

1 October 2010

Dr Richard Chadwick
General Manager
Adjudications Branch
Australian Competition and Consumer Commission
GPO Box 3131
Canberra ACT 2601

Dear Dr Chadwick

Re: Generic Medicines Industry Association Pty Ltd applications for authorisation [A91218 & A91219] – Provision of additional data

Thank you for providing the opportunity for Medicines Australia to make a further submission in respect of the Generic Medicines Industry Association's (GMiA) application for authorisation of its Code of Practice, second edition.

Public benefit of the competitive environment

Medicines Australia remains of the view that the proposed condition requiring reporting of lump sum value of benefits provided to pharmacists (other than more favourable trading terms), including hospitality, entertainment, gifts, non-price incentives and loyalty rewards programs is appropriate.

GMiA has argued that the current level of non-price benefits as a proportion of total benefits provided to pharmacy is less than 1% and the benefits are directed at enhancement of pharmacy services and/or building a business relationship between the supplier and the pharmacist. GMiA has also argued that this business relationship between the supplier and the pharmacist does not influence or change the type of generic medicine dispensed and that there is little or no impact on the patient.

The value or level of the non-price benefits is generally irrelevant to the question of whether it is appropriate for these benefits to be made transparent. As the ACCC has acknowledged, increasing transparency will assist in maintaining the public confidence that there are no conflicting interests interfering with the professional advice and judgement of a pharmacist. If the value of these benefits is 'insignificant' there should be no detrimental consequence of publicly reporting it as high level information as proposed. Further, we understand that this type of information will be collected for reporting to the Department of Health and Ageing under price disclosure requirements.¹

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http://www.pbs.gov.au/files/industry/Pricing_Matters/Price_Disclosure/PBS%20Price%20Disclosure%20Procedural%20and%20Operational%20Guidelines.pdf page 25 (accessed 30 September 2010)

GMiA has acknowledged that the benefits are directed at building the business relationship. The provision of non-price incentives, such as through a loyalty rewards program, encourages pharmacists to stock the originator brand and one generic brand². This reduces patient choice of the brand of medicine that they may be dispensed. It also reduces fair competition between suppliers, noting that Medicines Australia members are suppliers of both originator brands and generic brands, with no consequential benefit to consumers if the benefits are non-price incentives.

In conclusion, Medicines Australia supports the ACCC's proposal to require public reporting of non-price incentives offered to pharmacists.

Thank you again for the opportunity to provide a further submission concerning the application from GMiA for interim authorisation of its Code of Practice.

Yours sincerely



Dr Brendan Shaw
Chief Executive

² Draft Determination, Authorisation nos.: A91218 & A91219, paragraph 5.55