

Sector sustainability

Pharmacy Guild position statement – updated May 2025

Our position:

More funding is urgently needed to address the funding pressures facing community pharmacy and ensure long term sector sustainability.

This will need to come via a government Budget, as current annual cost pressure uplifts are not meeting current shortfalls, with a need to also address historic sector underfunding.

Our advocacy activities:

Our analysis shows that community pharmacy dispensing fees have grown at around half the rate of inflation over the last 16 years, while general practice capitation fees have grown at around the rate of inflation, and average hospital staff costs per employee have grown at close to twice the rate of inflation. See table below.

We have consistently highlighted this to government and officials and also that there is no longer an ability to rely on retail cross-subsidisation to financially sustain community pharmacy services.

Our advocacy led to DHBs/Health New Zealand (HNZ) agreeing to an independent review of the community pharmacy service and funding model in 2020.

Important context – role of NAAR:

- The ICPSA national annual agreement review (NAAR) addresses annual cost pressure uplifts and contract clause changes. This results in an ICPSA voluntary variation.
- NAAR operates within HNZ's annual budget constraints.
- Annual budgeted cost pressure uplifts will never be enough to address the sector's current and historic unfunded cost pressures.
- This requires significant investment from government and is part of broader discussions we are having with the Minister and HNZ officials outside of NAAR.

Health New Zealand pharmacy design workstream:

In May 2024, HNZ presented a draft plan for their proposed pharmacy design workstream over the next 18-24 months. It includes an end-to-end review of the medicines supply chain, review and development of models of care and funding models, and a new provider policy.

Parts of HNZ's plan show concerning similarities to DHBs' past attempts in 2017/18 to introduce a dispensing split and to repurpose LTC funding outside of community pharmacy.

There is no clear problem statement or case for such significant change to justify their draft plan, nor clear plans to obtain more funding.

Funded cost pressure recognition from 2008 to 2024

Pharmacy dispensing fees	28.5%
General practice fees	47.4%
Consumer Price Index (CPI)	47.0%
Hospital staff costs	84.8%

Our plan for a sustainable service and funding model:

In April 2024, we shared our plan for developing and implementing a sustainable service and funding model with HNZ. We covered:

- Previous commitments to develop and implement a sustainable service and funding model.
- Outline of key steps/activities for inclusion in a jointly agreed workplan.
- Indicative high-level timeline for key steps to deliver a sustainable funding model by 1 July 2026.

Our plan is available on our website and was developed prior to seeing HNZ's draft pharmacy design workstream plan. We presented this plan to HNZ again in May 2025.

Ongoing advocacy:

We believe that HNZ's focus is on pharmacy services redesign, not on addressing sustainable funding shortfalls – which is the pressing problem around business viability and workforce sustainability.

We have raised a number of issues and are seeking to obtain more insight from HNZ on their plans.

We maintain our position against the separation of dispensing into separate supply and advice functions, and that this will not deliver efficiencies or cost savings.

We continue to advocate to progress the development of a sustainable community pharmacy funding model during discussions with the Minister, officials, and at NAAR meetings.

This has included:

- listing “addressing material unfunded community pharmacy service cost

pressures” as a key sector issue in our briefing to the incoming Minister of Health in November 2023, and raising this during our first meeting with him in February 2024

- raising community pharmacy sustainability and cost pressures in our briefing to the incoming Minister of Health in February 2025
- in this briefing we requested that the Minister ask his officials to work at pace with the sector to update the earlier independent review work on wage cost pressures and the sustainable funding model by June 2025, to support a financially sustainable community pharmacy sector.

As part of ICPSA Variation 6 in October 2024, HNZ agreed to incorporate updates to the independent reports on community pharmacy funding issues into their workplans for completion by June 2025.

This commitment was seen by many contract holders as a positive indication that 2024's insufficient cost pressure adjustment would be corrected in 2025.

In March 2025, at the first NAAR 2025 meeting, HNZ said that they are no longer able to meet their commitment to complete the sustainable funding model review by June, due to staff restructures.

We are actively considering use and timing of a range of escalatory management measures. These include a mix of possible use of legal options, judicious use of media, and Ministerial escalation.

More information:

For more detail on our sustainability work, contact membership@pgnz.org.nz or 04 802 8200.



PHARMACY GUILD
OF NEW ZEALAND