**WPC MEMBER SURVEY - Funding & Payment Structures**

**RESPONSE – NEW ZEALAND**

# INTRODUCTION

This survey is designed to provide WPC members with a better understanding of funding and formal payment structures for community pharmacy in each WPC country. This includes payments for dispensing, payments for other services, and other general or specific purpose payments.

The survey does not seek to collect specific fee levels or payment amounts. The focus is on the structure and types of payments, and on what is paid for by each funding stream, and on the relative significance of each component. The focus is not on comparing funding levels or fee amounts.

In some countries the funding arrangements may vary significantly between states, regions or funders. This survey is not intended to capture every variation. As far as possible, please provide the most appropriate answer in a national context.

The results of this survey will not be published for the general public. Findings will be distributed only to WPC members only, their internal use.

Responses, and any questions relating to this survey, should be emailed to the WPC Chief Economist at [stephen.armstrong@worldpharmacycouncil.org](mailto:stephen.armstrong@worldpharmacycouncil.org). Thank you.

# DEFINITIONS

**To guide your completion of this questionnaire, please read the following definitions.**

*Fee-for service payments*

Fee-for-service payments have traditionally been the most common types of payments in the community pharmacy context (and also in most other healthcare settings) and are an amount paid per occasion of service.

*Capitation-style payments (including casemix or bundled payments)*

Capitation-style payments are those calculated based on the number of patients (and/or the types of patients, as in a casemix model) rather than on the number of occasions of service. Capitation-style payments may be bundled payments that cover more than one service type (this may also be the case with outcomes-based payments or lump-sum payments).

*Outcomes-based payments (including performance-based or value-based payments)*

In an outcomes-based model, payments (or payment levels) depend on defined measures of performance, benchmarks or targets. These may include direct or indirect measurements of patient outcomes, or metrics related to quality.

*Lump sum payments per pharmacy*

Lump sum payments are fixed amounts per pharmacy paid at regular intervals (eg. monthly, quarterly or annually) to either all pharmacies or particular groups of pharmacies. Lump sum payments differ from Capitation-style or Outcome-based payments in that the amounts are not related to the number of patients serviced or to any specific performance measure. Examples of lump sum payments include payments made to all registered pharmacies, or to all pharmacies that are registered for a particular program.

# Section 1 - Dispensing

Fees and other payments for dispensing are those amounts that are additional to the cost price of the medicine, and represent a gross profit margin on the dispensing service.

Please note that this question is *not* referring to the pharmacy’s purchase price of the medicine. It is referring only to amounts additional to the purchase price, that are intended to ensure the viability of the dispensing service.

**Question 1.1 - Through what process(es) are fees and/or other payments for dispensing determined? (please select all that apply):**

| **Select those that apply** | **Method for determining fee or payment level** |
| --- | --- |
|  | Regulation/legislation |
|  | Formal negotiation at a national, state or regional level |
|  | Analysis of the cost of dispensing |
|  | Commercial negotiation between individual pharmacies (or groups of pharmacies) and the payer |
|  | Consumer-focused competition |
|  | Other (please specify):  **A pharmaceutical-co-payment consumer charge (a government tax) of $5 is always charged against the pharmacy on each new eligible prescription item dispensed, for up to a maximum of 20 new items for a family (adults with dependent children up to 18 years old) in a year. No charges apply for under 14year-olds, and all repeat items are exempt from this charge. It was originally intended that the consumer pay this charge, but community pharmacies may discount this consumer charge if they wish, which big-box retailers are doing and disrupting our market.** |

**Question 1.2 - What is/are the most common fee or payment structure(s) for dispensing in your country? (please select all that apply):**

| **Select all that apply** | **Fee or payment structure for dispensing** |
| --- | --- |
|  | Flat fee(s) per item dispensed (this may include additional amounts for specific categories of drugs) |
|  | Differential fees depending on whether the dispensing is an original (first-time) or repeat (refill) |
|  | Differential fees depending on the total number of items dispensed on one occasion |
|  | Differential fees depending on the total number of items dispensed annually |
|  | Mark-up or margin on the cost price of the medicine |
|  | Allowable additional margin on purchasing |
|  | Capitation-style payments (including casemix or bundled payments) |
|  | Outcomes-based payments (including performance-based or value-based payments) |
|  | Lump sum payments per pharmacy (not linked to prescription numbers, patient numbers or to outcomes, performance or value) … **please note that the total cost pressure adjustments from 2017/18 onward (across all funded services), are paid as a lump sum payment (from a negotiated nationwide funding pool allocated across all pharmacies)** |
|  | Other (please specify):  **there are also limited “permitted pharmacy charging rules” outside of government funded levels (ie surcharging is not generally permitted beyond the pharmaceutical co-payment charge of $5 on new items). For example, it is permitted for compliance aids/packaging.** |

**Question 1.3**

Questions 1 and 2 provided a high level overview of funding arrangements for dispensing. If you think other details would be useful to WPC members to allow a better overall understanding of your country’s funding model for dispensing, please provide further details below:

**Think is useful to understand contracting environment … There is a nationwide evergreen contract (ICPSA, in place since 1 October 2018) that allows for a national annual agreement review process, which includes a national review of cost pressures (ie allowance for pricing pressures) and national contract terms, which is then subject to voluntary variation of contract and acceptance by each community pharmacy holding a contract.**

**There is a mix of nationally specified services (in service schedules), as well as locally specified services that can be varied by voluntary variation.**

**There are no hard and fast rules about what contract changes could occur each year, this remains subject to negotiation between provider representatives and the Crown-funder representatives (DHBs) as part of the national annual agreement review. Local voluntary variations can also be offered at a local district (DHB) level for any locally specified services.**

**Also … The definition of dispensing here includes core dispensing and specific service dispensing (eg opioid substitution, class B controlled drugs, age related residential care, community residential care)**

Please continue to Section 2 below.

# Section 2 - Payments for services related to dispensing/supply

This section relates to payments received for add-on services that are related to the dispensing service.

**Question 2.1 - please complete the table below**

| **Service** | **What is/are the fee or payment sources for this service?**  **(please select all that apply)** | **What type(s) of fee/payment are applicable for this service?**  **(refer to definitions at the start of this document)** | **How are the levels of fees/payments determined? (please select all that apply)** | **Are payments for this service capped (limited) in any way, eg. on a national or a per pharmacy basis? If so, please briefly describe this arrangement.** |
| --- | --- | --- | --- | --- |
| **1:**  **Compliance aids/packaging** | |  |  | | --- | --- | |  | Government | |  | Insurer | |  | Patient | |  | None/Not applicable | |  | Other (specify): | | |  |  | | --- | --- | |  | Fee-for service | |  | Capitation-style | |  | Outcomes-based | |  | Lump sum | | |  |  | | --- | --- | |  | Regulation/legislation | |  | Formal negotiation at a national, state or regional level | |  | Negotiation between individual pharmacies (or groups of pharmacies) and the payer | |  | Consumer-focused competition | |  | Other (please specify): | | |  |  | | --- | --- | |  | No | |  | Yes (please describe): | |
| **2:**  **Home delivery of prescription medicines** | |  |  | | --- | --- | |  | Government | |  | Insurer | |  | Patient | |  | None/Not applicable | |  | Other (specify): | | |  |  | | --- | --- | |  | Fee-for service | |  | Capitation-style | |  | Outcomes-based | |  | Lump sum | | |  |  | | --- | --- | |  | Regulation/legislation | |  | Formal negotiation at a national, state or regional level | |  | Negotiation between individual pharmacies (or groups of pharmacies) and the payer | |  | Consumer-focused competition | |  | Other (please specify): | | |  |  | | --- | --- | |  | No | |  | Yes (please describe): | |
| **3:**  **Staged supply (supply in instalments)**  **… not sure what this means? …**  **Initial prescription items followed by repeat items??**  **In NZ repeats need to be collected from pharmacy that provided initial items.** | |  |  | | --- | --- | |  | Government | |  | Insurer | |  | Patient | |  | None/Not applicable | |  | Other (specify): | | |  |  | | --- | --- | |  | Fee-for service | |  | Capitation-style | |  | Outcomes-based | |  | Lump sum | | |  |  | | --- | --- | |  | Regulation/legislation | |  | Formal negotiation at a national, state or regional level | |  | Negotiation between individual pharmacies (or groups of pharmacies) and the payer | |  | Consumer-focused competition | |  | Other (please specify): | | |  |  | | --- | --- | |  | No | |  | Yes (please describe): | |
| **4:**  **Prescription renewal or extension** | |  |  | | --- | --- | |  | Government | |  | Insurer | |  | Patient | |  | None/Not applicable | |  | Other (specify): |   **Once period of prescription fulfilled, need to get new prescription in NZ** | |  |  | | --- | --- | |  | Fee-for service | |  | Capitation-style | |  | Outcomes-based | |  | Lump sum | | |  |  | | --- | --- | |  | Regulation/legislation | |  | Formal negotiation at a national, state or regional level | |  | Negotiation between individual pharmacies (or groups of pharmacies) and the payer | |  | Consumer-focused competition | |  | Other (please specify): | | |  |  | | --- | --- | |  | No | |  | Yes (please describe): | |
| **5:**  **Prescription adaption (eg. dosage or formulation)** | |  |  | | --- | --- | |  | Government | |  | Insurer | |  | Patient | |  | None/Not applicable | |  | Other (specify): |   **In NZ – if tailoring prescription formulation for consumer, just get standard dispensing fee and no extra fees paid for adaption** | |  |  | | --- | --- | |  | Fee-for service | |  | Capitation-style | |  | Outcomes-based | |  | Lump sum | | |  |  | | --- | --- | |  | Regulation/legislation | |  | Formal negotiation at a national, state or regional level | |  | Negotiation between individual pharmacies (or groups of pharmacies) and the payer | |  | Consumer-focused competition | |  | Other (please specify): | | |  |  | | --- | --- | |  | No | |  | Yes (please describe): | |
| **6:**  **Refusal to dispense (“non-dispensing”)** | |  |  | | --- | --- | |  | Government | |  | Insurer | |  | Patient | |  | None/Not applicable | |  | Other (specify): |   **In NZ only get paid once patient has collected prescription items. There are no fees for non-dispensed items not collected by patients** | |  |  | | --- | --- | |  | Fee-for service | |  | Capitation-style | |  | Outcomes-based | |  | Lump sum | | |  |  | | --- | --- | |  | Regulation/legislation | |  | Formal negotiation at a national, state or regional level | |  | Negotiation between individual pharmacies (or groups of pharmacies) and the payer | |  | Consumer-focused competition | |  | Other (please specify): | | |  |  | | --- | --- | |  | No | |  | Yes (please describe): | |
| **7:**  **Other dispensing-related services (please specify and add rows as needed)** | |  |  | | --- | --- | |  | Government | |  | Insurer | |  | Patient | |  | None/Not applicable | |  | Other (specify): |   **There are some “permitted pharmacy charging rules” that apply to what may be charged to patients beyond the pharmaceutical co-payment collected in NZ, and additional charges are not contractually permitted beyond this.** | |  |  | | --- | --- | |  | Fee-for service | |  | Capitation-style | |  | Outcomes-based | |  | Lump sum | | |  |  | | --- | --- | |  | Regulation/legislation | |  | Formal negotiation at a national, state or regional level | |  | Negotiation between individual pharmacies (or groups of pharmacies) and the payer | |  | Consumer-focused competition | |  | Other (please specify): | | |  |  | | --- | --- | |  | No | |  | Yes (please describe): | |

# Section 3 - Payments for other services

This section covers payments that are not specifically related to dispensing.

**Question 3.1 – Please complete the table below**

| **Service** | **What is/are the fee or payment sources for this service?**  **(please select all that apply)** | **What type(s) of fee/payment are applicable for this service?**  **(refer to definitions at the start of this document)** | **How are the levels of fees/payments determined? (please select all that apply)** | **Are payments for this service capped (limited) in any way, eg. on a national or a per pharmacy basis? If so, please briefly describe this arrangement.** |
| --- | --- | --- | --- | --- |
| **1:**  **Medication management or medication review services …**  **LTC service** | |  |  | | --- | --- | |  | Government | |  | Insurer | |  | Patient | |  | None/Not applicable | |  | Other (specify): |   **A Long-Term-Conditions (LTC) Service – a medicine adherence service; exists nationwide for registered patients (up to a local district level cap).** | |  |  | | --- | --- | |  | Fee-for service | |  | Capitation-style | |  | Outcomes-based | |  | Lump sum |   Other medication management services are:  ACC (public insurer for accidents) pay for pain management services (fee-for-service is negotiated)  Medicine Use Reviews, fee-for-service by some DHBs (not all) | |  |  | | --- | --- | |  | Regulation/legislation | |  | Formal negotiation at a national, state or regional level | |  | Negotiation between individual pharmacies (or groups of pharmacies) and the payer | |  | Consumer-focused competition | |  | Other (please specify): | | |  |  | | --- | --- | |  | No | |  | Yes (please describe):  **Local district level cap applies, and non-registration triggered once cap met** | |
| **2:**  **Chronic disease management services**  **Community Pharmacist Anticoagulation Monitoring Services (CPAMS)** | |  |  | | --- | --- | |  | Government | |  | Insurer | |  | Patient | |  | None/Not applicable | |  | Other (specify): |   CPAMS - provides eligible patients with INR point of care testing by accredited community pharmacists and allows for adjustment of warfarin doses within a defined range | |  |  | | --- | --- | |  | Fee-for service | |  | Capitation-style | |  | Outcomes-based | |  | Lump sum |   Other chronic disease management services are:  Gout management and education, fee-for-service by some DHBs locally (not all)  Asthma Control Tests, fee-for-service (only one DHB) | |  |  | | --- | --- | |  | Regulation/legislation | |  | Formal negotiation at a national, state or regional level | |  | Negotiation between individual pharmacies (or groups of pharmacies) and the payer | |  | Consumer-focused competition | |  | Other (please specify): | | |  |  | | --- | --- | |  | No | |  | Yes (please describe):  **Nationally capped budget and subject to applications (now fully used)** | |
| **3:**  **Services relating to public health, OTC medicine supply and/or common (minor) illness**  **OTC medicines** | |  |  | | --- | --- | |  | Government | |  | Insurer | |  | Patient | |  | None/Not applicable | |  | Other (specify): | | |  |  | | --- | --- | |  | Fee-for service | |  | Capitation-style | |  | Outcomes-based | |  | Lump sum | | |  |  | | --- | --- | |  | Regulation/legislation | |  | Formal negotiation at a national, state or regional level | |  | Negotiation between individual pharmacies (or groups of pharmacies) and the payer | |  | Consumer-focused competition | |  | Other (please specify): | | |  |  | | --- | --- | |  | No | |  | Yes (please describe): | |
| **4:**  **Vaccination services** | |  |  | | --- | --- | |  | Government | |  | Insurer | |  | Patient | |  | None/Not applicable | |  | Other (specify): |   Mix of publicly funded and private market. Influenza: publicly funded for pregnant women, chronic conditions and over 65.  Also for measles, Mumps and rubella.  Covid-19 in process. | |  |  | | --- | --- | |  | Fee-for service | |  | Capitation-style | |  | Outcomes-based | |  | Lump sum |   Also: Diphtheria, tetanus and pertussis (acellular, component) vaccine (Tdap)**,** Human Papillomavirus (HPV) vaccine,Meningococcal vaccine, Varicella (shingles) vaccine | |  |  | | --- | --- | |  | Regulation/legislation | |  | Formal negotiation at a national, state or regional level | |  | Negotiation between individual pharmacies (or groups of pharmacies) and the payer | |  | Consumer-focused competition | |  | Other (please specify): | | |  |  | | --- | --- | |  | No | |  | Yes (please describe): | |
| **5:**  **Pharmacist prescribing (in a community pharmacy setting)** | |  |  | | --- | --- | |  | Government | |  | Insurer | |  | Patient | |  | None/Not applicable | |  | Other (specify): |   Prescriptions issued by pharmacist prescribers holding a financial interest in a pharmacy cannot be dispensed by that pharmacy. Pharmacist prescriber prescriptions are Govt funded in the same way as prescriptions written by other authorised prescribers. There are very few if any pharmacist prescribers working in community pharmacy settings, they mostly work in Medical Centres.  Pharmacists in the community pharmacy who do not have Pharmacist Prescriber certification, can on completing specified training requirements, “prescribe” certain prescription medicines which have been reclassified by Medsafe as “Prescription Medicine, except when …” . For example, sildenafil, trimethoprim, oral contraception | |  |  | | --- | --- | |  | Fee-for service | |  | Capitation-style | |  | Outcomes-based | |  | Lump sum | | |  |  | | --- | --- | |  | Regulation/legislation | |  | Formal negotiation at a national, state or regional level | |  | Negotiation between individual pharmacies (or groups of pharmacies) and the payer | |  | Consumer-focused competition | |  | Other (please specify): | | |  |  | | --- | --- | |  | No | |  | Yes (please describe): | |
| **6:**  **Consultations (not covered by one of the categories above)** | |  |  | | --- | --- | |  | Government | |  | Insurer | |  | Patient | |  | None/Not applicable | |  | Other (specify): |   Smoking Cessation Counselling, fee-for service nationally funded (capped total pool)  SSRI education and support – fee-for service  Community falls prevention exercise classes – fee-for service | |  |  | | --- | --- | |  | Fee-for service | |  | Capitation-style | |  | Outcomes-based | |  | Lump sum | | |  |  | | --- | --- | |  | Regulation/legislation | |  | Formal negotiation at a national, state or regional level | |  | Negotiation between individual pharmacies (or groups of pharmacies) and the payer | |  | Consumer-focused competition | |  | Other (please specify): | | |  |  | | --- | --- | |  | No | |  | Yes (please describe): | |
| **7:**  **Other services (please specify and add rows as needed)** | |  |  | | --- | --- | |  | Government | |  | Insurer | |  | Patient | |  | None/Not applicable | |  | Other (specify): |   Other services exist, but are not sufficiently material to note | |  |  | | --- | --- | |  | Fee-for service | |  | Capitation-style | |  | Outcomes-based | |  | Lump sum | | |  |  | | --- | --- | |  | Regulation/legislation | |  | Formal negotiation at a national, state or regional level | |  | Negotiation between individual pharmacies (or groups of pharmacies) and the payer | |  | Consumer-focused competition | |  | Other (please specify): | | |  |  | | --- | --- | |  | No | |  | Yes (please describe): | |

# Section 4 - Payments not relating to specific services (including payments relating to quality, standards or pharmacy accreditation)

This section relates to any other fees or payments made to some or all community pharmacies as part of formal arrangements, which are not specifically related to dispensing or to other services. These may include, but are not limited to, payments relating to staff training, records, compliance with premises standards or other general quality measures. It may also include payments for specific groups of pharmacies, such as those in rural areas.

Under each of the following headings, please briefly describe any fees or payments that are not related to dispensing or to other services (and therefore have not been covered in earlier sections). If there are no payments in the category, simply write “None”.

**Question 4.1 – Please complete the table below**

| **Type of payment** | **Description(s) and payment source(s)**  **(only include significant payments that have not been included in previous sections)** |
| --- | --- |
| Capitation-style payments (including casemix or bundled payments) | In NZ we have a service schedule called “Additional Professional Advisory Services”, which is labelled as paying for additional services provided that have not previously been funded (ie “free services/advice”). The reality is though that our negotiations reflect that this is determined as a capped funding amount reflective of cumulative annual cost pressures, that have been recognised and funded since 2017/18, with actual fees for service frozen in 2017/18 terms. This reflects a movement by our funders towards a mixed fee-for-service/capitated funding model … with capitation element becoming larger over time. Our funder has reflected a desire to more toward a capitated funding model and away from transactional based funding. |
| Outcomes-based, performance-based or value-based payments | None |
| Lump sum payments per pharmacy | Some locally negotiated payments exist for rurality/diseconomy of scale to ensure access to services exist for some remote/rural locations. |

# Section 5 - Relative size of funding components

**Question 5.1**

Of all of the fees and other payments that you have listed in this document, please list the top five in order of value for a typical community pharmacy in your country. For example, a list may be (1) dispensing fees, (2) payments for medication reviews, (3) outcomes-based quality payments, etc.

|  |  |
| --- | --- |
| Rank | **Fee or payment name (excluding OTC)** |
| 1 | Dispensing (core and specific services) represents 75.6% government-based funding of community pharmacy |
| 2 | Margin 9.6% |
| 3 | Long Term Condition Service 7.1% |
| 4 | Additional Professional Advisory Services (cost pressures allowance since 2017/18 in reality) 6.3% |
| 5 | CPAMS 0.7% |

# Section 6 – Process for review, adjustment or indexation of payments

**Question 6.1**

As briefly as possible, please describe any process that exists to review, adjust or index the amounts paid **for the top five services you listed in the previous question**. Examples may include, but are not limited to:

* Renegotiation after a set period of time
* Annual adjustment based on an inflation measure
* Adjustment within a fixed or pre-determined pool of funding

| **Fee or payment number corresponding to your Question 5.1 response** | **Method of review or adjustment for amounts paid** |
| --- | --- |
| **1** | |  |  | | --- | --- | |  | Renegotiation after a set period of time – reviewed every year | |  | Annual adjustment based on an inflation measure | |  | Adjustment within a fixed or pre-determined pool of funding |   Other, and/or further details: as part of national ann |
| **2** | |  |  | | --- | --- | |  | Renegotiation after a set period of time – reviewed every year | |  | Annual adjustment based on an inflation measure | |  | Adjustment within a fixed or pre-determined pool of funding |   Other, and/or further details: |
| **3** | |  |  | | --- | --- | |  | Renegotiation after a set period of time – reviewed every year | |  | Annual adjustment based on an inflation measure | |  | Adjustment within a fixed or pre-determined pool of funding |   Other, and/or further details: |
| **4** | |  |  | | --- | --- | |  | Renegotiation after a set period of time – reviewed every year | |  | Annual adjustment based on an inflation measure | |  | Adjustment within a fixed or pre-determined pool of funding |   Other, and/or further details: |
| **5** | |  |  | | --- | --- | |  | Renegotiation after a set period of time – reviewed every year | |  | Annual adjustment based on an inflation measure | |  | Adjustment within a fixed or pre-determined pool of funding |   Other, and/or further details: |

**Question 6.2**

What (if any) changes to payment models and structures are currently being discussed or pushed in your country, or are likely to be discussed or pushed in the foreseeable future? Please include any changes that your organisation is seeking, as well as those that may be being pushed by other parties such as government or other payers.

|  |
| --- |
| **Answer:**  **We have two independent community pharmacy reviews currently underway: i. service and funding model review, ii. wage cost pressures review.**  **The first review has three phases: service model review, service model redesign and funding & pricing model development. We know that the funder would like to move to a capitation-based funding model and where they place greater emphasis on paying for professional advice (separate from medicine supply) … we do not support any splitting of dispensing into separate “supply” and “advice” elements. Our interest is in getting a wide range of unmet cost pressures addressed and getting sustainable funding & pricing for all community pharmacy services.**  **The second review is focused on determining in the first instance whether there is a material unmet wage cost pressure for the community pharmacist workforce, which we have asserted with both comparative benchmarking and long-run trend data, that shows community pharmacists are falling well behind on pay parity with other health professionals and also that there has been real erosion in wages over time. Subject to proving this case, work will then proceed to seeing how to practically implement any minimum wage cost pressure recognition for community pharmacies, together with making a joint case between the funder and community pharmacy providers to the government for required funding.**  **We also are currently awaiting implementation decisions around the outcome of a major government review of our entire health and disability system. This proposes significant structural and system reforms for our whole system, including the intent for a much stronger tier-1 services network (ie for primary and community care, including community pharmacy), that delivers more equitably for all New Zealanders and has an increased focus on wellness under a stronger population-health focus. There are opportunities here for expansion in community pharmacy services, but equally this also strongly signals more of a capitated funding model environment and focus on better integrated tier-1 services and reduced use of transactional fee-for service-based funding models.** |

**THANK YOU FOR COMPLETING THIS QUESTIONNAIRE. Please email your completed response to** [**stephen.armstrong@worldpharmacycouncil.org**](mailto:stephen.armstrong@worldpharmacycouncil.org)**.**