The sixth community pharmacy agreement (6CPA) has been signed and came into effect on 1 July. While, at the time of writing, not all of the details were known, enough was known to realise that the 6CPA would present an entirely new set of cobblestones that would challenge the ‘traditional’ model of community pharmacy.

Under 6CPA the rules of engagement will be different to those of the recent past where pharmacy only had to substitute generics, minimize net into store purchase costs and keep the overheads down. There is no doubt, given the Government’s Budget posturing that the Guild did a good job in cobbling together a good deal for community pharmacy.

The hallmarks of the agreement include building a collection of dispensing-fee based income and this, based on my rough calculations works out to be around $11.50 per script. And that includes replacing the markup with a handling fee, securing dispense-fee indexation linked to CPI and doubling services initiatives.

Because on average it costs $9 per script to operate a dispensary pharmacy owners will still earn a net profit from dispensing of around $2.50 per script, or a little higher if some trade discounts remain although it will only be very modest compared with 18 months ago when the dispensing fee was more than double that.

Therefore, as wholesaler and manufacturer trading discounts inexorably disappear along with rapidly falling generic discounts (resulting from F1 cuts and price disclosure ‘super-cycle’ reform) your dispense remuneration will be shored up by the fee base, provided excessive non-PBS price discounting is avoided. The Government’s flexible $1 co-pay policy doesn’t help, of course, requiring owners and groups to consider ways to ameliorate its impact and avoid the temptation to go with the discount flow.

However, 6CPA seems to contain subliminal messages that Government wants pharmacy to address dispensing inefficiencies and reduce costs, and release the pharmacist from the dispensary to undertake more productive activities, such as the services envisaged in the agreement. In other words, 6CPA allows the dispensing chemist and PBS network model to survive while providing significant opportunities for those owners who want to innovate and take advantage of the opportunities presented.

As some older pharmacists may recall, the very first community pharmacy agreement that commenced 25 years ago, 1 July 1990, was based on pharmacists dispensary remuneration comprising two components – fee and mark-up. And pharmacy is quickly returning to that situation presenting owners with the challenge of holding or growing dispensing profitability and the road you take depends on what *you* can influence. Therefore, because you know the income that can be generated per script is, or will soon be, fixed lifting profitability means turning to work on lowering the cost of dispensing, and that entails addressing the following:

1. Change dispensing administration people resource – re-train assistants as dispensary technicians who handle script-in (particularly at peak trading times), keying in, picking and assembly. And because technicians earn a lower hourly wage rate ($18 to $22 / hour) than pharmacists the cost to dispense will fall plus, as a good tech can process a lot of scripts without interruption, process efficiency is enhanced;
2. Change the pharmacist’s role – pharmacists check scripts, patient history and interactions on a computer adjacent to or in front of the dispensary and they become the hub of customer engagement;
3. Change process, including staff roster – review process blockages, bottle necks, insufficient staff at peak periods, cut travel time and distance, minimize white space (as Glenn Guilfoyle says, when the script is just sitting around); and
4. Efficient dispense stock storage systems – gravity shelves, drawers and, in some instances, robots that reduce picking and replenishment times plus save floor and wall space in most circumstances, except for some robot applications. While many of you are seeing stock storage as the Holy Grail in reality the great majority of efficiency/cost saving benefits are gleaned by implementing points 1 to 3.

In illustrating this point about improving efficiency, I would like to share with you the data of one individual pharmacy owner/leader who constantly innovates, particularly in dispensary practice reformation.

Chart 1 compares the cost components of the traditional dispensary that costs $9 per script to operate versus an innovator where the cost per script is $7.67. The hourly wage rates (pharmacists $37/hr including penalty rates) and super of all staff are virtually identical as are other costs which include rent.

In the innovator model, pharmacists and assistants spend a lot less time in the dispensary process because technicians take over the dispensing administration role and pharmacists assume the role of assistants engaging customers at script out and script in during non-peak period times. Therefore, the overall cost-per-script-staff-investment pattern changed markedly: pharmacists cost per script reduced by 82c from $3.92 to $3.10 while assistants dropped by 98c replaced to some extent by technician cost increasing by 75c. Overall the efficient dispensary generated a process efficiency dividend of $1.33 per script which is equivalent to about two minutes per script time saved that can be released for other activities principally the pharmacist now script checking and most importantly patient engagement delivering quality service, services, minor ailment solutions and making robust health solution recommendations aimed at improving patient health. This role of the pharmacist is very productive, financially rewarding and competitive.

These are the simple facts and demonstrate how any pharmacy can identify and develop the dispensary as the most important area owners and pharmacists can influence that will make an appreciable difference with the added benefit of diverting the pharmacist’s time, and the owners investment, in those skills into highly productive activities.

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