



**Canberra Times**  
**27/12/2008**  
 Page: 5  
 Saturday Forum  
 Region: Canberra  
 Circulation: 34687  
 Type: Capital City Daily  
 Size: 296.44 sq.cms  
 MTWTFSS-

# Regulation the best medicine for pharmacy

There are dangers in adopting a hands-off approach, **PETER DAVEY** writes

**T**he provision of medicines by pharmacists is "over-regulated", cunning pharmacists have manipulated the Australian Government by pulling "the wool over" its eyes to maintain their monopoly and we are all worse off as a result. So says a recent report from the Centre for Independent Studies which formed the basis of an opinion piece by David Gadiel in *The Canberra Times* on December 15 (Prescription item No 1: dispensing with the closed shop).

That the report produced these findings is not surprising. The CIS relentlessly preaches about the evils of government regulation. Its board of directors and funding draw heavily from Australia's corporate sector. The timing of the CIS report coincides with upcoming Pharmacy Guild-Australian Government negotiations over the next guild and Commonwealth agreement. This agreement, amongst other things, sets the rules governing pharmacy ownership. In 2010 the Government will also reconsider the rules restricting certain classes of medicines to sale by pharmacy only. These rules have denied supermarket groups access to annual sales in excess of \$1 billion.

Not surprisingly, pharmacists also promote their own self-interest. Pharmacists are trained in pharmaceutical sciences and pharmacy practice. Pharmacy businesses, which by law can only be owned by pharmacists, are on the whole profitable. The small-business pharmacy would be sorely tested by deregulation. Unleashing competition from supermarkets for the selling of in-pharmacy-only medicines would carve a large chunk out of small retail pharmacies. Opening ownership restrictions would see the

development of large pharmacy chains and incursion into pharmacy supply by supermarkets. The supermarket model is based on low prices, low wages, low costs and minimal service.

So are we best served by the free market or regulation? Are medicines just another commodity, like washing powder? Most health economists would argue that health services have special properties which mean regulation is required to produce better outcomes.

Health services are characterised by a lack of information and markets for health care are subject to market failure. This argument states that health really is different from washing powder. Health services are highly complex, so much so that consumers are unable to choose the best treatment option and need an agent, such as a doctor or pharmacist, to help. The implications of picking the wrong medicine are more catastrophic than selecting the wrong washing powder. All drugs have side-effects, so patients need advice on their proper use.

While the CIS report suggests there is no evidence for the health value of pharmacist advice on medicines, good evidence exists which suggests that pharmacist intervention can be very important.

A study by the University of Sydney's Department of Pharmacy asked pharmacists to record the type of advice they provided to patients. It determined that each year pharmacists performed over 100,000 significant interventions which were estimated to avert about 30,000 accident and emergency admissions, 76 intensive care admissions and 85,000 urgent GP visits. Sound advice delivered with the medicine is clearly beneficial.

The CIS report argues that the

main benefit of pharmacy deregulation is that supermarkets would provide medicines at lower prices. This is probably true. The supermarket model allows tremendous buying power for the two corporations which dominate the market. It has also allowed them to increasingly control groceries, general merchandise, liquor and petrol retailing.

Gadiel is satisfied that the highly concentrated supermarket sector is competitive, but is concerned that Australia's 5000 retail pharmacies operate as a "quasi-monopoly". The major supermarkets have been criticised by the Australian Competition and Consumer Commission for shortcomings in their competitive practices. If they were to dominate retail pharmacy, reliable access to advice and medicines would be at risk. Have you ever gone to the supermarket for that special item, only to find the shelf empty? Can you ever find someone who works in the shop to ask for help?

Government controls pharmacy incomes through a range of price controls and by setting the fees that pharmacists earn from dispensing most drugs – another regulation required in health markets as a result of market failure.

Regulation of some industries leads to optimal outcomes. Recent events suggest that we may have gone too far with the deregulation of financial markets. Health care is subject to market failure and lack of information, which makes it different from most other commodities. Any assessment of the scope of regulation and pattern of supply of medicines needs to have health as the number one priority – otherwise we may all be turning in our graves a little earlier.

■ **Peter Davey is an independent health economist and director of Illuminate Health Consulting. Ref: 45418961**