

For November i2P

Pharma-goss

With Rollo Manning

GENERIC PRICING – WHO BENEFITS?

If the cost into store is \$2 it is hard to justify a sell price to the consumer of \$ 12.00 and yet this is a daily occurrence in the majority of pharmacies. And \$9.60 of the price is fees to the pharmacy. The “dispensing fee” of \$5.15, the “additional fee” of \$3.45, and the “safety net recording fee” of \$1 whether the consumer wants it recorded or not.

The myths that surround this pricing “scam” (see below) is reflected in the responses to questions by the managers of pharmacies that are acting on the instructions of the owners who may well be sunning themselves on a tropical island on the huge profits accruing from this PBS bonus.

It is no wonder that the Pharmacy Guild is so defensive of any steps to reduce the costs of the PBS by pricing policies with respect to generics. It is too lucrative a

market to want to tamper with and so long as the Guild’s reason for being is to improve the business of its members no other stance could be expected.

The sad part about all this is that there is no other voice in pharmacy that is able to speak for either the consumer’s interest or the taxpayer of Australia’s interest. The cost of the PBS would be dramatically different if the savings in the costs of generics were being passed on to the consumer through a reduction in the co-payment or from the taxpayer by reducing the dispensing fee where a lesser generic cost is received than the agreed manufacturer’s price.

Now to the myths that surround any publicity when this becomes a media issue.

The price – it is fixed by the Government – **IT IS NOT AND CAN NOT**

The computer sets the price – **NO** – it defaults to settings that the pharmacy can change – not many managers know how to do this so it stays the same - high.

The big returns help pay for the things the pharmacy does for nothing e.g. Websterpaks – this is denying the need to put a true value on a Websterpak or similar. Professional services will never be paid for to reflect their true value while this approach is adopted.

The consumer saves money by saying yes to a generic “brand”. Yes - but not nearly as much as the pharmacy – bring it on – Alphapharm says so on its radio ads in the Alan Jones breakfast show – and if Alan says it is a saving it must be!

PRESSURE COOKER ATTACKS CRITICS

A revelation in the media in the past month that pressure has been placed on constituents of advocates of the consumer interest for PBS price cuts should be of concern to members of the most trusted profession. Pharmacists are viewed by the public as trustworthy and honest by the consumer as evidenced by years of Morgan Gallup Polls. But when their industry body and advocate for pharmacy professional interests with Government starts to use under hand tactics in an attempt to silence critics of its approach to pricing policy it smells. It smells bad. And bad because this would only be done if there



NATIONAL NEWS SPECIALS OBI

Drug kickbacks for pharmacists face chop

MARK METHERELL | Pharmacists may forgo kickbacks from drug companies in return for compensation costing the taxpayer hundreds of millions of dollars.

- Telemarketers privacy enemy No.1
- Labor moves against information veto
- Art school cuts leave west facing a blank canvas
- Farmers' hopes wither with crops in the big dry



Slashing the PBS: are we cutting too deep?

Cuts to jeopardise viability of at least half of all pharmacies

The year starts with the PBS very much in the spotlight — on 11 January, *The Financial Review* once again quoted government sources talking about cutting the PBS to the tune of \$830 million per year.

was some truth in what the advocates of the consumer interests are putting out. So Dr Andrew Laming MP in the Brisbane electorate of Bowman is attacked by a letter to pharmacy owners in his patch – while at the same time Bellwether Pharma is being told that it's Chairman and MD Chris Bilkey is not on the Pharmacy Guild's Christmas Card list – a claim hotly denied by the (now) President of the Guild.

This column has commented before on the misleading and un-truthful statements appearing in Guild campaign material and these behind the scenes antics should be stopped as well. It is not often reports such as those which appeared in the Sydney Morning Herald and The Age last month are wrong and the damage it can do to the profession's trustworthy reputation makes it not worth the effort

Unless of course it has reached desperation stakes – and maybe that is the reason. Like going down on a sinking ship or making the appearance of calmness on top but paddling like hell below the water.

MANAGEMENT TRAINING A MUST

It was refreshing to read in the Financial Review last month the story of Brett Clarke (e-pharmacy and Chemist Warehouse) and how by doing a Master of Business Administration course his judgment was tuned and managerial decision making improved.

It would be a blessing in disguise if all pharmacists who decided to manage a business did some management training. Too often when it comes to the crunch the

background to decisions relating to human resources, marketing or financial management are not based on a series of management decisions following a logical path but rather the old "seat of the pants" approach which in this millennium is just not enough.

FINANCIAL REVIEW

MBA was chemist's own prescription

Author: Erica Cervini	Publication: The Financial Review
Date: 09/10/2006	Section: Education
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Source: AFR	

Brett Clarke describes his MBA as a wake-up call. Although the online pharmacy he he could be making mistakes.

"I suddenly realised that I was going along the wrong path for ePharmacy," he says.

Clark, who graduated last year from the University of Queensland Business School. fou

PERSON TO WATCH

The person who can tell this column where the regulation is that says a pharmacy CANNOT discount the co-payment to Health Care Card Holders of \$4.70 to say \$2.00 because of favorable purchasing prices negotiated with the manufacturer. **Ring 08 8942 2101**. The Guild will say that medicines are not ordinary items of commerce – if this is the case what is driving the generic market if it is not commercial decisions?

QUOTE OF THE MONTH

"Hard work without talent is a shame, but talent without hard work is a tragedy."

Robert Half

(American businessman, founder of Robert Half & Associates)

Comments please on any subjects in this column or suggestions for topics that "Pharma-goss" could address

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