

## Attachment C

**Medicines Partnership of Australia – first statement – 9 May 2018****2018-19 Budget Response from Medicines Partnership of Australia (MPA)****Pharmaceutical benefits and services expenditure**

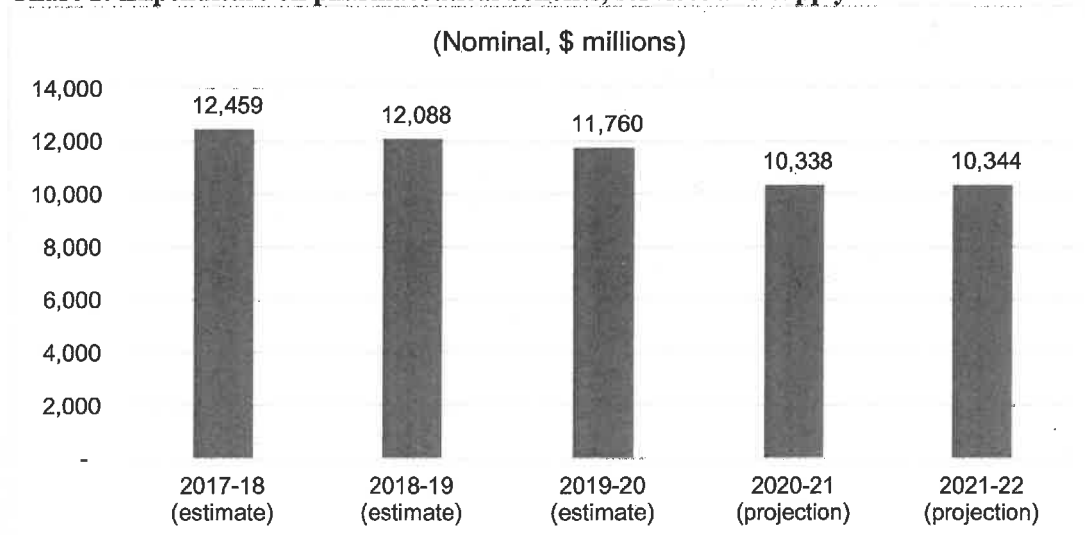
The 2018-19 Federal Budget confirms that PBS expenditure is fiscally constrained and is continuing to decline in real terms.

Removing the impact of the decision to change the payment arrangements for high-cost medicines and allowing for an additional \$1 billion in committed spending for further new PBS listings, expenditure on pharmaceutical benefits and services is estimated to decrease by 7.3 per cent in real terms over the period 2018-19 to 2021-22.

The lack of growth in pharmaceutical benefits and services expenditure is also evident in nominal (non-inflation adjusted) terms as shown in Chart 1.

The MPA acknowledges the announced investment in the PBS through new PBS listings but stresses the importance of recognising the economic and social contribution of the medicines sector. Future investment in the PBS must be sufficient to maintain the viability of the sector and enable it to meet patient needs.

In this Budget, unlike previous years, estimates of savings from ongoing price disclosure are not separately outlined. The Compacts signed last year with participants in the medicines sector will deliver \$1.8 billion in savings over five years.

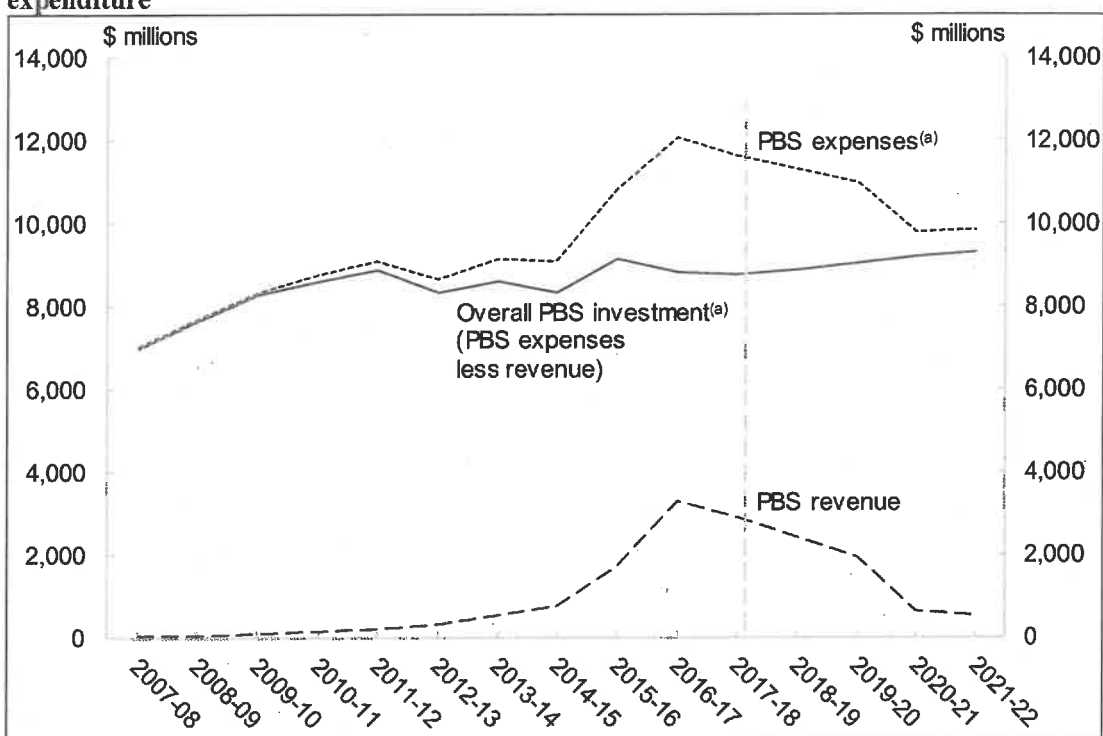
**Chart 1: Expenditure on pharmaceutical benefits, services and supply****Changes to payment arrangements for high-cost medicines**

The Government's decision to change payment arrangements for high-cost medicines to address medicine access and pharmacy cash flow issues involves a reduction in PBS revenues and expenses by a corresponding amount (\$5.4 billion from 2018-19 to 2021-22).

The Budget makes clear that there will be no reduction in the Government's overall investment as a result of these changes and that a payment administration trial for certain high cost medicines with special pricing arrangements will commence from 1 July 2019. The 'net' PBS expenditure that results is shown in Chart 2.

The MPA welcomes the fact that the Government will continue to consult closely with the medicines sector on trial design, implementation and transition arrangements. The MPA stresses the importance of ensuring that the trial is progressed with the agreement and support of the sector with all implementation costs to be met by the Federal Government.

**Chart 2: Impact of changes to the payment arrangements for high-cost medicines on PBS expenditure**



(a) Expenses include \$1.0 billion that the Government has provisioned for new medicine listings. Source: Budget Paper No. 1, page 6-21.

### New PBS listings

The Budget makes a commitment to investing \$2.4 billion in new medicine listing from 2017-18 to 2021-22. This comprises \$1.4 billion in announced new listings and \$1 billion in provisioning for future PBS listings.

The MPA welcomes the announced new listings which will deliver real benefits to patients as well as the \$1 billion in provisioning for future PBS listings, while noting that new listings are being more than paid for by the PBS savings that are being delivered by the sector through ongoing price disclosure and the 2017 Compacts.

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*The Medicines Partnership of Australia (MPA) is an alliance of peak industry associations representing key members in the supply chain that deliver medicines and pharmacy services to Australian consumers.*