Medicine supply issues and pharmacy

Talk confidently about the issue with this concise summary

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In NZ Pharmacy is funded out of 2 envelopes:

1. Medicines & supply — approx. $800M
2. Clinical services & dispensing — approx. $380M
   i.e. LTC, Sterile, ARRC etc

The Medicines supply envelope pays for:

- The cost of the drugs.
- Funding the "cost" of holding the drugs in stock both by wholesalers & pharmacy.
- Distribution costs.
  - Picking & packing
  - Couriers
- Special storage costs.
  - Refrigeration
  - Controlled drug security
- Breakage & wastage.
- IT infrastructure

Under the new funding agreement (LTC) Pharmacists are being encouraged to target higher needs patients & spend more time with them to improve the outcome of their medication.

- To achieve the efficiencies needed to make this change we must be supported by an "equitable, stable & safe" supply chain.

Wholesalers paid by Pharmacy when we purchase drugs:

The cost of drugs purchased + mark-up .... 4% < $150; 5% > $150

N.B. This is achieved by purchasing a "gross" or schedule price + 8% less the "prompt payment discount" received when you pay your account on time i.e. 20th of the month following purchase.

These mark up %'s have not been reviewed since the late 1990's but the "gross" cost of the drug to which they are applied has dropped significantly due in part to generic's but also to PHARMAC purchasing agreements with drug companies.

PHARMAC uses two price structures:

1. **The "gross" or schedule price.** **e.g. $100**
2. **The "net" or actual price paid to the drug company** **e.g. $ 80**

The $20 difference in the example is via a rebate paid back to PHARMAC by the drug companies & is a tool used to manage international drug prices above those paid in NZ.

- Over the past 6 years this amount has averaged between $120 - $160M.
- However more recently PHARMAC have been shifting away from the rebate system.
  2012-13 $49M decrease in rebates paid back.
  2013-14 est. $30M decrease.
- So the "gross" schedule price is more frequently the "net" price and wholesalers receive a lesser margin as their mark up is applied to a lower figure.
  - $80 not $100 in the example used.
- This has a growing impact on the viability of the supply chain & the service levels needed to assure safe & efficient use of medication.The rising costs of chronic disease causing an enormous burden on world economic stability.
- What Governments typically do is squeeze down prices but this is a blunt tool and doesn't directly create better care or improved outcomes in an environment seeking greater individualisation of healthcare care.
- It was widely acknowledged that community pharmacy has an effective and common sense solution to many of the issues funders and planners face. The challenge is to make policy makers understand this value and embrace the solution.
- Community Pharmacy offers a good solution, take your medication as prescribed, with the assistance of your pharmacist, can lower costs and improve quality of life.
- Ironically the key to lowering health costs is to increase the appropriate use of medicines – they are extremely cost effective health interventions when used properly.
- By comparison with hospital and a number of primary health services Pharmacy can deliver significant health gain at marginal costs.
- "Medicines don't work in people that don't take them".

How does Pharmacy find the efficiencies needed to spend less time dispensing & more time with patients improving their health literacy & adherence?

- OP dispensing .... not ex bulk packs.
- Getter use of dispensing technicians.
- Robotics.
- Efficient & cost effective supply.

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