

11 June 2024

PHARMAC  
PO Box 10254  
The Terrace  
Wellington 6143

Sent via email to: [consult@pharmac.govt.nz](mailto:consult@pharmac.govt.nz)

Dear Sir/Madam,

### **Re: Guild request to implement an Out-of-Stock Consultation fee**

Community pharmacies are a cornerstone of New Zealand's healthcare system, ensuring timely and accurate provision of medicines to patients. However, when Pharmac-funded products are out of stock due to supply issues, the burden of communicating these supply issues to the consumers falls on community pharmacies. Despite Pharmac's efforts to mitigate supply issues, pharmacists often spend significant time explaining these shortages to patients and managing the resulting administrative tasks and emotional fallout. A time-consuming and often exhausting process for which there is currently no financial compensation.

To address this, we propose the introduction of an "Out-of-Stock Consultation" fee, similar to the existing "Brand Switch" fee. This fee would compensate pharmacies for the additional time and effort required to manage out-of-stock situations, ensuring they can continue to provide high-quality care to patients without bearing financial and operational strain.

### **Background**

According to Pharmac, New Zealand generally experiences fewer stock issues compared to Australia, largely due to contracts that hold suppliers accountable for maintaining stock levels. These contracts include financial penalties for suppliers who fail to ensure medicine availability. While these measures have reduced the number of issues reaching consumers, out-of-stock situations still occur, necessitating pharmacies to manage the fallout.

### **The problem**

When Pharmac-funded medicines are unavailable, pharmacists must:

- Explain the situation to patients, often multiple times.
- Manage consumer expectations and emotional responses.
- Manage the administrative tasks of finding and documenting alternative solutions. This often requires contacting busy prescribers and requesting they alter prescriptions and/or clinical treatment options whilst patients have the expectation that this will have a very short turnaround time.
- Reassure and guide patients through the process of obtaining substitute medicines.

- Utilise technology to contact patients, informing them of stock situations, often multiple times to ensure timely continuation of therapy. These communication pathways are not free to use.

These tasks are time- and profit-consuming and place an additional burden on pharmacy staff, who must manage these responsibilities without compensation, diverting time and resources from other critical duties. All of this with an acute workforce shortage and increasing workload as backdrop.

### **Proposal**

We propose that Pharmac introduces an "Out of Stock Consultation" fee to address these challenges and acknowledge the valuable time and resources pharmacies must allocate to these situations. This fee would:

- Compensate pharmacies for the time pharmacists and pharmacy staff spend consulting about out-of-stock medicines, which frequently involves repeated, often complex communication with both prescribers and patients.
- Cover some of the additional costs of the administrative work required to manage these situations, which include additional stock management, reordering and backordering products and/or regular phone calls and discussions with wholesalers.
- Ensure pharmacies can maintain high standards of patient care without financial detriment.

### **Implementation details**

- Eligibility: The fee would apply to Pharmac-funded products that are out of stock due to supplier issues according to pre-set parameters in supplier agreements.
- Fee structure: The fee would be at least equal to the existing "Brand Switch" fee, ensuring it is fair and commensurate with the time and effort involved.
- Documentation: Pharmacies would submit this information to Pharmac for reimbursement in the form of a claim via their PMS using a Pharmacode, supplied by the Pharmacy Guild free of charge.
- Limitations on the frequency and quantum of the charge can be imposed considering factors specific to the product/s affected.
- The fee could be bound to an out-of-stock situation and triggered by the pharmacy being forced to "defer" claiming for out-of-stock items via the batch-claiming system. This should be easy to incorporate into the current payment system and pharmacy management/dispensing software.
- Additionally, the proposed "Out of Stock Consultation" fee does not necessarily have to be a set fee but could be indicative of market share, usage statistics of the particular product, and intricacies associated with the product's absence from the market.

We are happy to further discuss finding appropriate triggers for the payment of the "Out of Stock Consultation" fee. This could be included in the commercial agreements that Pharmac holds with product suppliers.

## **Benefits**

Implementing this fee would:

- **Support pharmacists:** Alleviate the financial and operational burden on pharmacists, allowing them to focus on patient care.
- **Enhance patient care:** Ensure and encourage that patients receive thorough explanations and assistance without delays or reduced service quality.
- **Improve efficiency:** Streamline the process for managing out-of-stock situations, benefiting both pharmacies and patients.
- **Accountability:** Encourage manufacturers and distributors to recognise that pharmacists' time and resources are precious and should be held accountable for out-of-stock situations by subsidising the fee.

Introducing an "Out of Stock Consultation" fee is a necessary step to support community pharmacies in managing the unavoidable supply issues that occasionally arise. By compensating pharmacies for their time and effort, Pharmac can uphold its commitment to ensuring a patient's access to medicines, while maintaining the sustainability and efficiency of the community pharmacy sector and pharmacy workforce. Pharmac can also pass these costs on to pharmaceutical companies if they are deemed to be contravening their tender agreements.

If you have any further questions about our proposal, please contact our Senior Advisory Pharmacists, Martin Lewis ([martin@pgnz.org.nz](mailto:martin@pgnz.org.nz), 04 802 8218) or Cathy Martin ([cathy@pgnz.org.nz](mailto:cathy@pgnz.org.nz), 04 802 8214).

Yours sincerely,



**Nicole Rickman**

General Manager – Membership and Professional Services