



THE HON SUSSAN LEY MP

Minister for Health
Minister for Sport

MEDIA RELEASE

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Pharmaceutical Benefits Scheme to be reformed

Australians will benefit from cheaper medicines, a more competitive pharmacy sector and greater investment in new medicines and patient support services as part of a “balanced” package of pharmaceutical reforms announced by the Abbott Government today.

Minister for Health Sussan Ley today announced the Government’s Pharmaceutical Benefits Scheme (PBS) Access and Sustainability Package of reforms following months of constructive consultations and robust negotiations across the entire pharmaceutical supply chain, including consumers, pharmacists, medicines manufacturers, wholesalers and doctors.

Ms Ley said this “hand in glove” approach had enabled the Government to put together a reform package that struck the “right balance” between supporting the needs of consumers, industry and taxpayers.

“Throughout the Government’s negotiations with the entire pharmaceutical supply chain we have had consumers at the core of our negotiations and I think this shines through in the sensible measures we’re delivering,” Ms Ley said.

This includes measures that will see: the price of medicines discounted for patients and improved access to new medicines; greater certainty for medicines manufacturers via a five year strategic agreement; and an additional \$2.8 billion investment in supporting pharmacy and primary care.

Ms Ley said stakeholders recognised the need to deliver a more sustainable PBS to ensure the Government could continue to list new medicines, with the package also proposing total efficiencies of \$6.6 billion over five years across the entire pharmaceutical supply chain.

“The Abbott Government has doubled the number of drug listings for consumers since coming to office when compared to Labor – a significant investment of almost \$3 billion in just over 18 months.

“In fact, this Government is now delivering an average of about 30 new and amended drug listings for patients each month compared to an average of just eight under Labor.

“Yet, with taxpayers expected to invest at least \$50 billion in the PBS over the next five years, we are ensuring with this package that spending on existing medicines is as efficient as possible so we can invest in new drugs for the future as well.”

Ms Ley said it was important to note a number of the measures delivering savings for taxpayers were also saving money for consumers because both would pay less for medicines.

For example, removing ‘originator’ brands from price calculations could save some consumers up to 50 per cent off the price of medicines and taxpayers \$2 billion over five years.

The proposal to allow pharmacists to discount the price of medicines by up to \$1 per script could also save some pensioners over \$40 per year while, also delivering the Government about \$400 million worth of efficiencies over five years.

Ms Ley said savings delivered through the package over the next five years would support the Government’s ability to continue to list new medicines into the future.

The Government is currently considering almost \$2.5 billion worth of new drugs for listing, with another 15 meetings of the independent Pharmaceutical Benefits Advisory Committee expected over the next five years.

“The reality is the expectation of the community to list new drugs – some worth hundreds of millions of dollars at a time - will only continue to increase over the next five years.

“This reform package is designed to be a sensible start that focuses on longer-term structural reform to enable ongoing investment in new medicines while ensuring they remain affordable for patients and taxpayers.”

Ms Ley said the Government had introduced the legislative changes supporting the reform package into the lower house today, with the most new measures to begin rolling out from July 1 2015.

Ms Ley said the negotiations had been positive and constructive and she thanked all participants involved for their contribution, including, but not limited to: the Consumers Health Forum; the Pharmacy Guild of Australia; the Generic Medicines Industry Association; Medicines Australia; the Royal Australian College of Practitioners, the National Pharmaceutical Services Association, the Pharmaceutical Society of Australia, the ASMI and the Australian Medical Association.

Pharmaceutical Benefits Scheme Access and Sustainability Package:

The Abbott Government is proposing a Pharmaceutical Benefits Scheme Access and Sustainability Package over the next five years (2015-2020), including:

- \$18.9 billion Sixth Community pharmacy Agreement.
- A Strategic Agreement with Generic Medicines industry Association (GMiA).
- \$6.6 billion worth of proposed efficiencies throughout the PBS supply chain.
- \$2.8 billion additional direct investment across the pharmacy sector

- Note: This \$2.8 billion investment is in addition to PBS investment that will occur over the next five years, including the \$2.5 billion worth of new drugs currently being considered by the Government for listing.
- An in-principle Strategic Agreement with Medicines Australia is also being progressed.

Key measures within the package:

- Changes to price disclosure arrangements applied to those medicines subject to competition (F2), which will see the price of generic medicines for consumers reduce as much as 50 per cent from October 2016. This will be done by removing the 'originator' brand version of the drug from pricing calculations. These cheaper medicines prices will also see taxpayers paying less, delivering \$2 billion worth of efficiencies for taxpayers between October 2016 and the end of the agreement that will assist the Government's capacity to continue to list new medicines.
- The ability for pharmacists to offer consumers a discount of up to \$1 per script on the price on the PBS co-payment. This could see a concessional patient's co-payment drop from \$6.10* to \$5.10* and deliver someone who used 40 scripts a year an annual upfront saving of up to \$40. It will also apply to non-concessional patients, who pay a co-payment worth \$37.70*. This measure will also drive greater competition in the pharmacy sector and deliver efficiencies of more than \$360 million over the next five years. *these are 2015 prices for co-payments, which are indexed each year.
- A \$20 million awareness campaign to support the increased use of 'biosimilar medicines' by patients, pharmacists and specialists. Biosimilars are complex biological medicines that are approved by the Therapeutic Goods Administration as an alternative to an existing brand. The increasing use of biosimilar medicines is also expected to deliver efficiencies of \$880 million over five years.
- A doubling of investment in pharmacy-run primary care programmes of up to \$1.26 billion. New and existing programmes will also now be scrutinised by the Government's expert Medical Services Advisory Committee to improve transparency and ensure programmes are evidence-based and cost-effective.
- Better targeting the premium-free dispensing incentive to apply only when there is a premium charged for another brand of the same medicine. This will deliver efficiencies of \$560 million over five years, better support the uptake of generic medicines, and further reduce the cost of these medicines for consumers and taxpayers.
- \$1.5 billion investment in a new handling and infrastructure fee for pharmacists. This will restore pharmacist remuneration to average levels provided under the previous 5th Community Pharmacy Agreement and provide greater certainty by delinking remuneration from the variability of price disclosure. Instead of applying a mark-up percentage on medicines, pharmacists will now receive a set transparent fee.

- More efficient spending on F1 formulary medicines (those protected by patents), with a five per cent reduction in the price taxpayers pay for on-patent medicines that have been listed for five years or more on the PBS. This is expected to deliver efficiencies of about \$1 billion to ensure new F1 medicines can be listed for patients as well. This is the first time changes have been made to F1, with price disclosure and other past changes only applying to F2 (those medicines subject to competition).
- Closing loopholes around the way combination drugs – where two separate drugs are combined to create a new patented drug – are subsidised under price disclosure reductions. This will deliver proposed efficiencies of \$610 million over five years.
- An independent review of pharmacy remuneration and location rules to be undertaken during the first two years of the new 6th Pharmacy Agreement.
- The removal of some comparatively low-cost over-the-counter medicines from the PBS, many of which can be bought for below the price of the PBS concessional co-payment (\$6.10). For example, in 2013-14, there were 6.7 million scripts for paracetamol issued on the PBS costing taxpayers about \$70 million. This measure is expected to deliver \$500 million in efficiencies over five years and will allow PBS funding to be focussed on listing essential high cost medicines which would otherwise be unaffordable for consumers. Decisions on which over-the-counter medicines this measure will be based on advice from the independent expert Pharmaceutical Benefits Advisory Committee.
- Extending the existing safety net 20 day rule to a broader range of PBS medicines to promote the quality use of medicines, discourage waste and reduce the quantity of unused medicines in the community. This is expected to deliver efficiencies of \$475 million over five years.

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