

This presentation will provide an overview of the environment in which community pharmacists supply pharmaceutical services to consumers who are either medical scheme members or who pay for the services and goods with their own money.

Feature #1 – Market power and distortions in healthcare funding	
Factor	Effect on consumers and/or community pharmacies
Designated Service Providers (DSPs)	<ul style="list-style-type: none"> • Consumers sometimes receive acute and chronic medicine from different pharmacies, which may constitute a risk to them • Some DSPs give patients no opportunity for face-to-face consultation, which is especially important for consumers with limited literacy • Unused and unwanted medicines sent automatically to patients can stockpile • Small and medium-sized pharmacies are often unable to participate as DSPs • Small community pharmacies are prohibited from offering a joint cost-effective DSP package
Prescription administration fee	Prescription clearing houses charge a PAF, which is either absorbed the pharmacy or is an out-of-pocket expense to the consumer
Services for which pharmacists may levy a fee	Many medical schemes do not reimburse pharmacies for services other than dispensing. The consumer therefore has an out-of-pocket expense when s/he goes to the pharmacy for services such as screening tests and immunisation
Feature #2 – Market power and distortions in relation to healthcare practitioners and facilities	
Factor	Effect on consumers and/or community pharmacies
Perverse incentives	Although medicine may not by law be supplied according to a bonus system, rebate system or any other incentive scheme, perversities still exist in the system. This seriously disadvantages many small pharmacies, which cannot ensure continued viability based on income from dispensing alone.
Vertical integration	Pharmacy chains that own wholesalers have an additional income stream that is not available to the small pharmacies

Feature #3 – Barriers to entry and expansion	
Factor	Effect on consumers and/or community pharmacies
Hostile business environment	Because of the challenges of the regulatory system and the restrictions on competition, it is difficult for small pharmacies to thrive. Some have needed to close, especially in rural areas.
Lack of incentives for entrepreneurship	The majority of pharmacists are employees rather than employers. Large chains of pharmacies are owned by companies and not by individual pharmacists. Profits on medicines are limited by regulation, making it unlikely that an individual pharmacist will opt to invest in a business that offers a low return on investment.
Effect of anchor tenants	Preferential rental contracts are given to anchor tenants that draw consumers into shopping malls, while small independent pharmacies are required to pay rentals that many cannot afford
Feature #4 – Imperfect information	
Factor	Effect on consumers and/or community pharmacies
Imperfect information and understanding about medical schemes and pricing regulations	Many medical scheme members do not understand the limitations on benefits offered by their scheme. This is further complicated by the complex pricing structure of medicines.
Feature #5 – Regulatory framework	
Factor	Effect on consumers and/or community pharmacies
Single Exit Price and dispensing fee regulation	The regulated dispensing fee for 2004 was challenged in the Constitutional Court and found to be inappropriately low. Despite this, in 2016 some medical schemes still reimburse pharmacies at that rate or even less. The consumer is then left with yet another out-of-pocket expense
Cost of Good Pharmacy Practice compliance	In the interests of protecting consumers, pharmacists are required to comply with very high standards for their facilities and services. This is a costly exercise in which standards have been established for everything involved in service delivery, including the layout of the pharmacy which must provide for appropriate and sometimes expensive storage of medicines, as well as equipment, and for adequate privacy and appropriate working spaces