

Outcome 2

Access to Pharmaceutical Services

Australians have access to cost effective medicines

Outcome | 02

OUTCOME SUMMARY

Outcome 2 aims to provide all Australians with reliable, timely and affordable access to cost-effective and high quality pharmaceutical services. The Australian Government is committed to achieving this outcome by subsidising the cost of medicines through the Pharmaceutical Benefits Scheme (PBS) and working with the pharmaceutical industry to ensure the supply of PBS medicines. The Government is focused on making the PBS more efficient, sustainable and better able to meet the increasing demands placed on it.

Outcome 2 is the responsibility of the Pharmaceutical Benefits Division.

Key Strategic Directions

- Support timely access to medicines and professional pharmacy services for all Australians, through the implementation of the Fourth Community Pharmacy Agreement.
- Subsidise insulin pumps with associated consumable products, for people under the age of 18 with type 1 diabetes.
- Continue to add new medicines to the Pharmaceutical Benefits Scheme.
- Manage the costs of PBS growth through the continued implementation of changes associated with PBS reform.
- Provide free access to Naglazyme® for eligible Australians for the treatment of Mucopolysaccharidosis Type VI (MPS VI), also known as Maroteaux-Lamy Syndrome.

Major Activities

Timely Access to Medicines and Professional Pharmacy Services for All Australians

The Australian Government will ensure that all Australians have timely and appropriate access to all PBS listed medicines and professional pharmacy services through the arrangements introduced as part of the Fourth Community Pharmacy Agreement.

In 2008-09, the Australian Government will improve the availability of PBS listed medicines by introducing, on 1 August 2008, an incentive of \$1.50 for the dispensing of substitutable, premium free medicines, and changes to pharmacy markups and increased dispensing fees. The agreement established the Community Service Obligation (CSO) Funding Pool, which provides \$150 million each year to support eligible distributors of PBS medicines who meet required service standards. The Government will provide further

funding to the CSO Funding Pool each year, for the remaining three years of the agreement, as part of PBS reform.

The Fourth Community Pharmacy Agreement also includes funding of up to \$568 million for professional programs and services, over the life of the agreement. These are allocated to new and continuing pharmacy programs. The Professional Programs and Services Advisory Committee provides advice to the Minister on the implementation arrangements for these programs and services. Areas of funding include professional services to assist patients manage their medication, reduce medication-related hospitalisation and adverse events, and chronic disease management.

The services include the provision of: dose administration aids to patients of community pharmacies to assist them to improve their medication management; patient medication profiles, to improve patients' awareness of their medications, such as why they have been prescribed, and how and when they should be taken; and medication reviews conducted in the home and residential aged care settings. The reviews improve quality of use of medicines by patients, and reduce the number of adverse medicine-related events experienced by the elderly and others using multiple medications.

In addition, in-pharmacy counselling, professional advice and support for patients who have been diagnosed with type 2 diabetes is provided under this funding.

The Department is responsible for administering funding provided via the Fourth Agreement for pharmacy remuneration and professional services, and provides support to a Professional Programs and Services Advisory Committee.

Funding for this major activity is sourced from Program 2.1 – Community Pharmacy and Pharmaceutical Awareness.

Subsidy of Insulin Pumps for Young Australians with Type 1 Diabetes

The Australian Government will subsidise around 700 insulin pumps over four years with associated consumable products for people under the age of 18 with type 1 diabetes. Insulin pumps will be made more affordable for working families, significantly decreasing the burden on families with children with type 1 diabetes. Insulin pump therapy is an optimal treatment for young people with type 1 diabetes, particularly where the diabetes is difficult to manage.

A means tested subsidy and provision of pumps will be managed through a grant agreement between the Department and the Juvenile Diabetes Research Foundation (JDRF). It is expected that each year around 170 Australians under the age of 18 will benefit from subsidy to insulin pump therapy.

The Department will work with the JDRF industry suppliers and other stakeholders to ensure that insulin pumps can be sourced and fitted in a timely manner and recipients receive appropriate support.

Funding for this major activity is sourced from Program 2.3 – Targeted Assistance – Pharmaceuticals, Aids and Appliances.

New Pharmaceutical Benefit Scheme Listings

The Australian Government is committed to using sound evidence-based principles to identify and fund important new advances in medicines through the PBS. The process is

flexible and robust and involves advice from its expert independent committee, the Pharmaceutical Benefits Advisory Committee (PBAC), which considers the effectiveness and cost of proposed medicines compared to existing therapies.

The Department is working to improve the transparency of the PBS process by publishing a list of the drugs that are to be considered for subsidy. This will allow greater input from consumers before PBAC consideration.

Funding for this major activity is sourced from Program 2.2 – Pharmaceuticals and Pharmaceutical Services.

Pharmaceutical Benefits Scheme Reform

The Australian Government will implement key initiatives associated with PBS reform to contain the costs of PBS growth. This will be achieved by lowering the prices of medicines where there is competition between brands to obtain better value for all Australians.

On 1 August 2008, the Australian Government will apply statutory price reductions for multiple brand medicines (formulary 2), and a few single brand medicines that are interchangeable with multiple brand medications on an individual patient basis. Medicines on Part A of formulary 2 will receive a two per cent price reduction, while those on Part T will receive a 25 per cent price reduction.

The Department will finalise the first price calculations under price disclosure arrangements and will notify industry of any price reductions by 1 February 2009. Under these arrangements, PBS prices will more closely reflect the price at which medicines are sold to pharmacists. The first price calculations will affect up to nine medicines on Part A of formulary 2.

PBS reforms will protect patients' access to the existing range of affordable PBS listed medicines, and will allow budgetary capacity for expensive new medicines to be listed in the future. Consumers will pay only up to the standard co-payments and some patients will pay less as the prices of more medicines begin to fall below the co-payments.

Throughout 2008-09, the Department will work with Medicare Australia, and dispensing and prescribing software vendors to ensure all systems support the changes introduced under the PBS reform.

The Australian Government will introduce a new funding arrangement for chemotherapy infusions based on the quantity of drugs prepared for patients and accompanied by a fee for preparing infusions. This will reduce wastage of costly drug ingredients. The Australian Government supports the principle of cost recovery in appropriate circumstances and will introduce cost recovery for all submissions lodged to the PBAC on or after 1 July 2008, to recover the costs of listing medicines on the PBS and vaccines on the National Immunisation Program.

The PBS listing process will not be altered by cost recovery and the Government is committed to the ongoing independence of PBAC, which will remain an essential and valued expert body.

Australians accessing the PBS will not be required to pay any extra for PBS listed medicines or vaccines as a result of this measure.

Funding of Naglazyme® Under the Life Saving Drugs Program

The Australian Government will provide free access to Naglazyme® through the Life Saving Drugs Program for eligible Australians with the rare serious enzyme deficiency disorder Mucopolysaccharidosis Type VI (MPS VI). Naglazyme® is a long-term enzyme replacement therapy in patients with MPS VI and will extend and improve the quality of their lives. There is no other treatment that can achieve these patient outcomes. Without treatment, the disease is lethal by young adulthood. Consequently, treatment for this disease will mainly benefit children in the long term. It is expected that there will be 12 patients eligible for treatment in 2008-09, with an additional eligible patient added to the program each year thereafter.

The Department fully subsidises and arranges for the supply of all drugs listed under the Life Saving Drugs Program. Government funded Naglazyme® will be available from 1 September 2008 and eligible patients will be referred for treatment by their treating specialist. An expert advisory committee will then provide advice to the Department in respect of each potential patient's eligibility and the most appropriate treatment dose. Regular reviews of a patient's treatment will be conducted to ensure the ongoing appropriateness of treatment.

Funding for this major activity is sourced from Program 2.3 – Targeted Assistance Pharmaceuticals, Aids and Appliances.

Outcome 2 Resourcing

Table 2.1 shows how the 2008-09 Budget appropriations translate to total resourcing for Outcome 2, including administered expenses, revenue from government (appropriations), revenue from other sources, and the total price of outputs.

Table 2.1: Total Resources for Outcome 2

	2008-09 Total estimate of available resources \$'000	2007-08 Estimated actual \$'000
Outcome 2 Administered and Departmental Output Resources		
Program 2.1: Community Pharmacy and Pharmaceutical Awareness		
<i>Administered Items</i>		
Annual Appropriation Bill 1 (Ordinary Annual Services)	376,570	199,313
<i>Departmental Outputs</i>		
Annual Appropriation Bill 1 (Ordinary Annual Services)	14,255	14,469
Revenues from other sources (s.31) for goods and services	246	246
Subtotal for Program 2.1	391,071	214,028
Program 2.2: Pharmaceuticals and Pharmaceutical Services		
<i>Administered Items</i>		
Annual Appropriation Bill 1 (Ordinary Annual Services)	179,109	153,000
Special Appropriations		
<i>National Health Act 1953 - Pharmaceutical Benefits</i>	7,331,657	7,042,244
<i>Departmental Outputs</i>		
Annual Appropriation Bill 1 (Ordinary Annual Services)	37,573	38,136
Revenues from other sources (s.31) for goods and services	650	648
Subtotal for Program 2.2	7,548,989	7,234,028
Program 2.3: Targeted Assistance - Pharmaceuticals, Aids and Appliances		
<i>Administered Items</i>		
Annual Appropriation Bill 1 (Ordinary Annual Services)	94,214	88,555
Special Appropriations		
<i>National Health Act 1953 - Aids and Appliances</i>	203,891	191,519
<i>Departmental Outputs</i>		
Annual Appropriation Bill 1 (Ordinary Annual Services)	2,977	3,021
Revenues from other sources (s.31) for goods and services	51	51
Subtotal for Program 2.3	301,133	283,146
Total Resources for Outcome 2	8,241,193	7,731,202
Outcome 2 Resources by Departmental Output Group		
Department of Health and Ageing		
Output Group 1: Policy Advice	39,863	40,448
Output Group 2: Program Management	15,889	16,123
Total Departmental Resources	55,752	56,571
	2008-09	2007-08
Average Staffing Level (Number)	264.4	261.9

Measures Affecting Outcome 2

A summary of measures affecting this outcome is provided at Table 1.3.1, Section 1. Measure descriptions are published in full in *Budget Paper No. 2, Budget Measures 2008-09*, available on the Australian Government website at <<http://www.budget.gov.au>>.

Contribution of Administered Programs

Program 2.1 – Community Pharmacy and Pharmaceutical Awareness

The Community Pharmacy and Pharmaceutical Awareness Program provides funding for evidence-based professional pharmacy programs and services to optimise the effectiveness and value of the health system in general, and the PBS in particular.

The Fourth Community Pharmacy Agreement provides remuneration arrangements for pharmacists for the supply of PBS medicines, and funding for pharmacy programs and services. The contribution to this outcome will be measured by the services provided, their impact on improving access to quality community pharmacy services, and improved health outcomes.

The Australian Government will ensure fair and equitable access to pharmaceutical services by ensuring that only eligible concession card holders have access to concessional pharmaceutical benefits. This will be achieved through the Improved Entitlement Validation of Concession Cards Initiative. The contribution to this outcome is measured by the decrease in the number of invalid concessional pharmaceutical benefits claims made by pharmacies.

The National Prescribing Service will provide programs and information to help health professionals make sound and cost-effective choices about their prescribing. Consumer education and information about quality use of medicines will assist patients to use medicines appropriately. The contribution to this outcome is measured by the pattern of prescribing by health professionals in therapeutic areas covered by National Prescribing Service programs.

Program 2.2 – Pharmaceuticals and Pharmaceutical Services

The Pharmaceuticals and Pharmaceutical Services Program aims to provide timely, reliable and affordable access for Australians to necessary and cost effective medicines. The contribution to this outcome is measured in terms of access to the PBS, as represented by the number of prescriptions supported under the PBS and includes estimates of prescriptions for general patients that cost less than the general patient co-payment.

Program 2.3 – Targeted Assistance – Pharmaceuticals, Aids and Appliances

The Targeted Assistance – Pharmaceuticals, Aids and Appliances Program, which funds the National Diabetes Services Scheme, provides access to products and services needed for the self-management of diabetes. This includes supplying people with diagnostic test strips, needles and syringes and insulin pump consumables. The contribution to this outcome is measured by the number of registrants accessing products and services to assist them in the self-management of diabetes.

The Australian Government funds the Stoma Appliance Scheme to provide stoma-related products free of charge to ostomates. Ostomates are people who have had surgery to

provide temporary or permanent stoma (artificial body openings) in the abdominal region, for the purpose of waste removal. The contribution to this outcome is measured by the number of ostomates accessing products for the self-management of their stoma.

The Life Saving Drugs Program provides free access for eligible patients to expensive and lifesaving drugs for serious medical conditions. The contribution to this outcome is measured by the number of eligible patients receiving treatment.

Contribution of Departmental Outputs to Outcome 2

The Department describes its core activities in terms of two output groups: policy advice and program management. Outcome 2 reports on both output groups. Refer to Section 2.1 for more information on output groups.

Performance Information for Outcome 2

Performance information for administered programs, individual outputs and output groups relating to Outcome 2 are summarised in Table 2.2.

Table 2.2: Key Performance Information for Outcome 2

Performance Information for Administered Programs

Indicator	2008-09 Reference Point or Target
Program 2.1 – Community Pharmacy and Pharmaceutical Awareness <ul style="list-style-type: none"> Administered Items 	
All areas for review identified in the Fourth Community Pharmacy Agreement are completed during the life of the agreement.	All reviews have commenced by the end of 2008-09. Reviews of the: <ul style="list-style-type: none"> a) supply of PBS medicines to residential aged care facilities and private hospitals; and b) drugs listed under Section 100 of the <i>National Health Act 1953</i> will be substantially completed in 2008-09.
An effective Herceptin program measured by the number of patients assisted through the program.	1,000 patients assisted.
<ul style="list-style-type: none"> Departmental Outputs¹ 	
Resourcing: \$391.071m	

¹ The Department has four standard performance indicators for departmental output groups. See 'Performance Information for Departmental Outputs' for further information.

Indicator	2008-09 Reference Point or Target
Program 2.2 – Pharmaceuticals and Pharmaceutical Services	
<ul style="list-style-type: none"> Administered Items 	
A sustainable PBS measured by the number of prescriptions subsidised for general and concessional patients, taking into consideration estimates of prescriptions for general patients that cost less than the general co-payment.	No greater than 5% growth of prescriptions in 2008-09.
Achieve better value from medicines that are subject to price competition by applying statutory price reductions to medicines on formulary 2.	Statutory price reductions to apply on 1 August 2008.
New pharmacy programs and services are implemented in an efficient and effective manner. Measured by the extent of community pharmacy participation in new programs, and the number of services provided.	Evaluation of arrangements for all new pharmacy programs agreed by 30 June 2009.
Revenue from cost recovery reflects the volume flow and complexity of each submission received by the PBAC.	Revenue of approximately \$9.4 million is expected to be generated in 2008-09.
<ul style="list-style-type: none"> Departmental Outputs² 	
Resourcing: \$7.548m	

Indicator	2008-09 Reference Point or Target
Program 2.3 – Targeted Assistance – Pharmaceuticals, Aids and Assistance	
<ul style="list-style-type: none"> Administered Items 	
Persons with diabetes benefit from subsidised products and services through the National Diabetes Services Scheme.	An estimated 910,000 persons with diabetes benefit from subsidised products and services in 2008-09.

² The Department has four standard performance indicators for departmental output groups. See 'Performance Information for Departmental Outputs' for further information.

Indicator	2008-09 Reference Point or Target
Program 2.3 – Targeted Assistance – Pharmaceuticals, Aids and Assistance	
<ul style="list-style-type: none"> Administered Items 	
Eligible Australians receive Naglazyme® treatment.	12 patients in 2008-09, at an expected cost of \$4.9 million.
Subsidy of insulin pumps for young Australians with type 1 diabetes.	An estimated 170 young Australians with type 1 diabetes will benefit from access to insulin pump therapy in 2008-09.
<ul style="list-style-type: none"> Departmental Outputs³ 	
Resourcing: \$301.133m	

Performance Information for Departmental Outputs

In relation to the following programs:

- 2.1: Community Pharmacy and Pharmaceutical Awareness;
- 2.2: Pharmaceuticals and Pharmaceutical Services; and
- 2.3: Targeted Assistance – Pharmaceuticals, Aids and Assistance.

Indicator	2008-09 Reference Point or Target
Output Group 1 – Policy Advice	
Quality, relevant and timely advice for Australian Government decision-making measured by Ministerial satisfaction.	Ministerial satisfaction.
Production of relevant and timely evidence-based policy research.	Relevant evidence-based policy research produced in a timely manner.
Output Group 1 Resourcing: \$39.863m	

³ The Department has four standard performance indicators for departmental output groups. See 'Performance Information for Departmental Outputs' for further information.

Budget Statements – Department of Health and Ageing

Indicator	2008-09 Reference Point of Target
Output Group 2 – Program Management	
Administered budget predictions are met and actual expenses vary less than 0.5% from budgeted expenses measured by comparison of actual expenses against budget.	0.5% variance from budgeted expenses.
Stakeholders participate in program development through a range of avenues, such as workshops, meetings and calls for submissions.	Stakeholders participate in program development through various consultation mechanisms.
Output Group 2 Resourcing: \$15.889m	