



Risk Solutions for Pharmacies

Navigate the changing pharmacy
landscape with confidence.



Pharmacies

In a changing operating landscape, pharmacy owners are proactively evolving their business models to focus on retail and non-PBS revenue streams to offset falling revenue.

With profit margins dropping to 8.4% over the past five years between 2018 and 2023, pharmacies have been under pressure for some time due to minimum wage increases and inflation pushing business costs higher, including rent, supplies, equipment and utilities [source: IBISWorld, 2023](https://www.ibisworld.com/australia/market-research-reports/?entid=1878#:~:text=Pharmacies%20in%20Australia%20industry%20trends,set%20to%20drop%20to%208.4%25)¹. Although Australia's ageing population and rising health consciousness have supported pharmacies, the recent introduction of 60-day dispensing has raised further concern about the potential financial impact of the changes and supply shortages.

In such a market, it is more important than ever for pharmacies to be able to keep their crucial role in providing accessible healthcare services to the public while maintaining the highest standards of professionalism, ethics, and regulatory compliance to mitigate the risk of claims.

Our team of industry specialists are dedicated to working with pharmacies to manage current challenges and prepare for emerging risks.

¹ | <https://www.ibisworld.com/australia/market-research-reports/?entid=1878#:~:text=Pharmacies%20in%20Australia%20industry%20trends,set%20to%20drop%20to%208.4%25>

BUILDING FOR THE FUTURE

To drive growth, pharmacies are leveraging their capabilities and expanding their role as front line healthcare professionals in the community via:



Enhancing business operations



Administering the national immunisation program



Building health hubs



Collaborating with providers to deliver on health and medication needs



Offering in-home support



Working to their full scope of practice

Key risks facing the industry today



Cyber security

Cybersecurity and data privacy can impact pharmacies as they are adopting digital technologies to drive efficiencies, productivity and improved patient care, resulting in greater access to sensitive health information through dispensing and POS software, e-prescriptions and MyHealth Record portals.



Dispensing errors

Since 1 September 2023, changes to the Pharmaceutical Benefits Scheme (PBS) have allowed millions of Australians with chronic illnesses to purchase 60 days' worth of selected medicines for the price of a single prescription, increasing the **risk of dispensing errors**. Reduced profitability from 60-day dispensing could also cause a reduction in gross profit, potentially impacting business interruption values resulting in over insurance.



Inaccurate advice

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



Additional services

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.



Increased theft

Changes in government legislation that restrict the sale of vapes with nicotine to pharmacies only and the increase in medical cannabis prescriptions will likely lead to **increased stock values**, which may, in turn, lead to a rise in burglary incidents.

What broader trends are impacting pharmacy owners?

Low growth, high costs and competition

Falling pharmacy revenue from reduced PBS medicine pricing is forecast to be more than offset by increased focus on other retail and service-based revenue streams. **Many pharmacies are joining banner or buying groups to access economies of scale in procurement, marketing and logistics** to cut costs and improve margins.

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

Ageing population

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 65 and over account for 55% of all PBS medicines dispensed.** Those aged 45 to 64 account for 30% of all PBS scripts dispensed and are the largest market for pharmacies when combined with purchase of front-of-store discretionary items ([IBISWorld, 2022 & 2023](#))².

The rise of digital

ePrescriptions are changing the way that pharmacies operate, **driving the need to invest in technology and digital capabilities to stay competitive** and meet the changing needs of their customers, highlighting the preference towards online ordering and delivery models.

Staffing issues

Finding skilled and compliant pharmacy professionals is becoming increasingly difficult, resulting in staff shortages which impacts employee retention and staff mental health. A decline in the number of students enrolling in pharmacy programs is also resulting in a shortage of new talent. At the same time, the retirement of experienced pharmacists is creating an imbalance that puts additional strain on the workforce.

+2.2%

Low annual growth between 2023 – 2028

+50%

Of the market is owned by major players ([Source: IBISWorld, 2023](#))²

21-23% by 2066

The expected increase of the proportion of Australians aged 65 and over ([Source: IBISWorld, 2022 & 2023](#))²

189 million

Prescriptions have been issued since May 2020 ([Source: Australian Digital Health Agency, 2024](#))³

+56%

Average increased spend on pharmacy retail products and other health services between 2020-2022 ([Source: Westpac, 2022](#))⁴

2 | <https://www.ibisworld.com/australia/market-research-reports/?entid=1878#:~:text=Pharmacies%20in%20Australia%20industry%20trends,set%20to%20drop%20to%208.4%25>

3 | <https://www.digitalhealth.gov.au/initiatives-and-programs/electronic-prescriptions>

4 | <https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/bb/business-help/counting-on-community-pharmacies.pdf>

Introducing our pharmacy practice

Marsh is the world's leading insurance broker and risk advisor. Our global network brings together unparalleled insights, expertise and services to suit the industry's needs.

Marsh has a dedicated pharmacy practice consisting of experts who understand the industry's unique risks and needs. We offer tailored risk management and insurance solutions that are cost-effective and proactive.

When you're working hard to run your pharmacy business, you want to make sure it will continue operating in the future – no matter what happens. We understand how pharmacies operate – as well as the concerns and priorities of their owners. Our team can support you from insurance placement through to claims management, with the goal to free up your time and headspace so you can focus on what you do best: helping customers manage their health and wellbeing.

Benefits to our clients:

- With a dedicated client manager as your point of contact, we will advocate for your business at every step.
- Our Australia-wide network of brokers keep ahead of the latest market insights both local and global and break down the jargon into your language.
- We track claims trends so that you can leverage our insight and intelligence.
- We analyse uninsured risk and the effectiveness of your existing insurance solutions, benchmarking it against best practice.
- We manage key negotiations and marketing of your program to insurers prior to implementation, and at renewal time.



We are **Committed partners**

We bring diverse and relevant perspectives to support your unique and emerging needs. By understanding your specific challenges, we tailor solutions that pave the way for your success.

We apply **Unique expertise**

Our Australia-wide network of brokers have spent years at the coalface supporting business owners manage their unique risks in a fast-changing market.

We deliver **Game-changing outcomes**

We take time to understand the whole of your business risk. We give you options to empower better decision making and unlock opportunity. Above all, we have your back when things change.

A robust pharmacy insurance portfolio

Tailored to your needs and ambitions, a robust pharmacy insurance portfolio is purpose-built. To help protect you from claims related to misconduct, errors, or accidents within the premises, these insurance lines are typically covered:

Professional Indemnity

Professional Indemnity insurance provides coverage for claims arising from standard professional services provided by the pharmacy. This coverage helps protect 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 digital technology and have access to sensitive patient health information through various portals. This makes 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.

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 for 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. Property insurance typically includes buildings, contents, stock, machinery breakdown and business interruption.

What sets us apart?

As the world's leading insurance broker and risk advisor, we're here to make a difference in the moments that matter.

- **1 Expert industry experience**

Because we live and breathe your industry, our expert team have a proven ability to manage and place unique and complex risk profiles, particularly for Professional Indemnity and Medical Malpractice.
- **2 Tailored solutions**

As the world's largest risk advisor and insurance broker, we leverage our strong relationships with the market to secure tailored solutions to manage risk and insurance for your business.
- **3 Proactive claims advocacy**

Handling an insurance claim can quickly become overwhelming. We help take the load off and manage, negotiate and settle claims with insurers on your behalf.
- **4 Education and insights offering**

We provide market-leading content and webinars on industry news, risk analysis, and regulatory changes. Our training and education ensure a strong risk culture is embedded across your organisation.
- **5 Global power, local impact**

Our global network brings together insights, expertise and services to suit your business needs and support your goals.
- **6 Driven by the Greater good**

Marsh actively supports community organisations, sports and the arts, investing more than \$2.5m each year through partnerships, charitable donations and corporate volunteering across Australia.

For more information and to find out how we can help support your pharmacy, please contact your local Marsh office or visit au.marsh.com.



About Marsh

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