



Cutting the PBS General Co-payment to \$30

Party: Australian Labor Party

Summary of proposal:

The proposal would reduce the Pharmaceutical Benefits Schedule (PBS) general patient co-payment to \$30 on 1 January 2023. Following that the co-payment would continue to be indexed by the consumer price index on 1 January each year.

Costing overview

The proposal would be expected to decrease the fiscal balance by around \$704 million and the underlying cash balance by around \$698 million over the 2022-23 Budget forward estimates period. In fiscal balance terms, this is predominantly driven by an increase in administered expenses of around \$795 million and partly offset by revenue of around \$91 million.

The proposal is expected to generate additional revenue, as some scripts which presently are paid for entirely by patients would become partially government subsidised and therefore would receive manufacturer rebates from drug sponsors under Special Pricing Agreements.

The proposal would have an ongoing impact beyond the 2022-23 Budget forward estimates period. A breakdown of the financial implications (including separate public debt interest (PDI) tables) over the period to 2032-33 is provided at Attachment A.

The financial implications are somewhat uncertain and sensitive to the assumptions around future PBS prescriptions growth (mostly driven by demographic factors), the potential interaction of the proposal with the PBS Safety Net and the behavioural response of patients.

Table 1: Financial implications (\$m)^{(a)(b)}

	2022-23	2023-24	2024-25	2025-26	Total to 2025-26
Fiscal balance	-104.7	-194.1	-198.5	-206.7	-704.0
Underlying cash balance	-101.7	-191.1	-198.5	-206.7	-698.0

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) PDI impacts are not included in the totals.

Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in costing this proposal.

- The volume and listed price for medicines would remain consistent with historical trends for those:
 - above the existing general PBS co-payment
 - between the current and proposed general PBS co-payment.

- Departmental expenses would not be significant and have not been included in the costing.

Methodology

The financial implications were estimated using the Department of Health's PBS modelling tool 'PhRANCIS' over the period from 2022-23 to 2025-26.

- The model uses historical PBS data to forecast future PBS prescription volumes and expenditure.
- A scenario of the model was run with the PBS co-payment set at \$30 from 1 January 2023 and grown by the consumer price index on 1 January each year.
- The output from this scenario was compared to the current baseline scenario to determine the financial impact across the forward estimates.

The impact across the medium term was determined based on the trend across the forward estimates.

Financial implications were rounded consistent with the PBO's rounding rules as outlined on the PBO Costings and budget information webpage.¹

Data sources

The Department of Health provided the 'PhHRANCIS' model output, as well as updated general PBS prescription volumes and projections as at the *Budget 2022-23*.

¹ https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Costings_and_budget_information

Attachment A – Cutting the PBS General Co-payment to \$30 – financial implications

Table A1: Cutting the PBS General Co-payment to \$30 – Fiscal balance (\$m)^(a)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Revenue													
<i>Non-tax revenue</i>	11.3	23.9	26.5	29.3	32.1	35.3	38.8	42.6	46.7	51.3	56.3	91.0	394.1
Total – revenue	11.3	23.9	26.5	29.3	32.1	35.3	38.8	42.6	46.7	51.3	56.3	91.0	394.1
Expenses													
<i>Administered expenses</i>	-116.0	-218.0	-225.0	-236.0	-246.0	-256.0	-267.0	-278.0	-290.0	-302.0	-315.0	-795.0	-2,749.0
<i>Departmental expenses</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Total – expenses	-116.0	-218.0	-225.0	-236.0	-246.0	-256.0	-267.0	-278.0	-290.0	-302.0	-315.0	-795.0	-2,749.0
Total (excluding PDI)	-104.7	-194.1	-198.5	-206.7	-213.9	-220.7	-228.2	-235.4	-243.3	-250.7	-258.7	-704.0	-2,354.9

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

- Indicates nil.

Table A2: Cutting the PBS General Co-payment to \$30 – Underlying cash balance (\$m)^(a)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Receipts													
<i>Non-tax receipts</i>	11.3	23.9	26.5	29.3	32.1	35.3	38.8	42.6	46.7	51.3	56.3	91.0	394.1
Total – receipts	11.3	23.9	26.5	29.3	32.1	35.3	38.8	42.6	46.7	51.3	56.3	91.0	394.1
Payments													
<i>Administered payments</i>	-113.0	-215.0	-225.0	-236.0	-245.0	-256.0	-266.0	-278.0	-289.0	-302.0	-315.0	-789.0	-2,740.0
<i>Departmental payments</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Total – payments	-113.0	-215.0	-225.0	-236.0	-245.0	-256.0	-266.0	-278.0	-289.0	-302.0	-315.0	-789.0	-2,740.0
Total (excluding PDI)	-101.7	-191.1	-198.5	-206.7	-212.9	-220.7	-227.2	-235.4	-242.3	-250.7	-258.7	-698.0	-2,345.9

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

- Indicates nil.

Table A3: Cutting the PBS General Co-payment to \$30 – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Fiscal balance	-1.1	-4.5	-9.0	-13.8	-19.1	-25.2	-32.1	-39.9	-48.7	-58.6	-70.5	-28.4	-322.5
Underlying cash balance	-1.0	-4.1	-8.5	-13.2	-18.5	-24.4	-31.2	-38.9	-47.6	-57.4	-69.1	-26.8	-313.9

(a) As this table is presented as a memorandum item, these figures are not reflected in the totals in the tables above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary².

(b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

² [Online budget glossary – Parliament of Australia \(aph.gov.au\)](https://aph.gov.au/online-budget-glossary)