Access to Pharmaceutical Services

Australians have access to cost-effective medicines
Outcome 2 was managed in 2006–07 by the Pharmaceutical Benefits Division.

PART 1: OUTCOME PERFORMANCE REPORT

Major Achievements

• Enhanced the sustainability of the Pharmaceutical Benefits Scheme through changes to the pricing of listed medicines.

• Improved efficiency and accountability of payments to pharmacies through an increased uptake of PBS Online.

• Improvements to the timing and transparency of the Pharmaceutical Benefits Scheme listing process through the monthly electronic publication of the Schedule of Pharmaceutical Benefits.

• Strengthened access to subsidised diabetes aids and appliances for people with diabetes, through the negotiation and implementation of a new National Diabetes Service Scheme funding agreement.

Challenges

• The appointment of an agency to administer the Community Service Obligation commitments under the Fourth Community Pharmacy Agreement took longer than expected.

• The start date for recovering the cost of listing a medicine on the Pharmaceutical Benefits Scheme was deferred due to work relating to the Pharmaceutical Benefits Scheme Reform package.

Key Strategic Directions for 2006–07

Long Term Affordability and Sustainability of the Pharmaceutical Benefits Scheme

Pharmaceutical Benefits Scheme Reform

During 2006–07, the Department continued to explore ideas to support the long-term affordability and efficiency of the Pharmaceutical Benefits Scheme. This involved extensive consultation with key stakeholder groups and culminated with the Pharmaceutical Benefits Scheme Reform policy which was announced by the Government in November 2006. The reform package is intended to position the scheme so that it can continue to provide subsidised access to a comprehensive range of medicines, allow for choice for prescribers and patients, and be affordable for individuals and the community.

The Department made the legislative amendments required to implement Pharmaceutical Benefits Scheme Reform and the legislation was successfully passed in June 2007. The reforms commenced from 1 July 2007 and comprise changes to the pricing arrangements for Pharmaceutical Benefits Scheme-listed medicines, a pharmacy and wholesaler adjustment package, and streamlined authority approvals for some medicines to increase the time prescribers can spend with patients. These, along with support for software vendors to assist with an accelerated roll-out of PBS Online and a generic medicines awareness campaign, will help protect consumers from increased out-of-pocket expenses and support the sustainability of the scheme for tax payers.

PBS Online

The Government announced new incentives during 2006–07 to encourage the increased uptake of PBS Online. The system enables pharmacists to claim Pharmaceutical Benefits Scheme payments direct from Medicare Australia at the time a medicine is supplied, and allows real time checking of Pharmaceutical Benefits Scheme eligibility and customer concessional status. This ensures that Pharmaceutical Benefits Scheme benefits are provided fairly and appropriately with co-payments calculated at the correct level. The Department, in conjunction with Medicare Australia, put in place incentive
payment arrangements and support for software vendors to respond to increased demand for PBS Online. These initiatives have been highly successful. As at 30 June 2007, approximately 4,400 pharmacies were using the system, with another 600 registered. This compares to approximately 150 pharmacies that were using PBS Online as at 30 June 2006.

Increased Transparency and Efficiency of the Listing Process for the Pharmaceutical Benefits Scheme

Pharmaceutical Benefits Advisory Committee Processes

Improving the transparency of the Pharmaceutical Benefits Scheme listing process was a key priority in 2006–07. The Department worked towards this by implementing the recommendations from the recent review of post Pharmaceutical Benefits Advisory Committee processes and commitments under the Australia-United States Free Trade Agreement. These commitments relate to improved transparency of the Pharmaceutical Benefits Scheme listing process and include Public Summary Documents, hearings before the Pharmaceutical Benefits Advisory Committee and the establishment of an Independent Review Mechanism.

Public Summary Documents provide details of Pharmaceutical Benefits Advisory Committee recommendations on all major submissions on the Department’s website within allocated timeframes. During the year the Pharmaceutical Benefits Advisory Committee considered 87 major submissions and there were 34 hearings where companies chose to present key aspects of their submissions at a meeting of the Pharmaceutical Benefits Advisory Committee.

The Australia-United States Free Trade Agreement allows for an independent review to be conducted on the request of an applicant when the Pharmaceutical Benefits Advisory Committee has not recommended the listing of a new medicine on the Pharmaceutical Benefits Scheme. The first independent review under these arrangements was completed in 2006-07. Although this review did not provide any basis for the Pharmaceutical Benefits Advisory Committee to reconsider its recommendation, it was useful in testing the processes and procedures for future reviews. There were no other applications for review in 2006-07.

Deferral of Cost Recovery Arrangements

The Government announced in the 2005–06 Budget that the costs associated with the listing of products on the Pharmaceutical Benefits Scheme and the National Immunisation Program would be recovered from the pharmaceutical industry as of 1 July 2007. During 2006-07, the Department distributed a consultation paper to industry describing the basis for cost recovery and a number of models for fees and charges. However, due to consultations with industry on Pharmaceutical Benefits Scheme Reform during 2006 a deferral to the cost recovery initiative was agreed.

Enhanced Access to the Schedule of Pharmaceutical Benefits

The Department improved the timing and transparency of the listing process through the monthly electronic publishing of the Schedule of Pharmaceutical Benefits from 1 December 2006. Available on the new website at <www.pbs.gov.au>, consumers and health professionals can access the schedule when they want, utilising the user-friendly and sophisticated search capacity.

New Administrative Processes and Support

During the year, the Department implemented a new three tier administrative process for the consideration and listing of Pharmaceutical Benefits Scheme medicines. These have improved the processing time for about one quarter of the Pharmaceutical Benefits Scheme approved medicines recommended for listing in the period. Under this new system it is possible to list Tier 1 medicines on the Pharmaceutical Benefits Scheme within eight weeks of a Pharmaceutical Benefits Advisory Committee meeting.

A focus in 2006–07 was also on improving the quality of Pharmaceutical Benefits Scheme medicine applications. To assist, the Department appointed an Industry Liaison Officer who provides a first point of contact for companies
wanting to have a medicine considered for listing. The appointment of the officer, along with increased engagement with sponsoring pharmaceutical companies should see higher quality applications and earlier resolution of issues.

**Improved Access to Medicines**

Community Access to Pharmaceutical Benefits Scheme Medicines through Pharmacies

Access to Pharmaceutical Benefits Scheme medicines through community pharmacies was improved during the year, when the Department implemented the Community Service Obligation Funding Pool under the Fourth Community Pharmacy Agreement. The Department made payments totalling $149 million to five participating Community Service Obligation Distributors for the distribution and supply of the full range of Pharmaceutical Benefits Scheme medicines, generally within 24 hours, to any pharmacy in Australia.

Administration of the Community Service Obligation Funding Pool involves several complex functions including undertaking payment calculations, monitoring the performance of eligible Community Service Obligation Distributors against the service standards, and administering a complaints process and sanctions framework. Due to the difficulty in identifying a single organisation to undertake this role, the Department sought to identify consortia capable of delivering the required services. This process took some time to complete. In the meantime, the Department undertook all Community Service Obligation administration functions under interim arrangements. Following an extended competitive selection process in March 2007, the Department appointed Australian Healthcare Associates as the Administration Agency for the Community Service Obligation Funding Pool. Transition of the...
administration functions from the Department to the agency commenced in April 2007.

Quality Use of Medicines
In its first year of operation, the Professional Programs and Services Advisory Committee, established under the Fourth Community Pharmacy Agreement, considered and provided advice to the Minister on 17 of the 23 Professional Programs and Services funded under the agreement.

Initiatives such as the Residential Medication Management and Home Medicines Review Programs continued to focus on improving the quality use of medicines. During 2006-07, the Residential Medication Management Review Program moved to new arrangements. These include a requirement for quality use of medicines services to be provided to aged care homes and provide for a more collaborative approach to medication reviews between pharmacists and general practitioners. The majority of residents within aged care homes receive this service due to high uptake of the program.

The Home Medicines Review Program targets people living at home in the community for whom quality use of medicines may be an issue or who may be at risk of medication misadventure.

During 2006-07 there was a 13.8% increase in the number of annual medication reviews undertaken.

The Department continued to support these initiatives through the administration of the Fourth Community Pharmacy Agreement.

Diabetes Services
The Department successfully negotiated a new five-year National Diabetes Services Scheme Agreement with Diabetes Australia in October 2006 to help people with diabetes access subsidised diabetes aids and appliances. The scheme also provides information and education to help people self-manage their condition.

The new agreement ensures that people with diabetes are better serviced by the scheme through additional community pharmacy outlets for people to access scheme products and services. In the first year of the agreement which spans 1 November 2006 to 31 October 2007, there will be at least 40 new outlets in areas that could benefit from more National Diabetes Services Scheme distribution points. The new agreement also removes barriers for community pharmacies to become National Diabetes Services Scheme sub-agents by relaxing the selection criteria and providing financial assistance to purchase the necessary upfront stock.

PART 2: PERFORMANCE INFORMATION

Performance Information for Administered Items

Administered Funding - Access to Pharmaceutical Services, including:
- Community Pharmacy and Pharmaceutical Awareness;
- Pharmaceuticals and Pharmaceutical Services; and
- Targeted Assistance - Pharmaceuticals, Aids and Appliances.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Measured by</th>
<th>Reference Point or Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effectiveness of the Herceptin® Program.</td>
<td>Number of patients assisted through the Herceptin® Program.</td>
<td>1,000 patients assisted.</td>
</tr>
<tr>
<td>Indicator met.</td>
<td>The number of patients actively receiving treatment through the program in 2006-07 varied between 1,024 and 1,099.</td>
<td></td>
</tr>
</tbody>
</table>
### OUTCOME 02

#### Indicator

Pharmaceutical Benefits Scheme prescriptions will be subsidised for general and concessional patients.

**Measured by**
The number of Pharmaceutical Benefits Scheme prescriptions subsidised.

**Reference Point or Target**
179 million Pharmaceutical Benefits Scheme prescriptions subsidised, representing approximately 8.7 prescriptions per capita.

#### Indicator substantially met.

**169 million Pharmaceutical Benefits Scheme prescriptions were subsidised in 2006–07, representing approximately 8.1 prescriptions per capita.**

#### Families and singles qualify for reduced patient co-payments under the Pharmaceutical Benefits Scheme safety net.

**Measured by**
The number of families and singles that qualify for reduced patient co-payments under the Pharmaceutical Benefits Scheme safety net.

**Reference Point or Target**
1.2 million families and singles qualify.

#### Indicator substantially met.

**1.1 million families and singles qualified for reduced patient co-payments under the Pharmaceutical Benefits Scheme safety net in 2006–07.**

Fewer families and singles qualified, due to the safety net threshold and the introduction of the 20 day rule whereby the cost of some drugs is not counted towards safety net entitlements if supplied earlier than 20 days from a previous supply.

#### Increased expenditure on the Pharmaceutical Benefits Scheme.

**Measured by**
Percentage of increase in expenditure on the Pharmaceutical Benefits Scheme.

**Reference Point or Target**
7.1% increase in expenditure on the Pharmaceutical Benefits Scheme in 2006–07.

#### Indicator substantially met.

**The percentage increase was 4.1%, including revenue.**

The two main causes of variation from the target are reductions in the growth rate for several drug groups, particularly chemotherapy, lipid lowering and blood pressure drugs, along with the listing of 13 major new drugs including Herceptin® for early breast cancer.

#### Persons with diabetes benefit from subsidised products and services through the National Diabetes Services Scheme.

**Measured by**
The number of persons with diabetes benefit from subsidised products and services through the National Diabetes Services Scheme.

**Reference Point or Target**
An estimated 862,200 persons with diabetes will benefit from subsidised products.

#### Indicator met.

As at 30 June 2007, 857,488 persons with diabetes were registered on the National Diabetes Services Scheme. The scheme provides access to products and information to help people with diabetes self-manage their condition.
## Performance Information for Departmental Outputs

### Output Group 1. Policy Advice, including:
- Community Pharmacy and Pharmaceutical Awareness;
- Pharmaceuticals and Pharmaceutical Services;
- Targeted Assistance – Pharmaceuticals, Aids and Appliances; and
- 2006–07 Budget measures.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Measured by</th>
<th>Reference Point or Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>All areas for review identified in the Fourth Community Pharmacy Agreement are completed during the life of the Agreement.</td>
<td>The number of reviews completed.</td>
<td>11 reviews completed.</td>
</tr>
<tr>
<td>Indicator substantially met.</td>
<td>The Pharmaceutical Benefits Scheme Concessional Entitlement Validation Payments to Pharmacy was completed in 2006–07.</td>
<td>All other reviews have commenced. The Statement of Outcomes/ Scope for the Reviews which are required to be completed within the first year of the Fourth Community Pharmacy Agreement have been agreed by the Agreement Consultative Committee. The Government and the Pharmacy Guild of Australia through the Agreement Consultative Committee have staggered and agreed the timelines for all reviews.</td>
</tr>
</tbody>
</table>

### Quality, relevant and timely advice for Government decision-making.
- Ministerial satisfaction.
  - Maintain or increase from previous year.

<table>
<thead>
<tr>
<th>Indicator met.</th>
<th>Ministers were satisfied with the quality, relevance and timeliness of advice provided for Government decision-making.</th>
</tr>
</thead>
</table>

### Relevant and timely evidence-based policy research.
- Production of relevant and timely evidence-based policy research.
  - Relevant evidence-based policy research produced in a timely manner.

<table>
<thead>
<tr>
<th>Indicator met.</th>
<th>Evidence-based policy research undertaken by the Department, such as the provision of policy advice to the Minister on changes to the Pharmaceutical Benefits Scheme, was produced in a timely manner.</th>
</tr>
</thead>
</table>
Output Group 2. Program Management, including:

- financial management and reporting;
- development and management of grants and contracts; and
- administration and revision of legislation as required.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Measured by</th>
<th>Reference Point or Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administered budget predictions are met and actual expenses vary less than 0.5% from budgeted expenses.</td>
<td>Percentage that actual expenses vary from budgeted expenses.</td>
<td>0.5% variance from budgeted expenses.</td>
</tr>
<tr>
<td>Indicator met.</td>
<td>The actual expenses varied from budgeted expenses in 2006-07 by 0.1%.</td>
<td></td>
</tr>
<tr>
<td>Stakeholders to participate in program development.</td>
<td>Opportunities for stakeholder participation through a range of avenues, such as surveys, conferences and meetings.</td>
<td>Stakeholders participated in program development eg. through surveys, conferences and meetings.</td>
</tr>
<tr>
<td>Indicator met.</td>
<td>Key organisations, including the Department, the Pharmacy Guild of Australia and the Pharmaceutical Society, peak general practice organisations and disease-specific representative bodies have developed proposals for a Diabetes Pilot Program and a public health program on Hepatitis C in pharmacy. A public stakeholder consultation process, to inform the directions and priorities for the Research and Development program, including seven public fora, was managed by the Department on behalf of the Professional Programs and Services Advisory Committee.</td>
<td></td>
</tr>
</tbody>
</table>
## Outcome 2 – Financial Resources Summary

<table>
<thead>
<tr>
<th></th>
<th>(A) Budget Estimate 2006–07 $’000</th>
<th>(B) Actual 2006–07 $’000</th>
<th>Variation (Column B minus Column A) $’000</th>
<th>Budget Estimate 2007–08 $’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Administered Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Program 2.1: Community Pharmacy and Pharmaceutical Awareness</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appropriation Bill 1/3/5</td>
<td>117,654</td>
<td>109,293</td>
<td>(8,361)</td>
<td>213,432</td>
</tr>
<tr>
<td><strong>Program 2.2: Pharmaceuticals and Pharmaceutical Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National Health Act 1953 - Pharmaceuticals Benefits</td>
<td>6,433,740</td>
<td>6,428,299</td>
<td>(5,441)</td>
<td>7,050,879</td>
</tr>
<tr>
<td><strong>Total Special Appropriations</strong></td>
<td>6,433,740</td>
<td>6,428,299</td>
<td>(5,441)</td>
<td>7,050,879</td>
</tr>
<tr>
<td>Appropriation Bill 1/3/5</td>
<td>150,000</td>
<td>150,000</td>
<td>-</td>
<td>153,000</td>
</tr>
<tr>
<td><strong>Total Administered Expenses</strong></td>
<td>6,583,740</td>
<td>6,578,299</td>
<td>(5,441)</td>
<td>7,203,879</td>
</tr>
<tr>
<td><strong>Program 2.3: Targeted Assistance – Pharmaceuticals, Aids and Appliances</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National Health Act 1953 - Aids and Appliances</td>
<td>174,312</td>
<td>170,601</td>
<td>(3,711)</td>
<td>191,519</td>
</tr>
<tr>
<td><strong>Total Special Appropriations</strong></td>
<td>174,312</td>
<td>170,601</td>
<td>(3,711)</td>
<td>191,519</td>
</tr>
<tr>
<td>Appropriation Bill 1/3/5</td>
<td>85,080</td>
<td>79,764</td>
<td>(5,316)</td>
<td>88,915</td>
</tr>
<tr>
<td><strong>Total Administered Expenses</strong></td>
<td>259,392</td>
<td>250,365</td>
<td>(9,027)</td>
<td>280,434</td>
</tr>
<tr>
<td><strong>Total Administered Expenses</strong></td>
<td>6,960,786</td>
<td>6,937,957</td>
<td>(22,829)</td>
<td>7,697,745</td>
</tr>
<tr>
<td><strong>Departmental Appropriations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Output Group 1 - Policy Advice</td>
<td>37,444</td>
<td>39,646</td>
<td>2,202</td>
<td>40,405</td>
</tr>
<tr>
<td>Output Group 2 - Program Management</td>
<td>13,722</td>
<td>15,418</td>
<td>1,696</td>
<td>14,808</td>
</tr>
<tr>
<td><strong>Total price of departmental outputs</strong>  (Total revenue from Government &amp; other sources)</td>
<td>51,166</td>
<td>55,064</td>
<td>3,898</td>
<td>55,213</td>
</tr>
<tr>
<td>Total revenue from Government (appropriations) contributing to price of departmental outputs</td>
<td>50,059</td>
<td>53,982</td>
<td>3,923</td>
<td>43,759</td>
</tr>
<tr>
<td>Total revenue from other sources</td>
<td>1,107</td>
<td>1,082</td>
<td>(25)</td>
<td>11,454</td>
</tr>
<tr>
<td><strong>Total price of departmental outputs</strong>  (Total revenue from Government &amp; other sources)</td>
<td>51,166</td>
<td>55,064</td>
<td>3,898</td>
<td>55,213</td>
</tr>
<tr>
<td><strong>Total estimated resourcing for Outcome 2</strong>  (Total price of outputs &amp; administered expenses)</td>
<td>7,011,952</td>
<td>6,993,021</td>
<td>(18,931)</td>
<td>7,752,958</td>
</tr>
<tr>
<td><strong>Average Staffing Level (Number)</strong></td>
<td>228</td>
<td>233</td>
<td>5</td>
<td>249</td>
</tr>
</tbody>
</table>