

Community Pharmacy Agreement Variation

1 September 2011 – 30 April 2012

Consultation Process

- Seven consultation meetings April to July with sector agents following extensive discussions to establish strategic service direction
- PHARMAC, Sector Services, Audit & Compliance observers
- Issues Register created from items raised by pharmacy agents, individual pharmacists & DHBs
- Service & funding models in development; tested with sector; no finality, so Variation needed to continue engagement in future direction

Key Issues

- Transactional system based on trust
 - Pharmaceutical Schedule rules & Pharmaceutical Transactional Data Specification establish parameters for software vendors and Sector Services
 - Pharmacies enter data from scripts into software; claim electronically 4 times per month & paid;
 - Audit & Compliance monitor claim trends; 34 audits p.a. ; paper scripts matched if audit undertaken
- Pharmacy Incentives
 - Volume incentive: payment based on scripts & items
 - Frequency incentive: variable interpretation of Close Control rules can mean paid 13 or 52 times per year even for stat. Considerable variability of CC use across DHBs & between Pharmacies
 - Service incentive: good pharmacies are providing patient services but not explicitly recognised through current payment system
 - Pharmacists want recognition as valuable part of multi-disciplinary teams and part of new Better Sooner More Convenient directions.
 - DHBs want community pharmacy to contribute to improved therapeutic outcomes

Key Issues

- Expenditure Growth
 - Expenditure is increasing well ahead of DHB's funding path
 - Close Control rule in Pharmaceutical Schedule [“frail, infirm, unable to manage medicines”] being interpreted much wider than original intentions by both prescribers and pharmacists
 - Pharmac intends to amend the CC rules to align with the new direction
- Levers
 - Any new service approach must create sufficient incentive/momentum /evidence of value over time to support change to the business models & shift the basis of funding
 - Pharmacy & DHBs want to reduce admin/compliance costs for pharmacy (especially where others are responsible) without increasing risks, but caught by legislation/regulation in some areas
- Risk Management
 - Pharmacies want clear signals about the medium term strategic direction and the impact on their businesses
 - DHBs need to manage patient, service, quality, expenditure and political risks

Negotiation Process

- The variation is a national offer to pharmacies based on consultation discussions and DHB decisions
- DHBs insert local- and provider-specific conditions e.g. waste disposal, into Part P
- Negotiations occur between pharmacies and local DHBs, taking into account the need for consistency within the national process

Summary of Variation Terms

- Eight month term from 1 September 2011 – 30 April 2012
- Issues covered [in Agreement order]:
 - Clarification about legislation
 - Provision of the Pharmaceutical Schedule
 - Provision within a DHB's geographical area only unless agreed in writing with another DHB
 - Definition changes
 - Deletion of provisions relating to complex medicines

Summary of Variation Terms

- Part G: Quality specifications
 - Updates Infection Control Standards reference
 - Changes to Emergency Planning clause; Ethical Approval; & reference to Pharmacy Standard
- Part H
 - Information to be provided to patients about co-payments, charges, product premiums
 - Claiming for Multiple Pharmacies

Summary of Variation Terms

- Part J: constitution of any Pharmacy Advisory Committee
- Change to Clozapine references
- Updating of GST and payment references
- Increase in multipliers for Aseptic and Sterile Services
- Amendment to references, calculations claiming, audit provisions for Exceptional Circumstances Products

Summary of Variation Terms

- Amendments to Service Specification
 - Schedule C1 7.1 (b): Provision of Advice & Counselling amended to clarify expectations
 - Schedule C1 7.1 (h): Services to Age Related Residential Care amended to clarify expectations for this vulnerable group and also to support ARRC facility staff, reduce potential for waste and include MOH Medicines Care Guides, 2011
- Agreement to work together and negotiate other services e.g. LTC

Ongoing Service Development

- DHBs and the Pharmacy sector will continue to work together to implement the new service change in May 2012.
 - A Pharmacy sector led workshop is being organised for early September to enable community pharmacists identified by their agents to review the draft LTC service components, criteria and make recommendations to the DHBs. The Service Model from this is then to be promoted for engagement with prescribers (primary and secondary).
 - A process to cost the service is to be commissioned once this workshop is complete.
- DHBs to agree a funding model within the next 12 weeks to enable sector services and information system vendors to make the necessary process changes to their systems to support a 1st of May 2012 launch.

Number of Patients on Close Control by DHB 2009/10

WCC ranges from 0.7% - 4.8%; MCC 5% - 13.3%

DHB	WCC Patients	MCC Patients not on WCC	Not on CC	Total Patients	% WCC	% MCC not on WCC	% Not on CC	% Spend on MCC Repeats in Residential Care	\$ Value of MCC Repeats in Residential Care
Auckland	2,399	13,387	249,907	265,693	0.9%	5.0%	94.1%	30.3%	\$447,472
Bay of Plenty	2,376	11,017	107,318	120,711	2.0%	9.1%	88.9%	21.4%	\$250,016
Canterbury	6,057	30,783	243,730	280,570	2.2%	11.0%	86.9%	25.1%	\$749,933
Capital and Coast	1,073	10,495	140,277	151,845	0.7%	6.9%	92.4%	17.4%	\$167,557
Counties Manukau	3,571	19,118	238,892	261,581	1.4%	7.3%	91.3%	4.2%	\$101,690
Hawkes Bay	3,412	7,134	82,773	93,319	3.7%	7.6%	88.7%	24.2%	\$166,752
Hutt Valley	1,294	8,665	67,682	77,641	1.7%	11.2%	87.2%	19.3%	\$157,050
Lakes	405	4,471	52,901	57,777	0.7%	7.7%	91.6%	15.3%	\$90,410
MidCentral	1,851	9,010	82,662	93,523	2.0%	9.6%	88.4%	22.7%	\$212,614
Nelson Marlborough	926	7,225	64,898	73,049	1.3%	9.9%	88.8%	25.5%	\$172,880
Northland	1,283	8,260	81,525	91,068	1.4%	9.1%	89.5%	13.7%	\$109,008
South Canterbury	1,551	3,754	27,304	32,609	4.8%	11.5%	83.7%	25.5%	\$103,449
Southern	3,811	13,291	145,392	162,494	2.3%	8.2%	89.5%	28.7%	\$424,827
Tairāwhiti	917	2,461	22,046	25,424	3.6%	9.7%	86.7%	7.7%	\$22,252
Taranaki	1,297	6,528	52,633	60,458	2.1%	10.8%	87.1%	17.2%	\$146,315
Waikato	2,534	16,058	185,025	203,617	1.2%	7.9%	90.9%	19.6%	\$368,186
Wairarapa	1,114	2,753	20,300	24,167	4.6%	11.4%	84.0%	21.6%	\$42,981
Waitemata	1,923	16,990	252,025	270,938	0.7%	6.3%	93.0%	10.5%	\$190,207
West Coast	568	2,213	13,877	16,658	3.4%	13.3%	83.3%	23.4%	\$46,065
Whanganui	498	4,234	32,277	37,009	1.3%	11.4%	87.2%	16.2%	\$86,662
National Total	38,860	197,847	2,163,444	2,400,151	1.6%	8.2%	90.1%	19.1%	\$4,056,325

Next Steps

- Funding Mechanism
 - Service development progress will inform
- Consultation on new Agreement
 - January 2012 – March 2012
- Review of Close Control
 - During the length of the variation (1 September 2011 – 31 April 2012) DHBs will work with outlier prescribers and pharmacies to review close control rates and consistency with the intent of Schedule rules.