

HEALTH Minister Tony Abbott has caved in to pressure from the powerful pharmacy lobby and ditched a plan that could have saved patients money on some drugs.

Announcing a five-year, \$11.1 billion deal with pharmacists, Mr Abbott admitted he had dropped a plan to get pharmacists to pass on wholesale discounts on prescription drugs.

And supermarkets will not be able to have pharmacies for at least five years, despite Woolworths saying it could save the government \$500 million a year.

Mr Abbott has gained \$350 million in savings for taxpayers from the deal with the Pharmacy Guild of Australia. But he said the discount plan, under which patients would have paid less than the standard \$28.60 contribution for some drugs, had been dropped for fear it would encourage drug overuse.

"On considerable reflection, I came to the view that now wasn't the time to allow discounting of medicines," he said. "One of the potential problems with discounting the price of medicines is that we don't want to encourage overuse of medicines and there is that possibility."

Pharmacists often negotiate lucrative discounts with drug wholesalers. But they cannot pass them on, even if they wanted to, because the co-payment for non-concession patients is fixed at \$28.60.

Under the dumped plan, pharmacists would have been allowed to charge less than \$28.60. Price competition among pharmacists should then have pushed down the co-payment when the pharmacist got a discount from the wholesaler.

Mr Abbott has succeeded in squeezing savings from pharmacists and wholesalers in the form of reduced mark-ups, particularly on more expensive drugs.

Also, rules that protect pharmacies from competition will be watered down, with changes making it easier for pharmacies to move to large medical centres, small shopping centres and rural towns.

The Government will put \$150 million a year into a fund to help drug wholesalers supply low-demand drugs to remote and rural pharmacies within 24 hours of need.

Pharmacy Guild president John Bronger said compromises were made on both sides and "neither side got everything it wanted". The guild is particularly happy with the indexation of payments to pharmacists over the next five years.

In defending his decision to keep pharmacies out supermarkets, Mr Abbott said normal rules of "economic purism" did not apply to prescription drugs.

"I've always taken the view that there is a strong argument to be made for a different culture of retailing where potentially dangerous drugs are concerned," he said.

Labor health spokeswoman Julia Gillard said Mr Abbott "clearly lost control" of negotiations with the guild and the "Prime Minister had to step in and take over".