

**SUBMISSION BY THE PHARMACEUTICAL SOCIETY OF AUSTRALIA (PSA) TO
THE PRODUCTIVITY COMMISSION ISSUES PAPER ON THE CONTRIBUTION
OF THE NOT FOR PROFIT SECTOR**

PURPOSE

1. The purpose of this submission is to inform the Productivity Commission's study on the contribution of the Not for Profit sector by articulating the views of the PSA and its members on issues canvassed in the Commission's Issues Paper.

MEASURING THE CONTRIBUTION OF THE NOT FOR PROFIT SECTOR

Categorising PSA's Roles

2. The Pharmaceutical Society of Australia (PSA) is the peak national professional pharmacy organisation representing some 80 per cent of pharmacists across Australia. PSA's core functions are: supporting pharmacists' commitment to high standards of patient care; providing continuing professional development (CPD), education and practice support; and representing their role as frontline health professionals.

3. PSA is a Company limited by guarantee and does not have share capital. The income and property of the PSA, from wherever it is derived, must be applied solely towards the promotion of the objects of the PSA as set out in its Constitution. No portion of the income or property of the Society may be paid directly or indirectly, by way of dividend, bonus or otherwise to members of the PSA.

4. **CPD** - PSA is a recognised Registered Training Organisation under the Australian Government Department of Education, Employment and Workplace Relations and provides nationally recognised courses such as Certificates II and III in Community Pharmacy and Diploma of Management. PSA is also the first Australian pharmacy organisation to be authorised by the Australian Pharmacy Council to accredit providers of continuing professional development. Mandatory requirements for CPD currently vary in different jurisdictions and PSA strongly supports the recent proposal of the Australian Health Workforce Ministerial Council for national consistency in this important area, whereby "for annual renewal of registration, a registrant must demonstrate that they have participated in a continuing professional development program as approved by their national board."¹

5. **Contracting with Government** - PSA undertakes a variety of activities for the pharmacy profession on behalf of government, some of which attracts project-based

¹ Australian Health Workforce Ministerial Council. Design of new National Registration and Accreditation Scheme: communiqué. 8 May 2009: 2.

funding within the broader contractual framework of the five-year Community Pharmacy Agreements, for example, the Diabetes Medication Assistance Pilot Program, and the Dose Administration Aids Program.

6. Standards and Guidelines - In addition, PSA provides other services at no cost to government, including the design and delivery of a wide range of professional development and practice support activities; and the development of professional standards and guidelines. It is important to recognise that PSA undertakes these activities for the benefit of the entire pharmacy profession and the community at large. That is, these activities are not undertaken solely on behalf of, nor for the sole benefit of, PSA members.

7. Compliance - Under its Constitution, PSA requires that all members must comply with the Society's Code of Professional Practice. PSA's Constitution also provides for disciplinary action to be undertaken by the Board against a member who is in breach of the Code of Professional Conduct and/or who is guilty of any conduct which is unbecoming of a member or prejudicial to the interests of the Society.

8. Policy Development and Advocacy - PSA also undertakes policy development and advocacy activities on behalf of its members and the wider pharmacy profession. In pursuing these activities, PSA does not act merely as a representative of vested interests but rather with the overall objective of ongoing service improvements for patients. In addition, through PSA's membership of and representation on international bodies such as the International Pharmaceutical Federation (FIP) and its relationships with professional pharmacy organisations in other countries, the exposure of the Australian pharmacy profession and government to international trends and initiatives in pharmacy is greatly enhanced.

Partners with Government

9. Communication - The draft overarching framework for measuring the contribution of the not for profit sector in the Commission's Issues paper (Page 22) does not fully capture the role played by membership-based organisations such as PSA. In addition to the inputs, outputs and outcomes described in the draft framework, such organisations also provide governments with a range of efficiencies. For example, not for profit organisations provide a mechanism for government to communicate directly with the organisation's members, and often assist by educating members on government programs. PSA and like organisations also provide a two-way conduit for government, offering a cost-effective mechanism for government to gain views and feedback from broad-based memberships (PSA has 12,000 members) to inform its policy development and legislative processes. In this way, draft legislation and policy measures receive robust testing, are implemented more readily and become more effective than would have been the case without considered input from not for profit organisations. In addition, government can be assured that views conveyed by membership-based not for profit organisations such as PSA are representative of the sector. For government itself to regularly undertake these tasks would be costly and time-consuming, with uncertain outcomes.

10. Education - Not for profit organisations such as PSA can also provide a valuable educative role on behalf of government. For example, such organisations are well-placed to deliver educative messages around compliance and other

regulatory requirements for members, which is much more cost-effective than, for example, agencies such as the Australian Securities and Investment Commission (ASIC), the Australian Competition and Consumer Commission (ACCC) or the Australian Taxation Office (ATO) ultimately being required to undertake legal action for offences. Major programs and compliance issues that have been addressed by PSA in this way include the introduction of the GST and the private sector provisions of the Federal Privacy Act.

11. **Expertise** - Not for profit organisations also assist government through the provision of expertise, which in most cases is contributed free-of-charge. For example, these organisations provide representatives as members of formal and ad hoc committees and working groups convened by government departments and agencies. In the vast majority of cases, the time and expertise of these representatives is provided gratis to government. This substantial effort by not for profit organisations is both efficient (saves government funds by not having to employ additional staff or otherwise pay for this expertise) and effective (works to ensure the development of more informed and effective public policy measures).

Methodologies for Evaluating the Contribution of the Not For Profit Sector

12. The Issues paper notes that the not for profit sector is both large and extremely diverse. Given the wide variety of organisations included within the not for profit sector and the differing regulatory and taxation arrangements that apply to organisations in the sector, it may be difficult to attempt to assess the overall value of the contribution of the sector. Rather, it may be preferable to assess the contribution of each sub-sector, linking organisations together by, for example:

- a. function (such as service delivery on behalf of government); and/or
- b. the concessional taxation regime that applies to like organisations (as outlined on page 39 of the Issues paper); and/or
- c. by proportion of organisations' operating income provided by government (for example, 100%; >75%; <10%; etc).

In this way, the contribution of each sub-sector could then be more readily measured, with a greater degree of coherence.

13. Any mechanisms identified by the Commission to enhance the measurement of the contribution of the not for profit sector and its component parts must not add to the already substantial compliance and reporting burden currently imposed on not for profit organisations, which is recognised in the Issues paper (Pages 30-32).

WAYS OF ENHANCING THE EFFICIENCY AND EFFECTIVENESS OF THE SECTOR

General Issues Relating to Not For Profit Organisations

14. Organisations in the not for profit sector often operate at a disadvantage when dealing with many government departments, including those departments with which

the organisations have close linkages. For example, most government departments do not publish detailed organisational charts that include the contact details of senior staff (Director and above) together with information relating to the broad areas of responsibility of each official. As the majority of not for profit organisations feature a very lean staffing structure, the lack of such transparent information imposes substantial inefficiencies on their operations. Similarly, it would greatly improve the efficiency of not for profit organisations if government departments are required to regularly compile and publish details of all committees and working parties established by the Department.

15. Government departments and agencies also impose inefficiencies on not for profit organisations in the timing of consultation processes around submissions and other forms of feedback. While PSA acknowledges that some timeframes are determined by external imperatives such as governmental and Ministerial expectations, this is certainly not always the case. For example, many instances can be found of discussion papers and other material being distributed in the week prior to Christmas with submissions required in the first few weeks of January. It is similarly not unusual for several different Branches of a Department to call for submissions at the same time of year (or even on the same day). These processes cause substantial inefficiencies for not for profit organisations and often unavoidably result in a less informed response, as short timeframes do not permit not for profit organisations to fully undertake consultation processes through their Boards and state branch structures.

16. Regulatory agencies including the ACCC, ASIC and the ATO convene a range of consultative committees on which many not for profit agencies are represented. While the opportunity to discuss relevant matters in these forums is welcomed, much of the discussion often raises policy matters rather than strictly regulatory and compliance issues. From the not for profit organisations' perspective it would greatly enhance the efficiency and effectiveness of these forums if senior staff from the Department of the Treasury and relevant line departments are also present to deal with policy issues as they arise.

17. Inefficiencies imposed by taxation arrangements in the not for profit sector are discussed at Paragraphs 20-22.

Pre-Requisites for Success of NFP Organisations

18. PSA has recently undergone a major change in its governance arrangements, moving from a federation of State pharmaceutical societies to a national, member-based company limited by guarantee. This structural change has ensured that PSA is well positioned to meet the needs of its members and also to lead and influence the environment within which the pharmacy profession operates.

19. In addition, the PSA National Board undertakes a regular assessment of the strategic directions of the Society to inform and guide PSA's activities and priorities. PSA ensures that it continues to meet the needs of its membership through, for example, regular member surveys and maintenance of generic email addresses for member feedback.

Taxation Arrangements and Competitive Neutrality

20. The Issues paper notes that taxation arrangements within the not for profit sector are complex (Page 39) and that considerable variation is evident within the sector (Page 38). In PSA's view, the taxation arrangements that apply differentially across the not for profit sector are neither fair nor efficient and fail to deliver an environment of competitive neutrality between organisations providing like-functions within the sector. For example, the primary function of PSA for members is practice improvement through professional development and practice support, which includes the design and delivery of appropriate education and training courses and activities for pharmacists. Universities are key competitors of PSA in these activities. However, PSA as an entity attracts only partial tax exempt status (restricted to revenue received from members), unlike universities which are exempt from income tax. Therefore, PSA provides these professional development activities for pharmacists at a financial disadvantage compared with its university competitors.

21. In addition, PSA is unable to offer its staff the benefits of capped FBT-exempt salary packaging arrangements which are available for staff employed by certain not for profit organisations. Neither is PSA included in the groups of not for profit organisations eligible for a rebate of fringe benefits tax, unlike competitors such as universities. PSA is therefore placed at a competitive disadvantage with these organisations in attracting and retaining staff.

22. These unfair taxation arrangements place PSA at a double-disadvantage. In addition to a lack of competitive neutrality in its provision of professional development activities, PSA also incurs unnecessary administrative overheads which limit its capacity to operate at maximum efficiency. Alignment of taxation arrangements across the not for profit sector would enable organisations such as PSA to operate more productively and would permit any savings generated through these efficiencies to be applied to the provision of additional services to the pharmacy profession and/or would create the capacity for PSA to offer services at a lower cost, benefiting the profession, the broader health sector and the community.

PROVISION OF GOVERNMENT-FUNDED SERVICES

23. PSA provides a range of services under contract to various Australian Government Departments. For example, PSA has delivered key public health messages on behalf of Government in areas such as falls prevention (Department of Health and Ageing) and pseudoephedrine (Attorney-General's Department). PSA also develops and delivers a variety of initiatives funded under the five-year Community Pharmacy Agreements, including, for example, education and training of pharmacists to deliver particular professional programs such as Patient Medication Profiles and Dose Administration Aids. Retention of intellectual property following the completion of a contracted project continues to bedevil relationships between Departments and not for profit organisations such as PSA. As the negotiating relationship is not always one of equality this is an area that the Commission may wish to investigate further.

SUMMARY

24. As the Issues paper recognises, not for profit organisations provide a wide range of essential services across a broad series of functions. If not for profit organisations like PSA did not provide services such as CPD, practice support, development and maintenance of professional standards and education of the pharmacy profession, government would either suffer the consequences of under-educated and non-compliant professionals or would need to fund such services directly from the public purse.

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27 May 2009

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