked what arrangement they would prefer. Across all pharmacy types there was a split opinion on the best system between local community pharmacists working on a sessional basis versus a pharmacist being employed by the GP surgery with the majority of respondents indicating that both was the best option (59%).

The survey results show that there is still some uncertainty regarding the role of pharmacists in GP surgeries. While the more embedded pharmacists are within the medical profession enhances the opportunity to improve patient care there is the potential that this may impact current pharmacy and pharmacist-doctor relationships.
CONCLUSION

The sixth UTS Pharmacy Barometer of September 2016 shows that;

> **The UTS Pharmacy Barometer was 85.9** indicating a fairly neutral attitude within community pharmacy at present, returning to values seen in 2012.
> The overall confidence has decreased 7% in the past year.
> Pharmacists feel less financially secure compared with 2015 under the sixth Community Pharmacy Agreement, being unable to see a clear path for the future.
> Pharmacists remain neutral in their opinions to proposed questions from the King Review.

In contrast to wave 5 in 2015, wave 6 of the UTS Community Pharmacy Barometer shows a slight decrease in the optimism and confidence in the future amongst pharmacists, with many pharmacists holding neutral views on key elements of the 6th CPA and King Review.

Optimism remains higher than that experienced in wave 3 in 2013 and wave 4 in 2014 where dramatic increases in concern for the financial stability of the profession were expressed due to Expanded and Accelerated Price Disclosure (EAPD) which had pharmacies suffering economically. Price reductions are projected to continue, however, the sixth Community Pharmacy Agreement has made substantial changes to the structure by which the dispensing function is remunerated and incorporated funding for professional services to help counter future losses.

Sadly it does not appear that the agreement is seen by pharmacists as having set a clear path for the future. Pharmacists remain uncertain pharmacists are yet to take full advantage of the economic and professional implications of the agreement and how to move forward. Hovered professional services are being implemented by a greater proportion of pharmacists. Demonstration of strong support towards pharmacists working in GP surgeries highlights the hope of pharmacists to be able to widen their employment prospects especially with the growing sense of insecurity and income averaging $30-$40/hour. While awaiting recommendations from the Review of Pharmacy Remuneration and Regulation (King Review) it is possible that any further transformation of the community pharmacy sector contributed to the air of uncertainty currently felt by pharmacists.

No major positive views of the 6CPA have been expressed, with pharmacists remaining neutral across most topic areas. While overall neutrality exists in a time of uncertainty, pharmacists are continuing to increase their service provision offering and demonstrate good and excellent working relationships with local general medical practitioners. However employed pharmacists remain concerned over the low wages they are being paid, especially when increasing service provisions to help enhance the economic sustainability of their pharmacy.