

Dissenting Report from the Australian Labor Party

1.1 Labor Senators do not see merit in this bill and oppose it in its entirety without amendment.

1.2 The increased cost of medicines and changes to the Pharmaceutical Benefits Scheme (PBS) Safety Net will see reduced adherence to medicine regimes.

1.3 The Bill has the potential to negatively impact on patients' health and result in significant additional costs to the health system.

1.4 This position is supported by the Community Affairs References Committee's inquiry into Out-of-pocket costs in Australian healthcare with its report recommending that the Government not proceed with further co-payments.

1.5 The Community Affairs References Committee also recommended that 'the Government review the impact and effectiveness of existing safety nets to ensure that current safeguards provide adequate protection of the most vulnerable in the community'.

1.6 The Government should not pursue changes to the PBS Safety Net that will make it more difficult to access and add to the healthcare costs of vulnerable Australians.

1.7 Taken with the pressure from additional out-of-pocket expenses resulting from Medical Benefits Schedule (MBS) co-payments and changes to that safety net, as well as changes to income support, the changes proposed in this Bill will have a deleterious effect on the health of vulnerable patients, especially the aged and individuals and families on low and middle incomes.

1.8 Labor Senators note the Parliamentary Joint Committee on Human Rights' concern that the Bill may result in retrogressive consequences, especially for people accessing or reliant upon social security payments.¹

1.9 Labor Senators are extremely concerned that the Department of Health was unable to provide a submission to the Committee before its public hearing and note this limited the ability of Senators to question the Department on its evidence. Labor Senators are concerned by the trend developing in this respect and hope it will not develop as a long-term issue.

The bill unnecessarily targets pensioners and low and middle income earners

1.10 The Consumers Health Forum provided the Committee with evidence of more patients not filling their prescriptions due to cost. The CHF cited ABS data that 9 per

1 Parliamentary Joint Committee on Human Rights, *Eighth Report of the 44th Parliament*, p. 24.

cent of adults delay or do not collect their prescriptions due to cost. Particularly, CHF noted:

There is also a growing body of evidence from Australia and other countries that a number of groups in the community are particularly vulnerable to the impact of rising out-of-pocket costs, including: people with chronic illness; people on low incomes; people living in rural and remote areas; young families; and older Australians.²

1.11 The CEO of the Public Health Association Australia stated that the measures are inequitable and will affect society's most vulnerable members. Mr Moore stated:

The people to whom this is most important are the vulnerable, such as Aboriginals and Torres Straight Islanders, people from low socio-economic backgrounds or from non-English speaking backgrounds and the elderly.

1.12 The Pharmacy Guild of Australia noted:

Increases to PBS co-payments and safety nets may discourage patients from purchasing their prescribed medicines, leading to non-adherence to a medication regime... Any increase in price signals should be accompanied by a greater commitment to the funding of well-targeted medication management and support services, focused on those patients in greatest clinical need who have the highest risk of non-adherence to their medicines.³

1.13 The Pharmaceutical Society of Australia provided the Committee with evidence that it:

is concerned that patient co-payments, even before the increases proposed in this Bill take effect, have reached such a high level that there is a danger of patients foregoing some of their necessary medications due to cost...

Coupled with the proposed MBS co-payment for GP visits, out-of-hospital pathology and diagnostic imaging services, vulnerable patients may be forced into a situation where they need to make a financial decision about seeking medical attention or continuing with their medications instead of focusing on their health.⁴

1.14 This evidence is supported by evidence from COTA that:

Not filling a prescription is only part of the story. For a number of years the COTAs ran a peer education program on the Quality Use of Medicines. Anecdotal evidence from the peer educators showed that many older people were not able to afford all their medications, even at the concessional rate, and so they developed a range of strategies to manage the costs. These included reducing the dosage of medications e.g. only taking a medicine

2 *Submission 8*, p. 2.

3 *Submission 1*, p. 3.

4 *Submission 7*, p. 2.

every other day instead of daily, dropping some completely, and sharing medications with other people.⁵

The proposed increases in co-payments will probably increase the numbers of people who do not fill prescriptions. Whilst that may give the Government the short-term savings it is looking for on the PBS expenditures, it has the potential to drive up other health costs in the longer term.⁶

1.15 The Grattan Institute provided supplementary information that further demonstrated clear evidence of demand for pharmaceuticals declining when the price increases and cited numerous academic analyses that ‘confirm that the conclusion we reached, that price increases would be likely to increase the number of unfilled prescriptions’.⁷

The changes do nothing to contribute to the sustainability of the PBS

Pharmaceutical Allowance

1.16 When a PBS co-payment of \$2.50 was introduced for pensioners in 1990 a Pharmaceutical Allowance of \$2.50 per week was introduced concurrently. The Pharmaceutical Allowance increased in line with increases to the PBS co-payment and in effect this meant pensioners had the cost of one prescription per week offset. This nexus was broken in 1997 by the Howard Government when the PBS co-payment increased with no concurrent increase to the Pharmaceutical Allowance. The Pharmaceutical Allowance is presently \$6.20 per fortnight for individuals and \$3.10 per fortnight each for couples.⁸

1.17 There is no additional compensation for pensioners and other vulnerable Australians contained in this Bill, nor are there any other Bills being considered, that would deliver this compensation.

Safety Net

1.18 The increase in the safety net to 68 scripts per year for concessional patients should be considered in the context of other health cuts and additional out of pocket costs, as well as evidence of non-adherence to medicines under current safety net arrangements.

1.19 COTA provided evidence to the Committee that:

Many people living only on the age pension actually live from pension day to pension day, as do people who are on the much lower Newstart allowance and other payments there is not much left over at the end of a fortnight, particularly if you are single and particularly if you are not a

5 *Submission 10*, p. 3.

6 *Submission 10*. p. 4.

7 *Supplementary Submission 2*, p. 3.

8 <http://www.pbs.gov.au/info/healthpro/explanatory-notes/front/fee#1>

homeowner. If you are a single, older woman living in private rental accommodation you really have not got very much discretionary income. If something goes up by 80c it seems like nothing to us, but they might have to get four or five scripts in that week and each one of them will cost them an extra 80c until they get up to the safety net threshold. If you are looking at four or five scripts then you are looking at \$5. That is a significant amount of a pensioner's income. It is at that point, the evidence shows us, that people do not fill them all; that they do not take the action. They might delay going to the doctor, particularly if they have to pay the \$7 co-payment before they then get asked to pay an extra co-payment for any medications that that doctor prescribes for them.⁹

...

people do things like taking their medication half as many times as they should, sharing medications, not getting rid of medications that are out of date because they do not want to pay for the next one and generally, just as we have heard, not getting a script filled when they should.¹⁰

1.20 The proposal to increase the general safety net from \$1421 by 10 per cent plus the consumer price index over the next four years will take it out of reach for the majority of Australians.

1.21 The Grattan Institute argued the threshold for general patients would rise by nearly half over four years and the threshold for concessional patients by 15 per cent. Under these changes the Grattan Institute pointed to significantly reduced support for sicker people who need more drugs.¹¹

Price Disclosure

1.22 Changes made by the previous Labor Government through expanded and accelerated simplified price disclosure have resulted in significant savings and more funding being available for the listing of new medicines.

1.23 These savings undermine the Government's argument that the PBS is not sustainable.

1.24 The Parliamentary Budget Office demonstrated that PBS expenditure is projected to slow from its historical real growth of 2.4 per cent annually to 0.3 per cent annually over the medium term, further demonstrating the sustainability of the PBS.

1.25 The Chief Executive Officer of the Pharmacy Guild of Australia, Mr David Quilty told the Committee the Guild estimated the savings from price disclosure to 2020 are about \$20 billion.¹²

9 *Committee Hansard*, 19 August 2014, p. 9.

10 *Committee Hansard*, 19 August 2014, p. 9.

11 *Submission 2*, p. 1.

12 *Committee Hansard*, 19 August 2014, p. 25.

1.26 In its submission the Department of Health noted that between 2010-11 and 2011-12 there was a reduction in PBS expenditure of 2.1 per cent.¹³

1.27 Mr Richard Bartlett, an Acting Deputy Secretary with the Department of Health noted the savings from simplified price disclosure are expected to be over \$9 billion by 2016-17, and that these reforms have contributed directly to making medicines cheaper for consumers.¹⁴

1.28 The Pharmaceutical Society of Australia noted in its submission that outlays under the PBS are projected to remain stable at around 0.07 per cent of GDP over the period to 2020.¹⁵

1.29 The \$1.3 billion proposed to be realised through this Bill will not be invested back into the PBS but into the medical research future fund. This does nothing to contribute to the sustainability of the PBS.

1.30 Labor Senators do not concur with the Department and committee's conclusion that the proposed increases in costs for consumers are reasonable, necessary or proportionate.

Recommendation 1

1.31 Labor Senators recommend that the Senate reject the National Health Amendment (Pharmaceutical Benefits) Bill 2014.

Senator Carol Brown

Senator Nova Peris OAM

Senator the Hon Jan McLucas

Senator Claire Moore

13 *Submission 12*, p. 7.

14 *Committee Hansard*, 19 August 2014, p. 28.

15 *Submission 7*, p. 2.

