



10 August 2015

Secretary
Joint Committee of Public Accounts and Audit
Parliament House
CANBERRA ACT 2600
By email: jcpaa@aph.gov.au

Dear Secretary

Auditor-General's Report No. 25 (2014-15) Administration of the Fifth Community Pharmacy Agreement.

CHF welcomes the decision by the Joint Committee to review the report on the Fifth Community Pharmacy Agreement (5CPA). The total funding covered by the Fifth Agreement was over \$15 billion and this has increased to just over \$18 billion for the Sixth Community Pharmacy Agreement (6CPA).

At a time of stringency in health funding with the Government looking to contain health expenditure it is imperative that all programmes and initiatives offer value for money, target the right people and lead to improved health outcomes.

CHF was given the opportunity to discuss our views with the Australian National Audit Office (ANAO) staff when they were undertaking the review. We published our response to the key findings in the Auditor General's report (see Attachments A and B). We stress that a crucial consequence of the audit report should be to ensure in future that all CPA funding, and particularly those elements relating to community programs, should be subject to public scrutiny and accountability. In addition, the design, administration and delivery of these programs should be contestable. We want to ensure that the inadequate negotiation and administration of 5CPA are not repeated in 6 CPA.

A careful reading of the audit report makes it disturbingly clear that because of the very large sums of money involved, significant sums meant for patient care programs ended up elsewhere. More robust and inclusive governance, scrutiny and transparency will ensure that this is not repeated in future arrangements.

The report into the administration of the 5CPA revealed a failure by the Health Department to ensure effective scrutiny of the very substantial public spending involved in a central part of the health system. The review found that the department's administration of the agreement had been "mixed" and a limited basis for assessing the extent to which the agreement met its objectives.

Para 6.26 states "Overall the KPIs adopted over the period 2010-2014 for the 5CPA provide a limited basis on which to assess the performance against high level 5CPA objectives,

specific professional program objectives or the material components of Commonwealth expenditure such as pharmacy remuneration.”

Paragraphs 4.33 to 4.36 and para 4.66 show that of \$663 million in funding specified for “patient-focused” programs and areas of need, just 26 per cent went to popular and cost-effective patient medication management programs which struggled to meet demand, while more than half of funding went to pharmacy accreditation focused on business and staff management and not delivery of patient-focused services.

Whilst we fully understand that the review is of the Department’s administration of the 5CPA not the role played by the Guild, we want to draw the Committee’s attention to the findings which indicated expensive costs involving the Pharmacy Guild’s administration of programs. In particular Paras 5.61 and 5.62 say it was a “notable omission” that the department did not tell Cabinet that it would be paying the Pharmacy Guild to administer programs and that money would be coming from funding meant for professional (patient) services. In addition Para 5.65 shows some contracts did not clearly distinguish between payments to the Guild for its services to the department and funds used to pay recipients of 5CPA programs.

In light of the Government’s decision to increase funding for pharmacy primary care services, and the overall moves to strengthen primary health care through the ‘Healthier Medicare’ initiative, it is important that this funding be subject to contestability and transparency in order to deliver well-conceived, evidence-based, targeted and integrated services.

The increase in funding is substantial and has been welcomed by CHF however it must result in a difference in primary health care services on the ground for consumers. In 5CPA there was neither contestability nor transparency. The department entered into contracts with the Guild totalling \$300 million without competitive tenders being called and value for money tested. See paragraphs 5.60 and Fig 5.4 which includes comment “allows Guild to apply for funding”.

The department also entered into a further eight contracts concerning the Guild’s part-owned FRED IT entity, although many of these contracts were not directly related to 5CPA.

CHF is encouraged by the department’s approach to the development of 6CPA. We were involved in bilateral discussions on elements of the Agreement as it was being formulated. In particular, we note the intent that 6CPA be a transitional agreement and welcome the Government’s plan to conduct an independent review of location rules, remuneration and other aspects of the Agreement with a view to determining how future arrangements might best serve all parties: the consumer, the taxpayer, the Government and pharmacy businesses.

We are further encouraged by the department’s early approaches to 6CPA implementation in particular indications that CHF is to be closely consulted on, and involved in, key aspects including governance arrangements, the terms of reference for the review and the form of any new primary health care services through community pharmacy.

We are of the very firm view that more open governance of the Agreement and co-design and evaluation of services with the users of those services will deliver better value, innovation and outcomes.

We welcome the opportunity to discuss these issues with the Committee at the public hearing on 13 August.

Yours sincerely



Leanne Wells
CHIEF EXECUTIVE OFFICER