

Outcome 2

Access to Pharmaceutical Services

Australians have access to cost-effective medicines

OUTCOME SUMMARY

Outcome 2 aims to provide all Australians with 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.

Outcome 2 is the responsibility of the Pharmaceutical Benefits Division.

The Year Ahead

From 1 July 2007, the Australian Government will begin to implement a wide range of changes to the PBS to ensure that Australians can continue to access new and expensive medicines, and that the PBS remains affordable into the future. The reforms will result in the Government paying less for certain medicines, without increasing the cost to patients, and potentially saving more than \$580 million over the next four years.

The Government will also ensure Australians continue to access medicines, when and where they need them from community pharmacies, by funding pharmacy programs and services.

Key Strategic Directions for 2007-08

During 2007-08, the Australian Government will:

- implement changes associated with PBS Reform;
- continue to support timely access to medicines for all Australians through the Fourth Community Pharmacy Agreement; and
- prepare full cost recovery arrangements for listing medicines on the PBS.

Major Activities

Pharmaceutical Benefits Scheme Reform

In 2007-08, the Australian Government will change the way in which the prices of some PBS medicines are set. On 1 August 2007, the Government will establish separate formularies for pricing purposes and introduce price disclosure for some newly listed brands of medicines.

The Government will launch an awareness campaign to the community and health professionals in 2007-08 to communicate the safety, health and economic benefits of

generic medicines. The Department will prepare amendments to health legislation to support new PBS pricing arrangements.

The information technology systems that support the PBS, both those used in pharmacies to dispense PBS medicines and those used in doctors' surgeries to prescribe medicines will need to change in light of the PBS reforms. The Department is working closely with prescribing and dispensing software vendors to support the timely implementation of these changes. Streamlined administration for 200 of the 450 'authority required' PBS items will commence from 1 July 2007, enabling doctors to record patient eligibility for certain medicines without a phone call to Medicare Australia.

Throughout 2007-08, the Department will continue to consult with individual stakeholders on the range of PBS reform initiatives and will establish a number of working groups to support stakeholder input.

Timely Access to Medicines for All Australians

On 1 December 2005, the Australian Government and the Pharmacy Guild of Australia entered into the Fourth Community Pharmacy Agreement, which established revised remuneration arrangements for pharmacists and pharmaceutical wholesalers for the supply of PBS medicines.

The Agreement has been amended to reflect changes to pharmacist remuneration resulting from PBS Reform. On 1 July 2007, the Government will introduce an incentive for each prescription processed through PBS Online. Further remuneration changes will commence on 1 July 2008.

The Agreement also established the Community Service Obligation (CSO) Funding Pool, which became operational from 1 July 2006. The CSO provides \$150 million each year to support eligible distributors of PBS medicines who meet required service standards. These service standards ensure that people have reasonable and timely access to the full range of PBS medicines, through their community pharmacy, regardless of where they live or the relative cost of supply. From 1 July 2008, the Australian Government will add \$23 million to the CSO Funding Pool each year, as part of PBS Reform. The Department appointed an external agency to administer the CSO Funding Pool in March 2007.

The Professional Programs and Services Advisory Committee, which advises the Minister on programs funded under the Fourth Community Pharmacy Agreement, has recommended new programs in the areas of dose administration aids, and patient medication profiling services. It has also recommended programs for managing patients with type 2 diabetes and raising community awareness of Hepatitis C. The Government has made funding of up to \$568 million available for professional programs and services, over the life of the Fourth Agreement. Eighty-six per cent of these funds have been allocated to new and continuing pharmacy programs.

Recovering the Cost of Listing Pharmaceutical Benefits Scheme Medicines

In 2007-08, the Department will continue to develop and implement cost recovery arrangements for the administration of the Pharmaceutical Benefits Advisory Committee and PBS listing process. Cost recovery recognises the high level of commercial certainty that listing on the PBS provides to a sponsoring company. In this context, it is reasonable to recoup government costs associated with evaluation and listing. Cost recovery for PBS listings will commence from 1 January 2008.

Outcome 2 Resourcing

Table 3.1.2 shows how the 2007-08 Budget appropriations translate to total resourcing for Outcome 2, including administered expenses, revenue from government (appropriation), revenue from other sources, and the total price of outputs.

Table 3.1.2: Total Resources for Outcome 2

	Estimated actual 2006-07 \$'000	Budget estimate 2007-08 \$'000
Administered appropriations		
Program 2.1: Community Pharmacy and Pharmaceutical Awareness		
Appropriation Bill 1	117,654	213,432
	117,654	213,432
Program 2.2: Pharmaceuticals and Pharmaceutical Services		
Appropriation Bill 1	150,000	153,000
<i>National Health Act 1953 - Pharmaceutical Benefits</i>	6,433,740	7,050,879
Total Special Appropriations	6,433,740	7,050,879
	6,583,740	7,203,879
Program 2.3: Targeted Assistance - Pharmaceuticals, Aids and Appliances		
Appropriation Bill 1	85,080	88,915
<i>National Health Act 1953 - Aids and Appliances</i>	174,312	191,519
Total Special Appropriations	174,312	191,519
	259,392	280,434
Total Administered Appropriations	6,960,786	7,697,745
Departmental appropriations		
Health and Ageing		
Output Group 1 - Policy Advice	37,444	40,405
Output Group 2 - Program Management	13,722	14,808
Total price of departmental outputs <i>(Total revenue from government and from other sources)</i>	51,166	55,213
Total revenue from government (appropriations) contributing to price of departmental outputs	50,059	43,759
Total revenue from other sources	1,107	11,454
Total price of departmental outputs <i>(Total revenue from government and from other sources)</i>	51,166	55,213
Total Price of Outputs for Outcome 2 <i>(Total Revenue from Government and from other sources)</i>	51,166	55,213
Total estimated resourcing for Outcome 2 <i>(Total price of outputs and administered appropriations)</i>	7,011,952	7,752,958
	2006-07	2007-08
Average Staffing Level (number)		
Department	228	249

Measures Affecting Outcome 2

A summary of measures affecting this outcome is provided at Table 2.2, Section 2. Measure descriptions are published in full in *Budget Paper No. 2, Budget Measures 2007-08*, available on the Australian Government website at: <www.budget.gov.au>.

Contribution of Administered Programs to Outcome 2

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 which aim to optimise the effectiveness and value of the health system in general, and the PBS in particular.

The Fourth Community Pharmacy Agreement, which is part of this program group, establishes the remuneration arrangements for pharmacists for the supply of PBS medicines, and provides funds 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 via professional pharmacy services.

The Improved Entitlement Validation of Concession Cards initiative aims to ensure that only eligible concession card holders access concessional pharmaceutical benefits. 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 provides programs and information services to help health professionals and consumers make sound and cost-effective choices about their prescribing and use of medicines. The contribution to this outcome is measured by the pattern of prescribing by health professionals in 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 subsidised, and in terms of the efficiency of the PBS, as measured by the annual growth in expenditure.

Program 2.3: Targeted Assistance – Pharmaceuticals, Aids and Appliances

As part of the Targeted Assistance – Pharmaceuticals, Aids and Appliances program, 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, people who, as a result of surgery have been given 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.

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 3.1 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 3.2.2.

Table 3.2.2: Key Performance Information for Outcome 2

Performance Information for Administered Programs

Indicator	Measured by	Reference Point or Target
Administered Funding – Pharmaceutical Services Programs		
Effectiveness of the Herceptin program.	Number of patients assisted through the Herceptin program.	1,000 patients assisted.
PBS prescriptions will be subsidised for general and concessional patients.	The number of PBS prescriptions subsidised.	188 million PBS prescriptions subsidised, representing approximately 9.0 prescriptions per capita.
Families and singles qualify for reduced patient co-payments under the PBS safety net.	The number of families and singles that qualify for reduced patient co-payments under the PBS safety net.	1 million families and singles qualify.
Achieve better value from medicines that are subject to price competition.	Restructure of the Schedule of Pharmaceutical Benefits to create separate formularies for single and multiple brand medications.	Implementation by 1 August 2007.
Persons with diabetes benefit from subsidised products and services through the National Diabetes Services Scheme.	The number of persons with diabetes benefit from subsidised products and services through the National Diabetes Services Scheme.	An estimated 862,200 persons with diabetes benefit from subsidised products.
New pharmacy programs and services are implemented in an efficient and effective manner.	Extent of community pharmacy participation in new programs; and the number of services provided.	All new pharmacy programs to be operational by 30 June 2008.

Budget Statements – Department of Health and Ageing

Indicator	Measured by	Reference Point or Target
Administered Funding – Pharmaceutical Services Programs		
All areas for review identified in the Fourth Community Pharmacy Agreement are completed during the life of the Agreement.	The number of reviews completed.	All reviews completed.
Cost: \$7,697.745m		

Performance Information for Departmental Outputs

Indicator	Measured by	Reference Point or Target
Output Group 1 – Policy Advice		
Quality, relevant and timely advice for Australian Government decision-making.	Ministerial satisfaction.	Maintain or increase from previous year.
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.
Price: \$40.405m		

Indicator	Measured by	Reference Point or Target
Output Group 2 – Program Management		
Administered budget predictions are met and actual expenses vary less than 0.5% from budgeted expenses.	Percentage that actual expenses vary from budgeted expenses.	0.5% variance from budgeted expenses.
Stakeholders to participate in program development.	Opportunities for stakeholder participation through a range of avenues, such as surveys, conferences and meetings.	Stakeholders participate through the Professional Programs and Services Advisory Committee and its associated working groups.
Price: \$14.808m		

Evaluations

The Department does not plan to undertake any evaluations under Outcome 2 in 2007-08.

Major Reviews

The Fourth Community Pharmacy Agreement includes a commitment from the Pharmacy Guild of Australia and the Department to undertake reviews relating to issues impacting on community pharmacy over the life of the Agreement. The reviews will specifically address issues such as the recording of PBS prescriptions priced below the patient co-payment, payment processing times for PBS claims by Medicare Australia and the supply of PBS medicines in aged care facilities and private hospitals.

The Department is working cooperatively with the Guild to prioritise the reviews, and agree to the scope and timelines for their completion. A number of the reviews will be due for completion during 2007-08.