

# **Submission to Senate Standing Committees on Community Affairs on the National Health Amendment (Pharmaceutical Benefits) Bill 2014**



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## About NCOSS

The Council of Social Service of NSW (NCOSS) is a peak body for the not-for-profit community sector in New South Wales. NCOSS provides independent and informed policy advice, and plays a key coordination and leadership role for the sector. We work on behalf of disadvantaged people and communities towards achieving social justice in NSW.

## NCOSS' health priorities

NCOSS' objective in the health portfolio is to reduce inequities for disadvantaged people and improve population health outcomes. We believe that health policy and systems need to be based on principles that recognise health as a human right, the social determinants of health, and the importance of strengthening the role of the consumers and the community in health policy and services.

NCOSS priorities are health service equity issues, in particular oral health, mental health, health transport, and aids and equipment, along with population health inequities such as Aboriginal health and rural health. Our funding recommendations to the NSW Government are outlined in our [2013-14 Pre-Budget Submission](#). We also advocate on health system reform, early intervention and prevention, primary and community-based health services and consumer and community engagement.

## NCOSS submission

The Council of Social Service of NSW (NCOSS) welcomes the opportunity to comment on the proposed amendments to the *National Health Act 1953* to increase the concessional and general patient co-payments and increase the patient safety net threshold.

NCOSS does not support the proposed measures as they are regressive and place the biggest financial burden on low -to-middle income people who already experience the greatest burden of illness and disease. Cost barriers to medicines will lead to more preventable and expensive health problems and increased costs to the health system long-term.

Evidence demonstrates the proposed changes will disproportionately impact on people experiencing poverty and disadvantage. A recent University of Sydney study found the cost increase for medications will be higher for concessional patients. It estimated the impact of the increased co-payments for medications would range from \$1.15 for children to \$27.77 in adults aged 65 or older for general patients. However, for concessional patients the average additional cost of medications per year would range from \$3.11 for children to \$29.65 in adults aged 65 or older.<sup>1</sup>

The Sydney University study identified an even greater cost burden if both the PBS co-payment and the co-payment for GP, pathology and imaging services were introduced. The average annual additional cost to a patient would range from \$36 for children to \$122 for patients aged 65 years or more. The study concluded these costs are quite significant, especially for patients aged 65 years plus or for those who have chronic conditions requiring regular management.

Cost is already a major barrier for people to access the medicines they need. Almost one in 10 Australians delayed or skipped their prescribed medicine because of cost in 2012-13.<sup>2</sup> This rate is even higher for Aboriginal people and disadvantaged people. One in eight people (12.4%) in the most disadvantaged socio-economic areas reported medicine cost barriers compared to around one in five in the most advantaged areas (6%).<sup>3</sup> Higher medicine costs will only lead to more people deferring their necessary prescriptions, resulting in increased hospitalisation and progression of disease.

NCOSS has serious concerns about the impact on both concession card holders and low-to-middle income households of the proposed increases for prescriptions and the safety-net threshold. Studies have found low-income households already have to forego the equivalent of between 5%-26% of their discretionary income for between 7 and 9 months of the year before receiving additional PBS subsidies.<sup>4</sup> In addition, many over-the-counter medicines used to treat or manage chronic conditions are not covered by the safety net, but account for a significant and increasing proportion of expenditure.<sup>5</sup>

For people experiencing poverty, increases in the cost of medicines can mean a choice between filling their prescriptions or access to other essential services. NCOSS cost of living report, *Who's really hurting*<sup>6</sup> highlights that health care cost pressures impact more sharply on low-income households. NSW has 14.3% of its residents living below the poverty line – higher than the national average of 12.8%. For these households, increases in health care costs can mean a choice between a filling a prescription, buying food, or paying an electricity bill. These trade-offs in essential services further contributes to the cycle of disadvantage.

The 2013 Grattan Institute report, *Poor pricing progress: price disclosure isn't the answer to high drug prices* argues Australians already pay too much for prescription drugs due to price setting. It recommended more transparent comparative price information, international bench-marking and independent oversight to manage medicine prices.

Australia's already high out-of-pocket health care costs and copayments undermine universal access and are eroding the foundations of our strong health system. NCOSS refers the Committee to the issues with co-payments and out of pocket expenses for low

income and disadvantaged healthcare consumers highlighted in [ACOSS submission to the Senate Community Affairs References committee inquiry on out-of-pocket costs in Australian healthcare](#).

Affordable universal health care is critical in the context of a strong and persistent relationship between health and socio-economic status. People experiencing poverty and disadvantaged have poorer health outcomes and the greatest need of health care. Yet when money is short many people are already deferring the medications they need. Evidence shows this leads to increased hospitalisation, progression of disease, and increased costs to Australia's health system long-term. Further medicine price increases will only exacerbate this problem.

NCOSS therefore strongly opposes the proposed amendments to the *National Health Act 1953* in relation to the Pharmaceutical Benefits Scheme and the Repatriation Pharmaceutical Benefits Scheme. The measures are regressive and will have negative effects on population health and health system costs.

## Further information

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## End notes

<sup>1</sup> Family Medicine Research Centre (2014) *Estimated impact of proposed GP, pathology and imaging co-payments for Medicare services, and the increased PBS threshold Additional cost burden to patients from budget co-payment proposals: BEACH data*, Sydney School of Public Health, University of Sydney, Sydney. Available at:

<http://sydney.edu.au/medicine/fmrc/beach/bytes/BEACH-Byte-2014-003.pdf>

<sup>2</sup> COAG Reform Council (2014) *Healthcare in Australia 2012-13: Five years of performance*, Council of Australian Governments, Canberra. Available at:

<https://www.coagreformcouncil.gov.au/sites/default/files/files/Healthcare%20in%20Australia%202012-13%20Five%20years%20of%20performance%20REVISED%20WA%20SNAPSHOT.pdf>

<sup>3</sup> COAG Reform Council (2014) *Healthcare in Australia 2012-13: Comparing outcomes by socio-economic status*, Council of Australian Governments, Canberra. Available at:

<https://www.coagreformcouncil.gov.au/sites/default/files/files/Healthcare%20in%20Australia%20-%20Comparing%20outcomes%20by%20socio-economic%20status%20FINAL.pdf>

<sup>4</sup> Kemp, A, Preen, DB, Glover, J. et al. (2013) 'Impact of cost of medicines for chronic conditions on low income households in Australia', *Journal of Health Services Research and Policy* 18:21-27

<sup>5</sup> AIHW (2012) *Health expenditure Australia 2010-11*. Health and welfare expenditure series no. 47. Cat. no. HWE 56. Canberra: AIHW

<sup>6</sup> NCOSS (2014) *Cost of Living Report - Who's Really Hurting?*, Sydney. Available at: <http://ncoss.org.au/costofliving/cost-of-living-0101.pdf>