



Honan.

# FUTURE PROOFING YOUR PHARMACY

Insurance. Advice. Support.



Insurance plays a key role in  
the ongoing **growth and success**  
of your pharmacy business.

# Are your growth strategies exposing your business to risks?

In the highly competitive pharmacy space, owners are proactively differentiating their product and service offering to build loyalty and grow their market share.

Pharmacies are **leveraging their capabilities** and addressing inefficiencies via:



## BUILDING HEALTH HUBS

Offering health services such as medication management, preventive health measures, screening, and support for chronic diseases.



## COLLABORATING WITH PROVIDERS

Establishing partnerships with health providers, local health networks and government agencies that cover primary care, allied health, community care, and aged care to deliver on individual and local population health needs.



## GOING DIGITAL

Integrating digital technologies into the business to improve service delivery and cost efficiencies.



## OFFERING IN-HOME SUPPORT

Giving patients the option to receive medications and other health services without having to leave home.



## OPTIMISING PRODUCT RANGE

Reviewing product range to leverage physical distribution of best-selling categories.



## ENHANCING BUSINESS OPERATIONS

Making more effective use of assets, supply chains, administrative tasks and staff.



## REDUCING MANUAL PROCESSES

Automating manual processes to help prioritise patient care.





# What broader **trends** are impacting pharmacy owners?

## LOW GROWTH, HIGH COSTS & COMPETITION

↑ +0.5%

Low annual growth  
2018-2023

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The pharmacy industry in Australia has seen stagnant growth since 2018. This is impacting the profitability of pharmacies, which may struggle to grow their revenue streams in a competitive and crowded market

↑ +4.8%

Increased cost of  
labour

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Minimum wage increases and a shortage of skilled workers is pushing up payroll expenses while inflation has increased the cost of supplies, equipment, and utilities

More than

50%

of the market is owned  
by major players

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The rise of warehouse-style pharmacies with competitive prices and convenient locations have put traditional industry operators at a disadvantage. Added to this is competition from supermarkets, specialised health and beauty stores, and online retailers

## GROWTH VIA VALUE-ADDED SERVICES

 +56%

Low annual growth 2018-2023

Whereas spending on prescription medicines increased by an average of five percent across the same period (Westpac & The Pharmacy Guild of Australia, 2022).

## Value-added services

are set to drive revenue growth by

 4.1% in 2023

The proportion of Australians aged 65 and over is set to increase to

21-23% by 2066 (vs 15% in 2020)

Australia's ageing population is seeing more elderly living at home longer and requiring in-home care, creating opportunities for pharmacies to support these needs. **Consumers aged 45 to 64 also represent the largest segment for pharmacies, projected to account for 35% of revenue in 2022-23** (IBISWorld, 2022).

## THE RISE OF DIGITAL

More than

114 million

ePrescriptions have been issued since May 2020

Minimum wage increases and a shortage of skilled workers is pushing up payroll expenses while inflation has increased the cost of supplies, equipment, and utilities

99%

of pharmacies are registered with My Health Record

Since its introduction in 2019, there are more than 23 million records and over 849 million documents in the system. While this presents opportunities for efficiencies, it also presents risks for data protection

As pharmacy professionals evolve in line with these trends, they could require more risk protection against claims arising from their expanding activities.

# What makes up a pharmacy insurance portfolio?

A robust pharmacy insurance portfolio is a purpose-built one, tailored to your needs and ambitions. Coverage including insurance lines of Medical Malpractice, Management Liability, Public and Products Liability and Cyber are typically covered. These are explained in more detail below.

As your professional activities expand, so does the risk of professional errors and indemnity claims.

## MEDICAL MALPRACTICE



### PROFESSIONAL INDEMNITY

As a pharmacist, your business relies on the quality of advice that you provide to your customers when they need it most. If you provide advice that is inaccurate and it results in a legal claim, it can have a major impact on your business finances, reputation and even accreditation.

Professional Indemnity insurance provides coverage for claims arising from standard professional services provided by the pharmacy. This coverage protects pharmacy owners against claims of negligence or errors, ensuring that they can continue to provide important services without fear of litigation.



### CYBER INSURANCE

Pharmacies are increasingly reliant on technology, making them vulnerable to cyber risks such as data breaches and cyber attacks. While risk management is key in preventing incidents, cyber insurance is a powerful tool to help offset the costs associated with notifying customers and managing a data breach, as well as legal liabilities that may arise from such an event.

## BUSINESS INSURANCE



### MANAGEMENT LIABILITY

Pharmacies are not immune to legal disputes, and neither are directors and officers in the event of claims alleging breaches of duty or other wrongdoings. We work with our clients to ensure they are protected against any potential legal action, including regulatory investigations, employee disputes, and more.



### PUBLIC AND PRODUCTS LIABILITY

Pharmacies are exposed to a range of potential liabilities associated with their business activities including claims of bodily injury or property damage resulting from a pharmacy's products or services (such as a slip and fall in-store).



### PROPERTY INSURANCE

Physical store environments are exposed to unexpected events, such as fire, theft, or natural disasters. We work closely with our clients to understand their individual needs, however coverage typically includes buildings, contents, stock, and business interruption.



# What does the future hold for pharmacy owners in Australia?



## NEW DISPENSING RULES LIKELY TO TRIGGER INSURANCE CHANGES

From 1 September 2023, changes to the Pharmaceutical Benefits Scheme (PBS) will allow millions of Australians with chronic illnesses to purchase 60 days' worth of selected medicines for the price of a single prescription.

While this is a cost-saving win for consumers, there are concerns in parts of the pharmacy industry about the financial impact of the changes and supply shortages. According to Health Minister Mark Butler, the arrangements will be phased in over the next year and in the long term, the changes will not impact the supply of these medications.

While the details and full impact of changes to the PBS remain unclear, we are hopeful that the details of this change can be finalised so that no patients and no pharmacists are worse off.

The **changes could impact pharmacy retailers and their insurance coverage** in a number of ways, including:

1. **Greater risk of dispensing errors:** In the event that two months' worth of medication is dispensed incorrectly, then the customer could receive twice the amount of the wrong medication. These errors are generally covered within a Professional Indemnity policy, however, it is important to **be mindful of the greater risk, which could impact the claims history and premium**
2. **Potential changes to service offerings:** Many pharmacy retailers are integrating added health services to their businesses to boost foot traffic and loyalty. **Changes to business models and service offerings may not be covered on a standard insurance policy** so they should be discussed with your insurance broker to ensure adequate cover is in place
3. **Decreases in forecasted revenue:** Projected changes to your store's revenue should be reviewed against your insurance needs. **If revenue is forecasted to decrease, then this could reduce the insurance premium**

If the outlined changes raise any concerns, we can work with you to ensure your program is fit for purpose.





## PHARMACEUTICAL DELIVERY PLATFORMS

While ecommerce platforms hosted by competing online pharmacies are starting to challenge the traditional model of purchasing prescription drugs and pharmacy-only Over the Counter (OTC) products from physical pharmacies, the level of disruption is currently lower in Australia than in the US. Unlike the US, where new pharmaceutical delivery apps have caused a significant impact by offering on-demand drug delivery services, such disruptive forces are not yet as pronounced in the Australian market.



## LOCATION, LOCATION, LOCATION

There are regulations in place to prevent pharmacies from being located in or accessible in a supermarket. Various reviews have been conducted over the past ten years to assess the current regulations regarding pharmacy location rules, remuneration, and overall regulation. Despite these reviews, the pharmacy location rule arrangements have been incorporated into the Seventh Community Pharmacy Agreement with the Australian Government, which has legislated for their continuation throughout the agreement's lifespan.

Pharmacy groups have suggested the quality of service would suffer in the event of these changes, but findings from the Harper Review into Australia's competitive landscape in 2016 suggested the government could ensure an adequate standard of safety and care by imposing obligations on pharmacies as a condition of their licensing or their PBS remuneration. Existing pharmacies, particularly smaller operators, would likely be worse off, their margins squeezed by competition. Conversely, chains whose ambitions for expansion have been thwarted by the existing rules, would find it easier to grow, and the supermarkets would gain a new revenue stream.



## MODERN SLAVERY ACT, 2018

Effective since January 1st, 2019\*, the Modern Slavery Act mandates a new reporting obligation for larger Australian businesses. Companies with annual consolidated revenue of \$100 million or more must disclose how they are working to prevent modern slavery risks in their operations and supply chains. Most operators are unlikely to be significantly affected as the majority of pharmacies are unlikely to meet the revenue requirements. This is largely due to the ownership rules and limited number of pharmacies that can be owned, which prohibit corporate ownership and limit opportunities for revenue growth. \*The Modern Slavery Amendment Act 2021 (NSW) commenced on 1 January 2022.

# How can Honan help?

## YOUR PARTNERS IN RISK MANAGEMENT

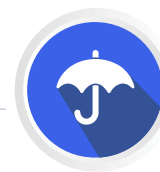
For 30 years, we've been providing tailored insurance advice and solutions to pharmacists across the country. As one of the leading pharmacy insurance specialists in Australia, we understand how pharmacies operate – as well as the concerns and priorities of their owners.

We will support you from insurance placement through to claims management, freeing up your time and headspace to focus on what you do best.



### OUR DUE DILIGENCE:

- Insurance liability review
- Analysis of effectiveness of existing insurance solutions
- Identify and establish the extent and need to insure uninsured risk
- Benchmark existing programmes against best practice
- Recommendations for optimum risk transfer solutions, including estimated costs
- Structures bespoke insurance solutions using our market knowledge, expertise and buying power
- Analysis of risk awareness within the company, including insurance, risk management and operating structure
- Review contractual agreements and advise on related insurance and liability issues, as well as indemnification provisions
- Assessment of self-retention programmes



### OVERSIGHT AND COORDINATION

- With a dedicated client manager as your point of contact, we will advocate for your business at every step
- We'll manage key negotiations and marketing of your program to insurers prior to implementation, and at renewal time



### OUR CLAIMS SERVICE:

- Legally qualified, highly experienced claims team with specialised cyber claims capabilities
- Dedicated claims manager for the lifecycle of a claim
- Analysis and policy response to ensure a smooth claims experience



### OUR EDUCATION & INSIGHTS OFFERING:

- Provision of market-leading, relevant, and timely content about industry news, legal, compliance, and regulatory changes

# What sets us apart?

We are passionate about being a true partner, taking the lead as advisor and educator, and thinking creatively about solutions to optimise your business outcomes.



## AUSTRALIAN FOUNDED INDUSTRY LEADER

- Founded in Melbourne in 1964
- 450 staff
- \$600m+ client premium



## CLAIMS SOLUTIONS

In-house claims specialists, led by industry and legal experts who know how policies and coverages will respond.



## SPECIALIST KNOWLEDGE

- Proven ability to manage and place unique and complex risk profiles, particularly for Professional Indemnity and Medical Malpractice.
- We stay across the key emerging trends, proactively adjusting our insurance product offerings to align with these trends and the risks they pose



## FULLY INTEGRATED SOLUTIONS

Holistic risk and insurance solutions, from program placement and claims management to risk consulting.



## REGIONAL SOLUTIONS

Offices across Australia, New Zealand, Singapore and Malaysia.



## GLOBAL REACH & INSIGHTS

We help clients navigate the challenges and opportunities of a global market, while providing market-leading local expertise.

# Industry experience and expertise

## A winning formula.

To find out how we can assist your business, please get in touch.

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