



# Review of the Community Pharmacy Sector

In July 2017, Fitzgerald Power published the latest IPU-commissioned report, *Review of the Irish Community Pharmacy Sector 2015/2016 – Measuring the Contribution*. The research included a survey of 392 community pharmacies, in-depth financial case studies, interviews with pharmacy sector experts and a study of domestic and international literature. In this article, Stuart Fitzgerald provides a brief overview of the key findings.



**Review of the Irish Community Pharmacy Sector 2015/2016**  
*Measuring the contribution*



**A** principal aim of the research was to isolate and measure the economic contribution of the Irish Community Pharmacy Sector. We found that the sector is a significant net economic contributor that provides employment and vital healthcare access throughout Ireland, often in remote rural locations.

**€2.64bn**  
State Savings

## The Irish Community Pharmacy Environment

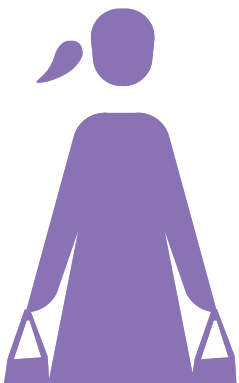
- Items dispensed under State schemes fell by 1.2% during the period 2013 to 2015, which was expected due to reductions in the number of medical cards in issue.
- Average pharmacy earnings from State schemes have fallen due



to reductions in State-payment terms and increases in the number of pharmacies in Ireland.

- The State saved approximately €2.64 billion between 2009 and December 2016 from reduced payments to pharmacists.
- While the number of new pharmacy openings in 2016 kept pace with that of 2015, there was an increase in the number of pharmacy closures. In total, there were 22 net new openings in 2016, which include primary care centre pharmacies.
- The market remains fragmented with 74% of units in holdings of fewer than six shops. In spite of this current fragmentation, all indicators suggest that consolidation is likely.
- Although pharmacy is a female-dominated profession, the ownership profile remains skewed towards males.

**97%**



**rate the quality of the professional services they receive in pharmacies as good or very good**

### Role and Perception of Community Pharmacy

- Consumers' perceptions of pharmacists remain extremely positive with 97% rating the quality of the professional services they receive in pharmacies as good or very good.
- There has been an erosion of loyalty in recent years, with 25% of consumers now tending to vary the pharmacy they use.
- The continued success of the Flu Vaccination Service, together with the successful Minor Ailment Scheme pilot, provides a strong indication that pharmacists will be given more clinical responsibility by the State.
- Once again, pharmacists expanded the range and volume of healthcare services offered in pharmacies in 2016.
- A PSI report published in November 2016 concluded that the only affordable solution to meeting increased patient demands is through a multidisciplinary approach to healthcare, where the highest quality of care is delivered as close to the patient's home as possible. The report goes on to say that a critical part of the delivery of this care is through the utilisation of the skills and access of the pharmacists of Ireland.
- The community pharmacy sector continued to perform relatively well across most retail categories in 2016, compared to supermarkets.

### The Contribution of the Community Pharmacy Sector

- At a local level, the Irish community pharmacy sector contributes €543 million to the Irish economy annually by providing employment, by supporting other local businesses and initiatives and by paying local authority rates and charges.
- The sector contributes €208 million to the economy annually through tax-take contributions and by maintaining and upgrading both pharmacy-specific, computerised point-of-sale and patient-medication record systems, which are invariably provided by Irish companies.
- In an institutional sense, Irish pharmacies support and help to enact policy reforms which reduce the State medicines bill. Annual State savings from reduced payments to pharmacists currently stand at approximately €491 million.
- Accordingly, we estimate that, in total, the sector contributes €1.24 billion to the Irish economy

annually, whereas the State pays pharmacists approximately €390 million per annum in fees to dispense medicines. The sector is, therefore, a significant net contributor to the Irish economy.

- Based on research published in England by the Pharmaceutical Services Negotiating Committee, we estimate that the pharmacy sector in this country could contribute a further €295 million to the economy if the range of State-reimbursed clinical services was brought in line with England.

### Financial Performance of the Sector

- Turnover across the sector stabilised in 2016 for the first time in a number of years.
- Gross profit margins also stabilised which may indicate that available procurement margins are generally being maximised.
- With the financial impact of reference pricing front-loaded and non-State revenue streams improving in line with prevailing economic conditions,



medium-term financial resilience is expected in the Irish community pharmacy sector.

- Labour spend is beginning to increase and we expect further upward pressure in the years ahead as supply side issues crystallise.
- While profit generation was healthy in 2016, the sector is not generally more profitable than the comparable retail sectors reviewed as part of the study.

On a macro level, all indicators suggest that Ireland is riding a wave of economic progress and

renewed optimism. While the benefits have not been enjoyed equally by all citizens, we all certainly have a role to play in delivering continued economic growth.

When it comes to meaningful measurable input, the Irish community pharmacy sector continues to make a significant contribution to society and the economy by supporting structures and initiatives at local, national and institutional levels that help to provide a foundation for long-term economic progress.

We estimate that the sector contributes €1.24 billion to the Irish economy annually by providing jobs to tens of thousands of individuals

and supporting other local businesses, by paying taxes, levies and charges to the State, and by helping to reduce the State medicines bill by implementing price reductions under the FEMPI Act and reference pricing.

And yet, more still could be done. We believe that the Irish community pharmacy sector can unlock significant job creation and commercial and patient-care opportunities for the Irish economy and healthcare system if it is given the tools to do so. The current socio-economic contribution of Irish pharmacies underscores the capacity of the sector to deliver. Expanding the clinical role of pharmacists and

integrating them further into the healthcare system will help to improve economic and patient-care outcomes.

On a micro level, the challenge and opportunity for pharmacy operators is the same as it ever was. If sustainable financial improvements are to be achieved then they will have to come from turnover growth, procurement margin gains and the appropriate control of overhead expenditure.

*If you would like to discuss the matters raised in this article, please contact Stuart Fitzgerald, Fitzgerald Power, at 051 870 152 or [sfitzgerald@fitzgeraldpower.ie](mailto:sfitzgerald@fitzgeraldpower.ie).*