HSU NATIONAL

SUBMISSION

Submission to the Senate Community Affairs Legislation Committee

National Health Amendment (Pharmaceutical Benefits) Bill 2014

23rd July 2014

About Us

The Health Services Union (HSU) is a growing member based union fighting for dignity and respect for health and community services workers. HSU members are at the forefront of some great nation building changes in the National Disability Insurance Scheme, Public Health and Aged Care reform.

We are a driving force to make Australia a better place.

HSU members work in aged care, disability services, community health, mental health, private practices and hospitals. Members are health professionals, paramedics, scientists, aged care workers, nurses, technicians, personal care and support workers, clerical and administrative staff, disability support workers, mangers, doctors, medical librarians and support staff.

We are committed to advancing and protecting the wages, conditions, rights and entitlements of members through campaigning and workplace activism. HSU also provides a range of services and support to assist members with many aspects of working and family life.

HSU National is the trading name for the Health Services Union, a trade union registered under the Fair Work (Registered Organisations) Act 2009.

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23 July 2014

Senate Standing Committee on Community Affairs
PO Box 6100
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SUBMISSION TO THE SENATE COMMUNITY AFFAIRS LEGISLATION COMMITTEE

National Health Amendment (Pharmaceutical Benefits) Bill 2014

To Whom It May Concern:

HSU National strongly opposes the increases to both general and concessional Pharmaceutical Benefits Scheme (PBS) patient co-payments by $5.00 and $0.80, respectively, on 1 January 2015. Additionally, we oppose increasing the safety net threshold for general patients by 10 per cent each year for four years (plus CPI) and for concessional patients by two prescriptions a year for four years. For the reasons outlined in this submission, we recommend that the Senate reject the *National Health Amendment (Pharmaceutical Benefits) Bill 2014.*

Current data demonstrates that cost barriers are already preventing large numbers of Australians from filling their prescriptions. In 2012-13, 8.5 per cent of people did not fill a prescription due to cost, and Australians living in the most disadvantaged areas were twice as likely (12.4 per cent) than those living in the least disadvantaged areas (6 per cent) to delay or not fill a prescription.[i] Indigenous Australians are especially vulnerable, with data showing that one-third (34.6 per cent) aged 15 and over delayed or did not fill a prescription because of the cost.[ii] While the COAG Reform Council noted that from 2010-11 to 2012-13 the proportion of people who delayed or did not fill a prescription fell significantly (from 9.8 per cent to 8.5 per cent) HSU National is concerned that the large increases to both co-payments and safety net thresholds proposed by this Bill will reverse this trend.[iii] This concern is highlighted by recent research from the University of Sydney Family Medicine Research Centre, which found that the actual cost increase for medications will be higher for concessional patients. The researchers modelled the impact on several groups and found that the co-payment increases and changes to safety net thresholds would mean:

- A young family of four with two children (aged under 16) and two parents aged 25-44 years would expect to pay an average of $14 more for medications per year.
- A self-funded retired couple (aged 65 or over without concession cards) would expect to pay an average of $55 more for medications per year.

- An older couple who are pensioners (aged 65 or over, with concession cards) would expect to pay an average of $59 more for medications per year.[iv]

The *National Health Amendment (Pharmaceutical Benefits) Bill 2014* has serious risks—not only for the health of all Australians, but for the sustainability of government health expenditure. Indeed, patients who do not follow their medication regimens are likely to require higher-cost interventions when they present with complications in other areas of the health system. The current evidence is clear: primary care oriented health systems are consistent in showing greater effectiveness, greater efficiency, and greater equity.[v] The measures in the *National Health Amendment (Pharmaceutical Benefits) Bill 2014* run completely contrary to expert evidence and we urge the Committee to take this into consideration when making its recommendation.

With regard to the safety net threshold for general patients, we assert that since the safety net threshold percentage increases will be cumulative, the effect of the bill will be to remove any semblance of a practical safety net for high-use general patients. Note Table 1, which shows that by 2018 the general patient safety net threshold will reach $2,276.50 under this Bill, as opposed to $1568.70 without legislative change (assuming CPI increases of 2.5 per cent annually).

Table 1 Comparison of General Patient Safety Net Threshold under proposal v. current policy (2014 – 2018)

	10 per cent increase + CPI (2.5% p/a)	CPI (2.5% p/a)
1 January 2014	$1421.20	$1421.20
1 January 2015	$1598.85	$1456.75
1 January 2016	$1798.70	$1493.15
1 January 2017	$2023.55	$1530.45
1 January 2018	$2276.50	$1568.70

In light of the lowest wage growth in sixteen years[vi] and the risk of longer term wage stagnation[vii] these large threshold increases will place serious constraint on patient capacity to pay for essential medicines. In effect this legislation will shred the safety net for hundreds of thousands of Australians. Furthermore, this legislation must be seen in light of other Federal Budget measures which will create greater access barriers to primary care ($7 co-payment for all patients every time they visit their GP or access out-of-hospital blood pathology or medical imaging services) and real reductions in income for Australians reliant of social security payments. Indeed, the measures contained in the Bill plainly contradict one of the core objectives of the National Medicines Policy to provide "timely access to the medicines that Australians need, at a cost individuals and the community can afford."[viii]

Finally, we note that the changes in the *National Health Amendment (Pharmaceutical Benefits) Bill 2014* are expected to reap savings of $1.3 billion over four years.[ix] Given that the cost of the PBS in 2012-13 was $8.8 billion[x] these savings are minimal, particularly in light of the risks these measures will have for patients following their prescribed medication regimens. Furthermore, HSU National notes that the $1.3 billion of savings will not be reinvested into improving access to medications for all Australians, but, rather, will be directed to the

Government's proposed $20 billion Medical Research Future Fund.[xi] In light of this, we do not see how the proposed legislation will affect the Government's intention to "build a sustainable PBS that can continue to make otherwise prohibitively expensive treatments affordable for all Australians."[xii] While the HSU realises that Government funds are finite, the *National Health Amendment (Pharmaceutical Benefits) Bill 2014* is a poorly designed mechanism to find savings in the PBS. Rather, we highlight a March 2013 research report from the *Grattan Institute* which estimates that Australians are paying $1.3 billion extra a year for prescription drugs due to bad deals with pharmaceutical companies supplying generic medications, politicised price-setting decisions and poor patient incentives to take cheaper, equivalent pharmaceuticals.[xiii] Although HSU National does not endorse all the recommendations outlined in the report, it highlights a wider toolkit of policies that can produce PBS savings without solely shifting costs onto patients.

We thank the Committee for taking the time to read our submission and are available to provide further evidence if required.

Regards,

Chris Brown
Acting National Secretary

References

[i] COAG (2014) *Healthcare in Australia 2012-13: Five years of performance*, p. 51.
[ii] Ibid., p. 50.
[iii] Ibid., p. 51.
[iv] Bayram C, Britt H, Harrison C and Miller G (July 2014) 'Byte from BEACH: Estimated impact of proposed GP, pathology and imaging co-payments for Medicare services, and the increased PBS threshold', *Family Medicine Research Centre: Sydney School of Public Health*, available at: http://sydney.edu.au/medicine/fmrc/beach/bytes/BEACH-Byte-2014-003.pdf
[v] Starfield B (January 2012) 'Primary care: an increasingly important contributor to effectiveness, equity, and efficiency of health services', *SEPAS Report 2012*, available at: http://www.gacetasanitaria.org/en/pdf/S0213911111003876/S300/
[vi] Australian Bureau of Statistics (2014) *Wage Price Index, Australia, Dec 2013*, Cat. No. 6345.0
[vii] PwC (2 October 2013) *Australian standard of living at risk as real wages stagnate*, available at: http://www.pwc.com.au/media-centre/2013/standard-living-risk-oct13.htm
[viii] Department of Health (2000) *National Medicines Policy*, p. 1.
[ix] The Parliament of the Commonwealth of Australia (2014) *National Healthy Amendment (Pharmaceutical Benefits) Bill 2014 – Explanatory Memorandum*, p. 1.
[x] Department of Health and Ageing, *Annual Report 2012–2013*, pp. 62, 71.
[xi] Commonwealth of Australia (18 June 2014) *National Healthy Amendment (Pharmaceutical Benefits) Bill 2014 – Second Reading – Speech by Peter Dutton MP (Minister for Health and Minister for Sport).*
[xii] Commonwealth of Australia (18 June 2014) *National Healthy Amendment (Pharmaceutical Benefits) Bill 2014 – Second Reading – Speech by Peter Dutton MP (Minister for Health and Minister for Sport).*
[xiii] Duckett S (March 2013) 'Australia's bad drug deal: High pharmaceutical prices', *Grattan Institute*, available at: http://grattan.edu.au/static/files/assets/5a6efeca/Australias_Bad_Drug_Deal_FINAL.pdf