



Council of Social Service of New South Wales

66 Albion St, Surry Hills NSW
phone 02 9211 2599 fax 02 9281 1968
email info@ncoss.org.au web www.ncoss.org.au

abn 85001 797 137

Senate Finance and Public Administration Committees
PO Box 6100
Parliament House
Canberra ACT 2600
Australia
Email: fpa.sen@aph.gov.au

11 July 2011

Dear Committee Secretary

The COSS Networkⁱ welcomes the opportunity to make a submission to the Senate Committee's Inquiry into the Commonwealth Government's administration of the Pharmaceutical Benefits Scheme (PBS).

The Councils of Social Service (COSS) in Australia are the peak bodies representing the needs and interests of service providers and their clients in the non-profit social service sector. Our members comprise community service providers, professional associations and advocacy organisations. We work with our members, clients, the non-profit sector, governments, departments and other relevant agencies on current and emerging social, systemic and operational issues.

Our submission is made with particular reference to the Inquiry *Terms of Reference Item b* on the consequences for patients of the deferral of listing medicines on the PBS. The COSS Network believes that the Government's decision will further increase the inequities in access to affordable healthcare for low income and disadvantaged Australians. We are also concerned about the long term financial impact on the health budget (*Terms of Reference Item f*) and the potential politicisation of the PBS process (*Terms of Reference Item i*).

If you require any further information or assistance, please contact Solange Frost, Senior Policy Officer (Health) on 02 9211 2599 ext. 130 or solange@ncoss.org.au.

Yours sincerely

Alison Peters
Director
NCOSS

ⁱ Prepared by the NSW Council of Social Service (NCOSS) on behalf of the following members of the COSS Network:

- Australian Council of Social Service (ACOSS);
- NSW Council of Social Service (NCOSS);
- South Australian Council of Social Service (SACOSS);
- Tasmanian Council of Social Service (TasCOSS);
- Victorian Council of Social Service (VCOSS); and
- Western Australia Council of Social Service (WACOSS)
- Northern Territory Council of Social Service (NTCOSS)

Submission to the Senate Finance and Public Administration Committee:

Inquiry into the Commonwealth Government's administration of the Pharmaceutical Benefits Scheme (PBS)



July 2011

Council of Social Service of NSW (NCOSS)
66 Albion Street, Surry Hills 2010
Ph: 02 9211 2599 Fax: 9281 1968 email: solange@ncoss.org.au

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TABLE OF CONTENTS

About the COSS Network	3
Introduction	4
Item (b) Consequences for patients	4
Item (f) the financial impact on the Commonwealth Budget of deferring the listing of medicines	5
Item (i) any other related matter - Integrity of the PBS process	5
Conclusion	6

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Tasmanian Council of Social Service (TasCOSS);
Victorian Council of Social Service (VCOSS); and
Western Australia Council of Social Service (WACOSS).
Northern Territory Council of Social Service (NTCOSS)

For further information or to discuss this submission, please contact:

Solange Frost, Senior Policy Officer, NSW Council of Social Service (NCOSS) on
+61 2 9211 2599 or email: solange@ncoss.org.au

About the COSS Network

The Councils of Social Service (COSS) in Australia are the peak bodies representing the needs and interests of service providers and their clients in the non-profit social service sector. Our members comprise community service providers, professional associations and advocacy organisations. We provide:

- independent and informed policy development, advice, advocacy and representation about issues facing the community services sector;
- a voice for all Australians affected by poverty and inequality; and
- a key coordinating and leadership role for non-profit social services across the country.

We work with our members, clients and service users, the non-profit sector, governments, departments and other relevant agencies on current, emerging and ongoing social, systemic and operational issues.

Introduction

The COSS Network welcomes the opportunity to make a submission to the Senate Committee's Inquiry into the Commonwealth Government's administration of the Pharmaceutical Benefits Scheme (PBS).

Our submission is made with particular reference to the Inquiry *Terms of Reference Item b* on the consequences for patients of the deferral of listing medicines on the PBS. The COSS Network believes that the Government's decision will further increase the inequities in access to affordable healthcare for low income and disadvantaged Australians.

We are also concerned about the long term financial impact on the health budget (*Terms of Reference Item f*) and the potential politicisation of the PBS process (*Terms of Reference Item i*).

Item (b) Consequences for patients

The Commonwealth Government's decision to defer listing the recommended pharmaceuticals on the PBS will further exacerbate the inequitable access to medicines for low income and disadvantaged Australians and increase the barriers to maintaining good health.

The PBS plays a critical role in ensuring the affordability of medicines, particularly for low income and disadvantaged Australians. Under the National Healthcare Agreement the Commonwealth is responsible for funding access to pharmaceuticals. The Commonwealth subsidises the cost of prescription medicines through the PBS so that consumers only pay up to \$34.20 per item (\$5.60 for concession card holders) up to an annual safety-net threshold. This subsidy dramatically improves the affordability of medicines which may otherwise cost hundreds of dollars.

However, the affordability of prescription medicines remains a significant issue for many Australians. In 2009, around one in ten Australians who had been prescribed medication deferred purchasing this medication due to its cost.ⁱ This rose to nearly 13 per cent of people in the most disadvantaged quintile - around double the number of people in the least disadvantaged quintile (6.4 per cent).ⁱⁱ

Low income and disadvantaged Australians continue to experience significant financial barriers to accessing pharmaceuticals even with the current PBS scheme. The co-payment puts medicines beyond the reach of those people already struggling to afford essential living costs. Consumers may also end up having to pay above and beyond the annual safety-net thresholds if they require non-listed items as these do not count towards the safety-net.

People in socioeconomically disadvantaged groups face greater financial barriers to buying prescription medicines than to visiting a GP or specialist. The COAG Reform Council found that the proportion of low socio-economic people that deferred buying prescription medicines due to cost (12.8 per cent) was higher than the proportion deferring a visit to a GP (6.7 per cent) or a medical specialist (8.7 per cent).ⁱⁱⁱ These

findings highlight the need to not only maintain but improve the affordability of medicines, particularly for low income and disadvantaged groups.

The Government's decision to defer the listing of pharmaceuticals recommended by the Pharmaceutical Benefits Advisory Committee (PBAC) will mean that the most vulnerable sick consumers will be unable to afford some critical medicines and vaccines. This will have negative impacts on their individual health, and also the broader health and well-being of our society.

Item (f) the financial impact on the Commonwealth Budget of deferring the listing of medicines

We believe that the decision not to subsidise medicines recommended by the PBAC due to resource constraints may end up costing tax-payers more in the long term.

Medicines recommended by the PBAC for listing on the PBS have been independently assessed to represent a cost-effective expenditure of tax payer funds. The PBAC is required under the National Health Act 1953 to consider the effectiveness and cost of a proposed benefit and ensure that the improvements in health outcomes justify the additional costs to the Scheme. This involves a thorough independent evaluation of evidence and an assessment of the therapeutic benefits and costs of medicines, including comparisons with other treatments where appropriate. The Government has not challenged the PBAC's assessment of the cost-effectiveness of these medicines.

The PBS is an important investment in maintain the current and future health of Australians that may reduce the need for more costly acute care services long term. The Australian Government PBS website acknowledges that, "*Spending on the PBS may reduce the cost of the wider health system by helping to prevent serious conditions developing thereby reducing hospital stays and other demands on hospitals and other health services.*"^{iv} The short-term cost savings of deferring the listings may therefore be mitigated by the longer term negative financial impact on the budget.

Item (i) any other related matter - Integrity of the PBS process

The Government's decision to ignore the recommendation of the Pharmaceutical Benefits Advisory Council (PBAC) and defer listing medicines jeopardises the integrity of the PBS process. The PBAC is an independent statutory body established to provide expert advice to the Minister. Its advice is based on independent assessment made in the best interests of the community in terms of health, safety and cost.

We do not believe that the Government has demonstrated sufficient cause to ignore the PBAC's recommendations. As the PBAC is an independent expert body, there must be exceptional circumstances for the Government not to act on the PBAC's advice. We do not believe that the current economic outlook is so exceptional dire that funding the medicines would jeopardise Australia's financial position or that funds could not be made available from other areas of the budget.

The Commonwealth Government is now politicising a process that used to have expertise, integrity and independence. We believe that the health of Australians,

particularly those low income and disadvantaged people who are at greater risk of poor health outcomes, has been compromised by political expediency over evidenced-based policy.

Conclusion

The COSS network would like to thank the Senate for the opportunity to provide this submission.

For inquiries or further information in relation to this submission, please contact Solange Frost, Senior Policy Officer (Health) NCOSS on 02 9211 2599 ext. 130 or solange@ncoss.org.au.

ⁱ COAG Reform Council 2011, *National Healthcare Agreement: Performance report for 2009-10*, COAG Reform Council, Sydney

ⁱⁱ Ibid

ⁱⁱⁱ Ibid

^{iv} <http://www.pbs.gov.au/info/about-the-pbs>