



Discount Pharmacy Retail Group

A division of  Sigma Healthcare
Connecting health solutions

13th July 2018

Committee Secretary
HCDSDFVPC
Parliament House
George Street
Brisbane Qld 4000

Dear Committee Secretary

Re: Establishment of a pharmacy council and pharmacy ownership in Queensland

I am writing to you, representing the Discount Pharmacy Group (DPRG) which is a franchise business, owned by Sigma Healthcare with regards to the inquiry looking into the establishment of a pharmacy council and pharmacy ownership in Queensland.

I have been in the retail pharmacy industry for over 25 years and involved with Discount Drug Stores and the large Discount Pharmacy Retail Group for 12 years, currently as the General Manager of the group. I am a strong supporter of community pharmacy and the ownership model of pharmacists owning and running pharmacies and an advocate of the establishment of a state pharmacy council to more strictly provide governance over the ownership structures of pharmacies and pharmacy groups.

DPRG provides business and marketing support to over 70 pharmacies across Queensland and over 260 pharmacies across Australia under the brands of Discount Drug Stores and Chemist King and Pharmasave. The goal of DPRG is to provide backend operational, retail and marketing support to pharmacy owners so they can dedicate their time to providing prescription medication advice, counselling and provision of other related services to their patients.

The DPRG name suggests the group represents discount pharmacies. We do offer value prices to consumers however the pharmacies in our group are traditional community pharmacies with traditional levels of service to patients and customers with the mission to provide affordable medicines to all Australians without compromising on service.

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We compete with pharmacy groups who operate under various forms of 'corporate ownership' models who are prepared to compromise on service to cut costs. In these ownership models, the focus has inevitably shifted away from provision of service to that of reducing costs and greater profits.

The most prominent group in the market is run under a corporate model and are considered to be 'deep discount pharmacies' who offer the lowest prices in the market. However the 'deep discount' model does severely compromise its service to prescription and medicine patients as it designed to do by their corporate owners and management.

Community pharmacy employment costs run between 12% and 15% of turnover and the brands in DPRG run at 12% to 14%. By comparison, the corporate run, deep discount models run with employment costs of between 6% and 8%. Though a contributing factor, this level of cost reduction is not achieved through efficiencies and higher volume alone. It is mostly achieved by reduction of service.

Whilst the lowest price is attractive to consumers and patients, at other times when they do need to rely and pharmacists' service and advice, patients will then go to true community pharmacies for the advice they need so in reality.

As a result, the shortfall in service from corporate run stores is subsidized by traditional, community pharmacist at this point in time. However the undermining of the owner, operator community pharmacy has inevitably led to reduction of income for these owners and severely threatens their ability to continue to provide the services much needed by the community.

In all states throughout Australia, the ownership regulations allow a single pharmacist to own between 4 and 6 pharmacies. Multi-store ownership at this level does allow an owner to create a level of efficiency across a small group. However, it does mean the owner is focused on providing service to patients and the broader community.

Owner, operated pharmacies operate under the mandate of professionalism and safe use of medicines and provision of services to all Australians with the community pharmacy network designed to be one of the most accessible health care providers in the community.

Unfortunately, corporate ownership models have not proved to operate under the same obligations.

Community pharmacy is an integral part of the health care provision in Queensland and Australia and is in a position to play a key role in both extending service provision to the community while contributing to controlling costs across the healthcare sector.

As to the question of whether the community benefits from lower prices. Firstly, prescription medication prices are regulated by the federal government via the TGA which offers all Australians access to medications. Secondly and most importantly the cost of medications is only a component of the health care costs and reliable and safe use of medicines is a vitally important factor in controlling the total cost of medication use. Or in other words, misuse of medicines can lead to increase of healthcare costs including unnecessary hospitalisation of patients.

The industry requires a state, governing body with detailed knowledge and the power to test the validity and governance of pharmacy ownership. These bodies currently exist in other states and have an important role to play in maintaining the professionalism of community pharmacy and based on the increase of corporate ownership in Queensland, it is vitally important that this issue is also addressed in this state.

Regards



Doug Kuskopf-Dallas
GM, DPRG Retail