

Dear Dr Kwok (Chairman of Health Service Panel)

Enclosed please find the THREE separate letters prepared by the PPA (June 28th, July 6th and July 7th) on behalf of the pharmacy profession and the trade (Mannings, Watsons, Hong Kong General Chamber of Pharmacy) after meeting with Shane Solomon and Dr Cheung WL on June 26th and the letter from the Retail Management Association (RMA) and the stance from Society of Hospital Pharmacists SHP in voting against the HA selling SFIs

It is most important to point out that **BOTH** Shane Solomon and Dr Cheung WL have confirmed with the trade that there is no decision made on the part of the HA and ask the trade to provide innovative solutions, under the private public interface, on the SFIs issue, the trade responded on June 28th and July 6th by **suggesting several options "Satellite Pharmacies" in the community and "Personal Care Stores with extended services in the hospitals as the "Total Solution"**

To our surprise, the HA then proposed to the Legco health service panel that the HA will expand the SFIs services in the hospital, July 7th is our letter to **reiterate our points from the LEGAL perspectives**

In order to facilitate the ease of understanding by the Health Services Panel members on Monday July 10th meeting, **I write to ask once again if the secretary of the Health Service Panel could circulate and provide all members a copy of each of the above documents**

Thank for your kind assistance

Regards

Billy



香港執業藥劑師協會  
THE PRACTISING PHARMACISTS ASSOCIATION OF HONG KONG  
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Date: 28 June 2006

Mr. Shane Solomon  
Chief Executive  
Hospital Authority

Dear Mr. Solomon,

Thank you very much for taking time to meet with the trade on 26 June 2006. We appreciate the opportunity to express our concerns and to have open dialogue with you.

We are comforted to hear from you that the Hospital Authority (“HA”) is still consulting all relevant stakeholders in its ongoing review of the Drug Formulary and that the HA does not intend to publish a final report with its recommendations until the end of July 2006.

You informed us that currently there are no special drugs/SFIs being sold to any HA patients at market prices, and that the options currently under consideration include:

- (a) status quo;
- (b) more partnership with community pharmacists; or
- (c) limited expansion by the HA into the retailing of special drugs/SFIs for HA patients.

We have expressed our concerns about (c) in previous correspondence, and again at our meeting, so we do not intend to repeat our position now.

In relation to some of your closing remarks, we reply as follows:

#### **Data**

We have obtained data from the pharmacy chains and from a recent survey conducted by the Practising Pharmacists Association of Hong Kong (with 169 replies received from independent pharmacies).

Based on recent prescription volumes, we estimate that average annual sales in all community pharmacies from HA prescriptions are approx. **HK\$32 million**, with most of such sales deriving from the sale of special drugs.

This is contrary to the Dr Cheung's assertion that it is only in exceptional cases that HA prescriptions for special drugs are fulfilled in community pharmacies.

Indeed, HA prescriptions are a growing area of the business and community pharmacists are making investments based on the assumption that this business will continue. If the HA starts to sell special drugs and SFIs at retail prices, we estimate that the community pharmacies would lose up to 80% of its current HA prescription business.

In relation to the investments incurred by the community pharmacies since the introduction of the Drug Formulary, these have been sizeable and include:

- increasing store numbers – over 80 pharmacies stores/counters opened in the last two years, with a sizeable part of this store growth attributable to the extra demand arising from HA prescriptions;
- investment in IT systems (such as the development of standard labelling for HA prescriptions); and
- recruitment and training of pharmacists and other staff.

#### Independent pharmacies

We estimate the initial investment per store to be HK\$1 million (including lease deposit, stock investment, fit out costs, IT costs and initial operating costs). Approximately 45 pharmacy stores have opened in the last two years at a total investment cost of HK\$45 million. Furthermore, community pharmacies need to enter into minimum three year lease commitments.

#### Chains

We estimate that the fit out costs to set up a pharmacy counter in a chain retail store are approx. HK\$120,000. 36 pharmacist counters in chain stores have opened in last two years at a total fit-out cost of HK\$4.3 million.

#### **Data exchange**

We agree that there should be better data exchange between the HA and the trade as this will help to resolve some of the discrepancies in figures that currently seem to exist between us. We are happy to share with you in more detail some of the data referred to in this letter and we look forward to receiving more data from you.

#### **Options**

We welcome your request to the trade to suggest options for further private/public initiatives in this area. We need to have some more time to discuss different options and will revert back to you with our ideas in the next few weeks.

Thank you once again for your time. We look forward to meeting you again soon.

Yours sincerely,

Billy Chung Wing-ming  
President  
The Practising Pharmacists Association of Hong Kong

cc Dr. York Chow – Secretary for Health, Welfare and Food Bureau  
Legco Health Panel Members  
Mr. Anthony T Y Wu Chairman HA  
Dr. Allen W.L. Cheung Director Professional Services & Operations HA  
Mr. Lee Pak-wai Chief Pharmacist HA  
Mr. Lau Oi Kwok Chairman HKGCP  
Ms. Caroline Mak Group Health & Beauty Director The Dairy Farm Group  
Mr. Charlie Wood Legal Counsel The Dairy Farm Group  
Ms. Lily Chan Chief Executive Officer, HK & Macau, Mannings  
Ms. Mary Lam Director Merchandise Mannings  
Mr. Vincent Wong Category Manager Mannings  
Mr. Peter J Dove Managing Director Watson's The Chemist  
Mr. Peter Johnston General Manager Quality, Food Safety & Regulatory Affairs  
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Date: 6th July 2006

Mr. Shane Solomon  
Chief Executive  
Hospital Authority

Dear Mr. Solomon,

Thank you for your request to the trade in the 26<sup>th</sup> June meeting to suggest options for further public private initiatives in the extended services on HA Drug Formulary Self Finance Items (SFIs) and Special Drugs (SDs).

The trade has discussed several options and all the proposals made will address patients' request as follows:

- Convenient access to purchase SFIs
- Assured drug quality
- Reasonable drug prices (median pricing) comparable to market level
- Certain proportion of income generated to fund direct patient care

### **Option A**

#### **“Satellite Pharmacies” in the community**

This proposal is for Community Pharmacies to serve as an extended arm for and on behalf of the HA via the setting up of “Satellite Pharmacies” to provide more SFIs and SDs distribution points for patients, with the following assumptions:-

- Under the Private Public Interface (PPI), the HA cannot sell SFIs and SDs directly to patients at market price in hospital pharmacies
- The HA supply SFIs and SDs to “Satellite Pharmacies” at Tender Cost
- The SFIs and SDs supplied under this option should be restricted and dispensed only to HA patients
- The retail prices (medium pricing) could then be fixed on SFIs and SDs for the HA patients
- Certain proportion of income from this scheme can be given to fund direct patient care

The inclusion criteria for the trade to join this scheme are as follows:

- Previous Public-Private-Partnership Programme (4P) Drug Compliance Counselling Service (DCCS) guidelines served as the blueprint in pharmacy standard
- Computer Linkages with the HA
- Keep Patient Medication Record- electronic Patient Record (ePR) under PPI

The “Satellite Pharmacies” will serve as an extended arm for and on behalf of the HA and this is the way forward to show how the PPI works in short, medium and long term for the benefits of all parties as the infrastructure will have been in place.

Special Note: In order to overcome the disparity in trade cost, the HA would need to either supply at tender cost or play a role with drug suppliers to ensure the same “special” trade cost for these prescriptions are available to participants of this option.

### **Option B**

**“Personal Care Stores with Extended Services” in the hospitals is the “Total Solution” proposal.**

The proposal is to adopt the present HA tendering procedures opened to all trade for bidding, on “Personal Care Stores” and include in the tender the provision of “Extended Services” with the same assumptions as Option A above.

### **Option C**

#### **Keep Status Quo**

We question the alleged convenience for HA patient since the current long waiting time for prescriptions will further be lengthened if HA starts to operate “Private Pharmacies” within the same operation mode.

Thank you once again for your time. We are very willing to discuss the above options and any other options that HA may have in mind. We look forward to meeting you and your team again soon.

Yours sincerely,

Billy Chung Wing-ming  
President  
The Practising Pharmacists Association of Hong Kong

cc Dr. York Chow – Secretary for Health, Welfare and Food Bureau  
Legco Health Service Panel Members  
Hospital Authority Board Members  
Mr. Anthony T Y Wu Chairman HA  
Dr. Allen W.L. Cheung Director Professional Services & Operations HA  
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Date: 7th July 2006

Mr. Shane Solomon  
Chief Executive  
Hospital Authority

Dear Mr. Solomon,

We note today the content of the paper on the "Review of Hospital Authority Drug Formulary" that the HA has prepared for the Legco Health Services Panel meeting on Monday, 10 July.

Given the personal assurances that you gave at our meeting on 25 June 2006 that no recommendations would be made on this issue until the need of July 2006, we are very concerned and surprised that the Hospital Authority is now proposing to set up "private pharmacies" in its premises by "expanding the categories of SFI drugs currently supplied by HA to cover all prescriptions within the Formulary issued for purchase by patients at their own expenses".

We set out again for your ease of reference our views on this matter:

- ***Subsidised prescriptions are under threat*** by the latest proposals from the Hospital Authority.

The conflict of interest of its "dual pricing policy" means the HA has the economic incentive of (a) making its patients pay "retail prices" at its private dispensaries; and (b) re-classifying drugs to reduce the number that are eligible for subsidy.

Consequently, the Hospital Authority patients who previously paid nothing for their drugs, and who now pay HK\$10, may in future have to pay "retail prices" for the same drugs.

- There is ***questionable legal authority*** for the HA to operate private dispensaries within public hospitals.
- The new proposal is ***contrary to existing Government Policy*** and would:
  - distract the HA from its main focus on secondary and tertiary health care; and



- be contrary to the policy of moving more primary healthcare to the private sector, thereby reducing pressure on the public hospital system.

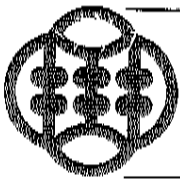
- ***Independent pharmacists would be most affected.*** Loss of revenue will impact those independent pharmacists that are presently reliant on fulfilling prescriptions for Hospital Authority patients. Based on recent prescription volumes, we estimate that average annual sales in all community pharmacies from HA prescriptions are approx. HK\$32 million, with most of such sales deriving from the sale of special drugs. We estimate that the community pharmacies would lose up to 80% of its current HA prescription business if the HA changes its policy and sets up its own “private pharmacies” in its HA premises.

We request you to re-consider your proposal and ask you to consider the alternative proposals which, at your request, we submitted to you by separate letter earlier today. We enclose a copy of that letter for your ease of reference.

Yours sincerely

Billy Chung Wing-ming  
President  
The Practising Pharmacists Association of Hong Kong

cc Dr. York Chow – Secretary for Health, Welfare and Food Bureau  
Legco Health Service Panel Members  
Hospital Authority Board Members  
Mr. Anthony T Y Wu Chairman HA  
Dr. Allen W.L. Cheung Director Professional Services & Operations HA  
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Ms. Margaret Lau Chief Pharmacist Operations Watson’s The Chemist



# HONG KONG RETAIL MANAGEMENT ASSOCIATION

## 香港零售管理協會

16 June 2006

Mr Shane Soloman  
Chief Executive  
Hospital Authority  
Hospital Authority Building  
147B Argyle Street  
Kowloon

Pls can back if receive the fax as I don't have the contact

FACSIMILE TRANSMITTAL MEMO	
NO. OF PAGES: 2, THX!	
TO: Billy chung	FROM: RMA
COMPANY:	COMPANY:
FAX: 30030112	FAX:
DATE:	PHONE: 35216324 Ms Lai

Dear Mr. Solomon,

We understand that the Hospital Authority is proposing that it should be allowed to retail special drugs and self-finance items to patients in "private dispensaries" within the Hospital Authority premises at "retail prices". We are greatly concerned by this.

### Current Situation

Currently, under the Hospital Authority Drug Formulary, the Hospital Authority dispenses:

- (a) special drugs to patients for HK\$10 if their condition is covered by the prescription guidelines; and
- (b) self-financed items to patients for HK\$10 if they are eligible for the safety net.

If a Hospital Authority patient has a condition that is not covered by the prescription guidelines, that patient can obtain special drugs at a community pharmacy with a prescription.

Similarly, if a Hospital Authority patient has been prescribed with self-financed items and that patient is not eligible for the safety net, then he or she can obtain the self-financed items at a community pharmacy with a prescription.

### Authority

The Hospital Authority was established to manage and control public hospitals, and to provide services in, or in connection with, public hospitals. "Private dispensaries" are not services that are provided in, or in connection with, public hospitals.

Accordingly, we believe that the Hospital Authority *is not authorised to operate private dispensaries* within public hospitals.

### Conflict

In any event, there would be a *serious conflict of interest* if the Hospital Authority was allowed to set up "public dispensaries" and "private dispensaries" on the same premises.

The Hospital Authority has a statutory duty to recommend to the Secretary for Health, Welfare and Food appropriate policies on fees for the use of hospital services by the public, having regard to the principle that no person should be prevented, through lack of means, from obtaining adequate medical treatment.

The proposed "*dual pricing policy*" is wholly inappropriate and would mean that the Hospital Authority would have the economic incentive of pushing patients towards its "private dispensaries". No public health authority should ever be put in a position of such actual or perceived conflict of interest.

### Primary care

In the public health consultation paper issued last year, it was Government's stated aim that "effective primary medical care services will be able to improve the health of the population as well as *reduce pressure* on the hospital system."

The introduction of "private dispensaries" into public hospitals would have the opposite effect – it would overload public hospitals and distract the Hospital Authority from its main focus on secondary and tertiary healthcare.

Small retailers that have been encouraged by the Government to open community pharmacists would be adversely affected by this change in policy, and some community pharmacies may even need to close.

### Request

For all of the above reasons, we urge you to ensure that private dispensaries operated by the Hospital Authority are not introduced into public hospitals.

If you require, we would be delighted to further discuss our views with you.

Yours sincerely,



Philippe Giard  
Chairman  
Government Regulations Sub-Committee

c.c. Dr. York Chow – Secretary for Health, Welfare and Food Bureau  
Dr. Hon Joseph Lee Kok-long, Legislative Councillor  
Mr Vincent Fang, Legislative Councillor, Wholesale & Retail  
Mr Billy Chung Wing-ming – President of The Practising Pharmacists of Hong Kong

Dear Dr. Cheung,

This correspondence is collectively authored by the General Committee of the Society of Hospital Pharmacists of Hong Kong ("SHPHK") as the Society's official response to the captioned letter from Dr. W. L. Cheung dated 4th May 2006.

We quote from our letter of 29th April, 2005, sent to the Hospital Authority ("HA") as our response to its public consultation on the Hospital Authority Drug Formulary ("HADF"): "SHPHK commends HA on taking a bold, proactive step towards rational use of drugs, and looks forward to working with HA to implement changes brought on by the HASDF [now the HADF] that are beneficial to patients, the general public and the society." We continue to stand by this statement.

We also continue to stand by our conviction that the HADF's only objectives should be, as we quote from our previous letter, "to provide equitable access to, and to promote rational use of, cost-effective drugs of proven safety and efficacy."

Since the introduction of the HADF in July 2005, the two aspects of the HADF that have caused the most dissent among patients, the public, health professionals, some business sectors and politicians are: (1) the mode of supply of self-financed items; and (2) mechanism of the safety net. Both aspects of the HADF are financial rather than clinical issues; we have already advised in our previous letter that there should be no financial element in the HADF, lest they should corrupt the Formulary's original objectives; our advice went largely unheeded. The controversy around these two aspects of the HADF over the past few months once again compels us to reiterate that the design of the HADF should be decoupled from any financial considerations.

For this reason, we advocate the following:

**(1) HA should not sell self-financed items (beyond what it is already selling)**

At the time of writing, it has been widely reported in the media that HA plans to expand its drug selling operations. We strongly recommend against this plan.

*Impact on society:* The operation of a drug selling business is completely outside the HA's role as a public health service provider, and is completely irrelevant to the 4 targeted public service areas proposed in HMDAC's discussion paper of July 2005 ("Building a Healthy Tomorrow"). By directly entering the private market, HA will be suffocating any further room for development of the public-private interface, further marginalising private health providers such as private hospitals and community pharmacies.

*Impact on the general public:* (1) Under the HADF's current design, patients are referred to the community for non-formulary drug items. Thus the HADF shows considerable potential to become an educational tool for the public, so that the public knows that both the public and private sectors have roles to play in the provision of care. By selling SFI's, this potential no longer exists; the HA retains patients within the public system, further reinforcing the imbalance of public and private health sectors. (2) Dr. Cheung's letter states that some groups believe HA should sell SFI's directly because "patients, unlikely to be knowledgeable about drugs, would find it difficult to ensure their quality and composition." If there are drugs of dubious quality and composition on the market, it is a law enforcement and legislation issue. Directly entering the market is not a valid answer and will not help solve the issue. The correct response is to advocate that the HKSAR Government takes steps to amend outdated pharmacy laws and step up law enforcement.

*Impact on patients:* We are proud of our public hospital's advanced drug prescribing and dispensing system. It is a system that emphasises check-and-balance and promotes rational use of drugs. The HADF has until today helped to enhance this system. However, by selling drugs where they are prescribed, we risk disrupting the system and introducing a cause-and-effect relationship between what a public doctor chooses to prescribe and the hospital's revenue. This undermines patients' trust that doctors will always act in their best interest.

**(2) The "SFI with safety net" category should no longer exist**

SHPHK supports the concept of shared responsibility between individuals and the public health system, and believes that it is absurd to have one type of shared responsibility for "General" and "Special" drugs, and a different type for "SFI's with safety net".

The reason that "SFI with safety net" is causing much controversy is its very existence. Rather than spending efforts to refine the safety net mechanism, we recommend to abolish the "SFI with safety net" category altogether. Items currently in the category should be re-classified as "General" or "Special" drugs if they are proven to be drugs of benefit. One common drug charging and subsidising mechanism should then apply across all drugs for all patients equally.

To conclude, the HADF introduced last July has its merits - promoting the rational use of drugs - and its vices - allowing itself to be corrupted by financial concerns. We strongly recommend that at the next revision of the HADF, the Hospital Authority works to eliminate the vices rather than perpetuating them.

Yours sincerely,

(signed)

Ng Kim Wah, President,  
The Society of Hospital Pharmacists of Hong Kong  
On behalf of the General Committee

C.c. Mr. Anthony Wu, Chairman, Hospital Authority; Mr. Shane Solomon, Chief Executive,  
Hospital Authority