



DATA-DRIVEN INSIGHTS 2023

Community pharmacies: scoping the change

Discovering new directions
through agility and innovation.



Moving ahead on the healthcare frontline

What's driving the trends and reforms that are fast-changing the shape of community pharmacies?

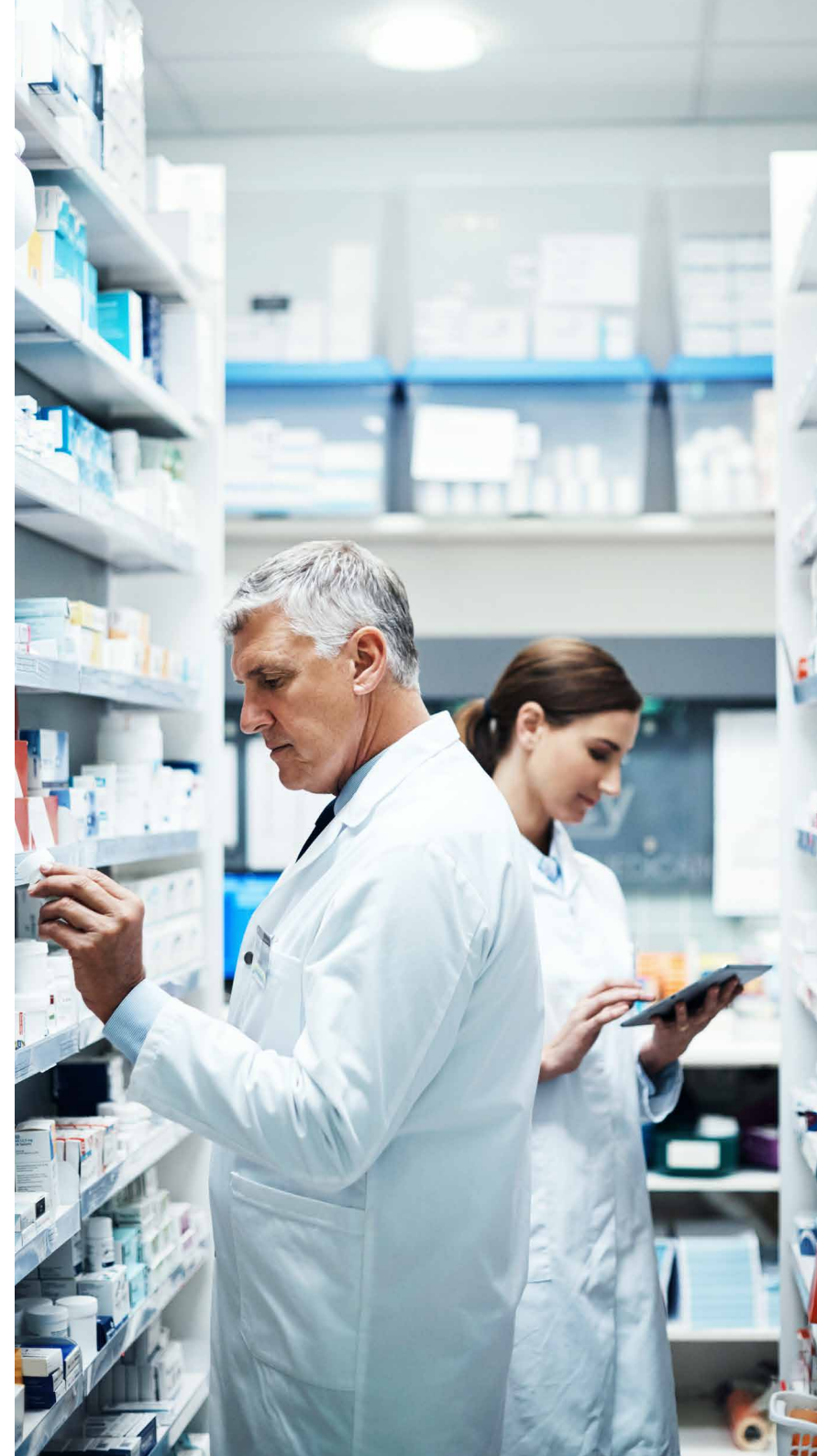
It's been another year of significant change for community pharmacies, with 2023 marking historic reforms to the Pharmaceutical Benefits Scheme (PBS), momentum increasing for scope of practice, a continued upward trajectory for digital prescriptions, and the introduction of 60-day dispensing.

Scope of practice has expanded to include a range of clinical services, and Health Minister Mark Butler has predicted pharmacists will play an even bigger role in primary healthcare when the Eighth Community Pharmacy Agreement (8CPA) commences in March 2024. "Change is not coming, because it's already here," says Dr Fei Sim, National President of the Pharmaceutical Society of Australia. "The policy changes affecting pharmacies in 2023 alone are equivalent in impact to the changes we've seen over the past 12 years."

It's clear that the role of community pharmacies is now greater than ever before. This report explores the trends and reforms driving that rapid evolution. It also looks at consumer spending habits, the increase in digital health initiatives and how community pharmacies are responding.

About the data and method

- The insights in this report were drawn from the activity of 12,208,377 Westpac Group cardholders from July 2019 to September 2023.
- Total spending trends were informed by 7 billion transactions, totalling \$203.7 billion with an average spend of \$30.
- Pharmacy spending trends were informed by 144 million transactions, equating to \$6.1 billion, with an average spend amount of \$42.3.
- Service-oriented pharmacies accounted for 105 million transactions, with a total spending amount of \$4.3 billion and an average spend of \$41.
- Discount pharmacies accounted for 40 million transactions with a total spending amount of \$1.8 billion with average spend of \$45.50.





Community pharmacies: insights at a glance



60-day dispensing

Changes to dispensing of PBS medicines began on 1 September 2023. The changes will occur over three stages and, by completion, close to 300 PBS-listed medicines will be available on a 60-day prescription. The changes will result in savings for government (to be re-invested back into pharmacy), and customers; however, they will also impact community pharmacy revenue and, potentially, viability.

Source: [Australian Government Department of Health and Aged Care, 2023](#) and [Pharmacy Guild of Australia, 2023](#)



Wider scope of practice

Almost 9,500 women accessed the urinary tract infection health service through their local participating community pharmacy in Queensland and the pilot program is now a permanent service, as of October last year. This is one example of a range of programs being implemented across the nation.

50%

OF AUSTRALIAN WOMEN EXPERIENCE A UTI IN THEIR LIFETIME.

Source: UTS Outbreak Project



Spending remains stable

Total pharmacy spend grew by 3.15% in the 12 months to September 2023, while transaction volumes remained stable. Growth is modest, given an inflation figure of 5.4% in the 12 months to September 2023.



CHANGE IN TOTAL PHARMACY SPEND:

+3.15%

Sep 2022 to Sep 2023

Source: Westpac Group, Sep 2023



Instore shopping at an all-time high

Shopping instore had increased to an all-time high of 81.64% at 30 September 2023, which represents an increase of 20 percentage points over a four-year period.

SHOPPING INSTORE REACHED AN ALL-TIME HIGH OF

81.64%

Source: Westpac Group, Sep 2023



More electronic prescriptions

167 million electronic prescriptions have been issued by more than 79,000 prescribers since the national roll out in 2020.



TOTAL E-PRESCRIPTIONS ISSUED SINCE 2020:

167 million

Source: Australian Digital Health Agency

New scope and services

A raft of new measures is boosting the vital role of community pharmacies, and there's more on the way.

Wider scope of practice

The scope of practice pilot in North Queensland has been adopted statewide, with pharmacists now treating a range of common conditions and prescribing pharmaceuticals such as the oral contraceptive pill and asthma medication. This follows Queensland's successful UTI Pharmacy Pilot. A similar scheme was introduced in more than 1,000 pharmacies in NSW this year. And a 12-month statewide pilot was also launched in Victoria in October 2023.

"There is certainly a trend for providing more primary healthcare services in community pharmacies," says the PSA's Dr Sim. "And that's very positive, because

3,000

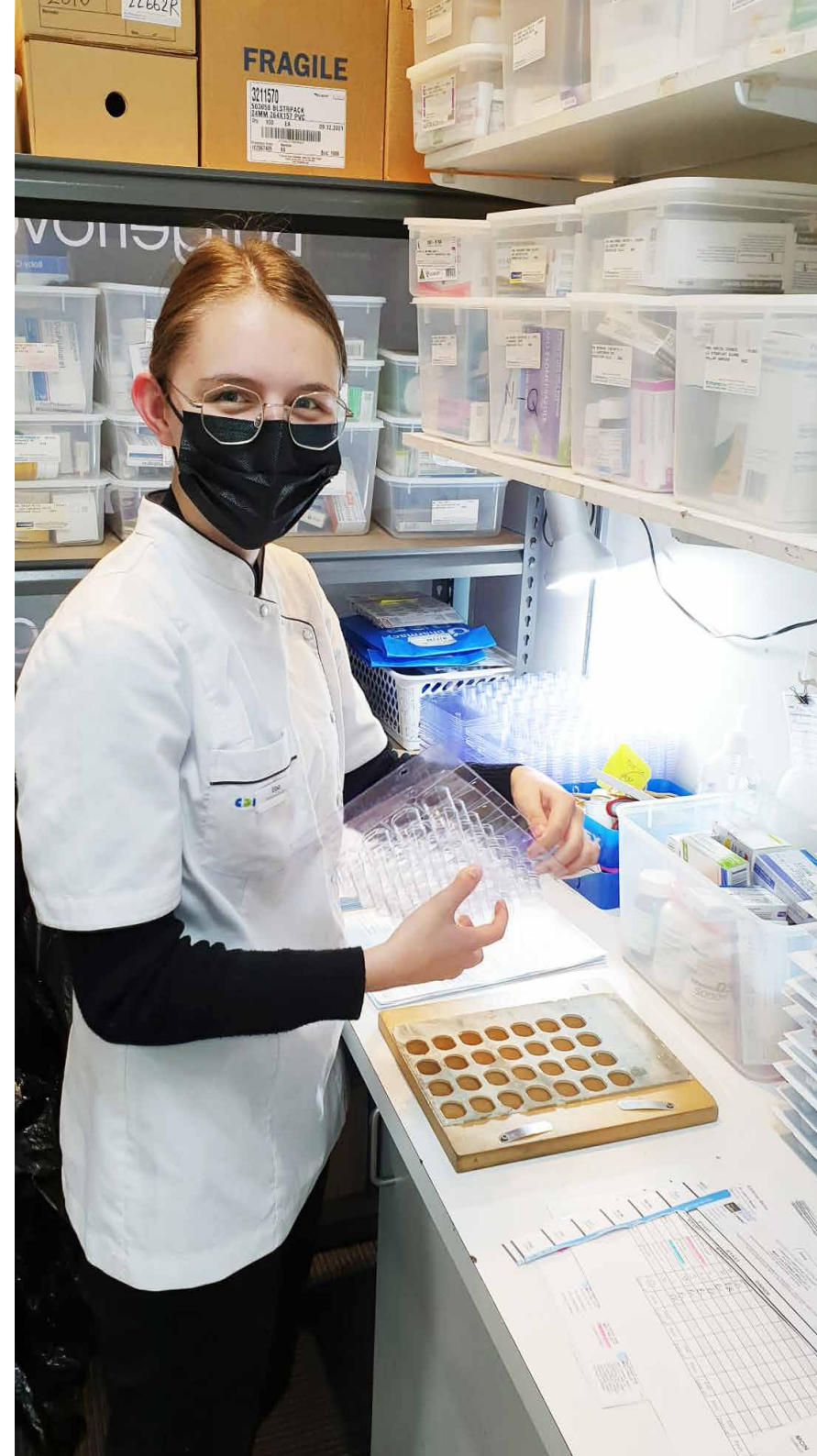
WOMEN IN NSW RECEIVED FASTER AND EASIER ACCESS TO UTI TREATMENT THROUGH THEIR COMMUNITY PHARMACY IN THE FIRST FEW MONTHS OF THE TRIAL THIS YEAR.

Source: NSW Health, September 2023

it serves the needs and demands of the public and of our healthcare system more broadly. For us to have a sustainable health system moving forward, we need all health professionals to practise at their full and top of scope and pharmacy is one of those professions that will need to step up. Pharmacists can and should do more to improve access to care and medicine safety. However, they need to be supported to do so. Adequate funding for services is critical if we want to see viability and sustainability in this sector."

PBS reforms boost accessibility

Cost-of-living pressures have taken a toll on access to medication, with 900,000 Australians delaying or not getting a script filled in 2019-2020 due to the cost. From 1 January 2023, however, the cost of general prescriptions under the PBS fell for the first time in the scheme's 75-year history, with the PBS co-payment for general patients (non-concession card holders) falling from \$42.50 to \$30. From 1 July this year, community pharmacies dispensing PBS medicines also received a 7% funding increase, however the extra funding will likely only cover the growth in running costs.



Dispensing changes a cause for debate

From 1 September, the first tranche of a three-stage reform to PBS dispensing was introduced.

By completion, the reform will see almost 300 PBS-listed medicines become available on a 60-day prescription, with patients receiving twice the amount of medication for the cost of a single prescription.

The changes will result in \$1.2bn in savings for the government and \$1.8bn saving for customers over four years.

“All pharmacists agree that medicine should be cheaper and more accessible for patients, but the cost savings are coming directly from the bottom line of community pharmacies,” says Dr Fei Sim, National President of the Pharmaceutical Society of Australia.

“If there isn’t a meaningful reinvestment into community pharmacies to counteract the drop in remuneration for dispensing, the viability of the community pharmacy network could be challenged.”

More funding on the horizon?

The 8CPA may alleviate some of the pressures brought about by 60-day dispensing reforms.

The 8CPA is a five-year agreement that governs how pharmacies supply medicines listed on the PBS, which is due to commence in March 2024, more than a year earlier than planned.

“It will be an opportunity to realign pharmacy remuneration to ensure that the industry is successful, profitable and effective.”

KAIZAAD MEHTA, NATIONAL HEAD OF HEALTHCARE, WESTPAC BUSINESS BANK

“My view is that the 8CPA will see a further expansion of services to be delivered through community pharmacies,” says Kaizaad Mehta, National Head of Healthcare at Westpac Business Bank.

“I think it will also be an opportunity to realign pharmacy remuneration to ensure that the industry is successful, profitable and effective.”



Scope for change at LiveLife pharmacies

How scope of practice continues to evolve for the LiveLife Group in Queensland.

LiveLife is a network of 40 community pharmacies across Queensland that employs just under 800 people. Its CFO, Christian Mee, says the increasing scope of practice may help to alleviate a skills shortage across the sector.

“The immediate effect on staffing is that people are finding their job more satisfying, because they are able to build up their skills and offer more services to the community,” Mee says. “But there’s still a gap between the rising satisfaction levels and attracting more staff.”

Prior to the pandemic, LiveLife Group had already invested in new consultation rooms and Westpac continues to support the group’s growth as the community pharmacy business model evolves.

“If we’ve got an adequate footprint for a new site, we’ll now put in two consultation rooms – with space for a bed – to get ready for the future.”

While scope of practice at LiveLife Group has expanded following the Queensland pilots, Mee says it’s not yet part of ‘business as usual’.

“Vaccinations are part of business as usual, but there’s still an awareness gap about the other services that pharmacies now provide,” he says.

“The data is pretty unequivocal that it is beneficial and low risk to access these broader services from pharmacies. And whenever patients hear about it, they are over the moon.”

“Vaccinations are part of business as usual, but there’s still an awareness gap about the other services that pharmacies now provide.”

CHRISTIAN MEE, CFO, LIVELIFE



Spending remains stable

Transaction volumes have remained steady, but the outlay grew for consumers – and they still prefer to shop instore.

Trends in pharmacy spend

From July 2019 to September 2023, pharmacy spend increased from \$92.5m to \$127.8m, or 38.2%. This compares to total card spend, which increased by 62% over the same period.

A source of essential products and services, total pharmacy spend increased by 3.15% in the 12 months to September 2023, while the volume of transactions remained largely the same. This increase was likely driven by inflation, which rose by 5.4% in the 12 months to September 2023, rather than by an uptick in consumer spend. This compares to total card spend, which reduced by 2.59% over the same period.

Pharmacy spend as a proportion of total card spend grew slightly from 2.79% in September 2022 to 2.96% in September 2023. This reveals the non-discretionary nature of pharmacy goods and services in an increasing cost of living environment.

Spend increased at both service-oriented pharmacies and discount pharmacies markedly between September 2020

and September 2023, with discount pharmacies outperforming service-oriented pharmacies with growth of 90.3% vs 30.8% respectively. The strong performance of discount pharmacies is likely driven by a higher focus on cross-selling of retail products, such as vitamins.

Online vs instore spend

Despite the rise in e-commerce across Australia, pharmacy customers continue to do most of their shopping instore. Since September 2019, the proportion of instore shopping increased by 20 percentage points to an all-time high of 81.64% as of September 2023. It can be hypothesised that this is due to consumers increasingly seeking advice-based services from their community pharmacy, which is more accessible through instore purchasing.

“Cognitive patient-centred services provided by community pharmacists continue to be valued by patients and local communities. That’s why people continue to attend pharmacies face-to-face. Pharmacists’ cognitive input is key to turning a medicine from a commodity into a service,” says the PSA’s National President Dr Fei Sim.



Community pharmacies: spending in numbers

12-MONTH CHANGE IN SERVICE-ORIENTED PHARMACY SPEND:

+1.68%

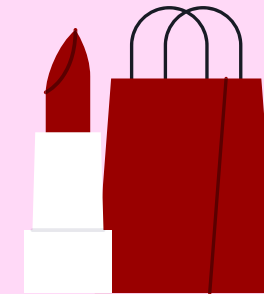
Sep 2022 to Sep 2023



12-MONTH CHANGE IN DISCOUNT PHARMACY SPEND:

+6.16%

Sep 2022 to Sep 2023



TOTAL SPEND AT SERVICE ORIENTED AND DISCOUNT PHARMACIES (\$ MILLIONS)

	Sep-20	Sep-21	Sep-22	Sep-23
Service oriented	64.8	72.5	83.4	84.8
Discount	22.6	36.9	40.6	43.1

Source: Westpac Group, Sep 2023

Online solutions on the rise

Pharmacies are investing in digital technologies to drive efficiencies and productivity.

As of September 2023, 167 million electronic prescriptions had been issued by more than 79,000 prescribers. Uptake looks set to increase, with the 2023 - 2024 Federal Budget including \$11.8 million to be invested in electronic prescriptions over four years, and \$24.2 million ongoing funding for related infrastructure and services.

“Digital health initiatives have already altered the workflow in pharmacies, but it can be challenging to continue to accommodate both paper-based and electronic prescriptions,” says Dr Sim. “Over time, the acceptance and feasibility of electronic prescriptions will increase among consumers, and it’s an opportunity to improve efficiency and productivity.”

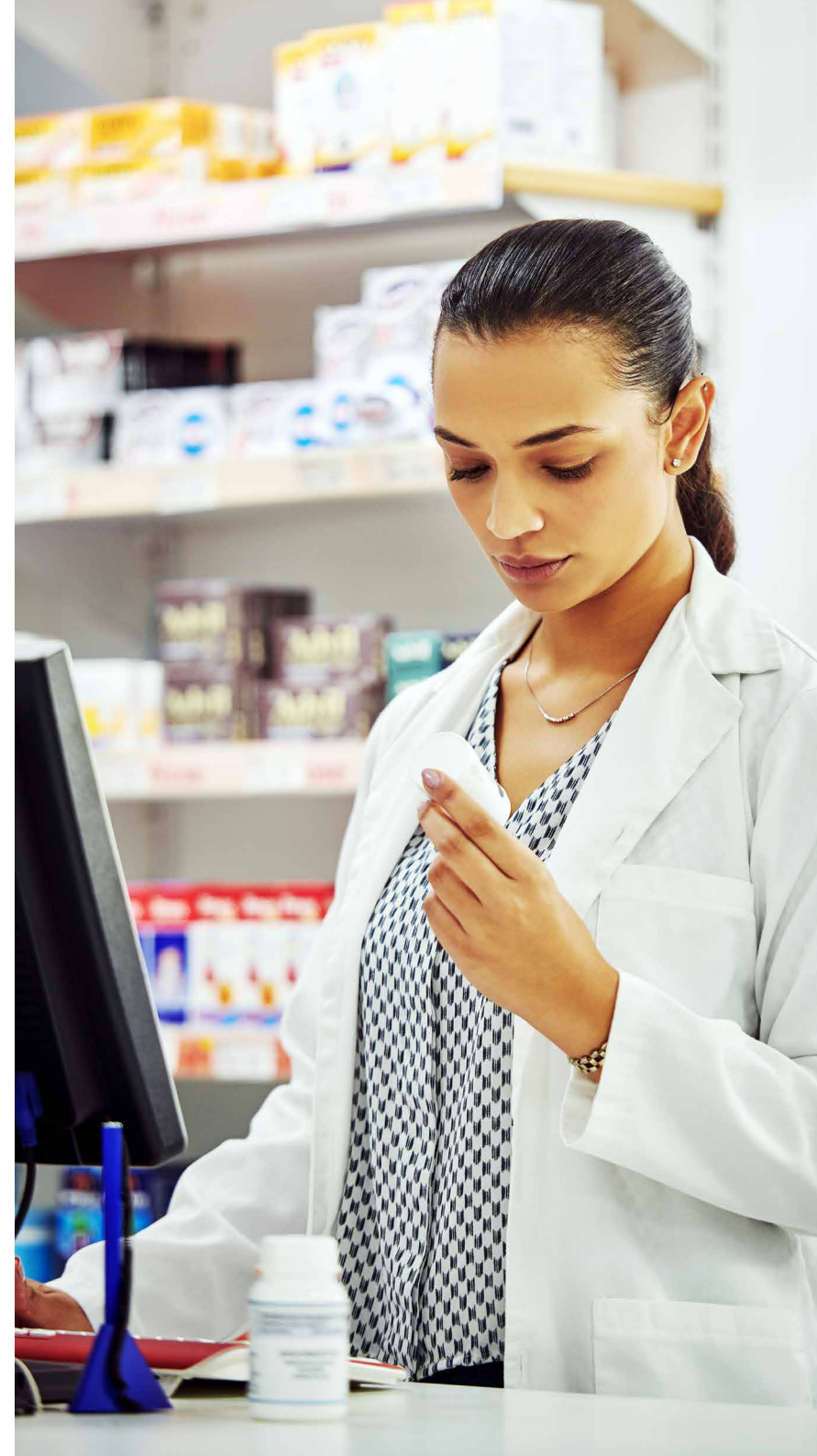
Online merchant facilities increased by 6.8% following the Delta Wave of COVID-19 (May 2021) to September 2023 and online pharmacy spending followed a similar trajectory, increasing by 7.8% during the same period. This reveals that both community pharmacies and consumers alike are adopting e-commerce options.

“The acceptance and feasibility of electronic prescriptions will increase among consumers, and it’s an opportunity to improve efficiency and productivity.”

DR FEI SIM, NATIONAL PRESIDENT,
PHARMACEUTICAL SOCIETY OF AUSTRALIA

Westpac’s Kaizaad Mehta is seeing an increase in digital investments across the pharmacy sector. “As pharmacies are increasing their online presence, they are increasing their levels of technology to facilitate it,” he says. “Outside of electronic prescriptions, there’s a push to drive efficiencies and productivity through technology like patient management systems and automating processes where possible.”

The upswing in technology adoption means pharmacy businesses are also spending more on cyber security, due to the ever-increasing sophistication of hackers and scammers and prevalence of cyber attacks, says Mehta, “and that trend to investing in patient safety and protection looks set to continue”.



Cyber security a focus for Foote's Pharmacy Group

Keeping customers' health data safe is a top priority.

For pharmacies in the Foote's Pharmacy Group, the boost in digital services has also required a tightening of cyber security measures.

The group has nine pharmacies in its network across Queensland and New South Wales, and employs about 120 people. Grace Chong owns the group's Boonah Pharmacy and is also Senior Vice President of the Victorian branch of the Pharmacy Guild of Australia.

“Hackers are amazingly talented these days and health data is very valuable and must be protected.”

GRACE CHONG, SENIOR VICE PRESIDENT,
VICTORIAN BRANCH, PHARMACY
GUILD OF AUSTRALIA

“Across the Foote's Group, our pharmacies offer a range of digital services,” she says. “We have electronic prescriptions, which are transmitted to the cloud, and we use the MedAdvisor app for people to pre-order their medications. Our fax is rarely used these days.”

Chong says cyber security is high on the agenda.

“As a group, we recently engaged some cyber experts to do penetration testing on our system. They basically tried to break into our system across each of our stores and our head office. Wherever there was a gap, we fixed it and put in processes and software to make sure it became impenetrable.

“Hackers are amazingly talented these days and health data is very valuable and must be protected,” adds Chong. “We now work with a company that triages every single email and every single alert before they let it through to our system.”



From now to next: make ready for further shifts

All eyes are on the 8CPA to deliver tangible opportunities for further growth.

As the most accessible healthcare destination for Australians, community pharmacies' role in the lives of Australians continues to grow and evolve.

Along with digital technologies, the expanding scope of practice is presenting new opportunities, but the impact of sector reforms such as 60-day dispensing remains unclear.

The industry is showing agility as it adapts rapidly to changes and reforms, and its importance in protecting and monitoring the health of Australians keeps expanding.

"Convenience and accessibility are key elements of what drives Australians into community pharmacies, and those are the things we need to preserve," insists PSA National President Dr Fei Sim.

"We need to support pharmacists to be able to provide cognitive services, whether it is prescribing, vaccinations, management of common ailments, screening triage or referrals, and services to improve quality use of medicines and medicines management programs."

"We certainly have a strong appetite for supporting community pharmacies to seize the opportunities of change."

KAIZAAD MEHTA, NATIONAL HEAD OF HEALTHCARE, WESTPAC BUSINESS BANK

Westpac is committed to helping community pharmacies as their role keeps evolving. "I'm optimistic that we're going to see a well-balanced 8CPA, which will provide opportunities for operators to continue to grow," says Mehta. "And we certainly have a strong appetite for supporting community pharmacies to seize the opportunities of change."

Westpac is committed to helping pharmacies adapt and grow.





Need to know more?

This information is general in nature and has been prepared without taking your objectives, needs and overall financial situation into account. For this reason, you should consider the appropriateness of the information to your own circumstances and, if necessary, seek appropriate professional advice.

If you have any questions or would like to know more about the information contained in this document, please contact the author:

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