

March 2013

Committee Secretary
Senate Standing Committees on Community Affairs
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

Email: community.affairs.sen@aph.gov.au

Submission to the Senate Inquiry: Supply of chemotherapy drugs such as Docetaxel

Infusion Services and Chemotherapy Drug Supply in Ramsay Health Care Facilities

Currently up to 60% of all chemotherapy treatments are prepared and used to treat patients in Private Hospitals and private Infusion Clinics across Australia. In some instances these treatments are supplied by contracted Section 90 pharmacy operators. In the case of Ramsay Health Care, Ramsay Pharmacy Services coordinates the provision of chemotherapy and associated pharmacy services to fifteen Ramsay Health Care facilities. During the 2012 calendar year more than **44,000** life-saving chemotherapy infusions were ordered and dispensed by Ramsay Pharmacy Services pharmacists. All of these treatments were ordered by trained professionals to meet the specific needs of patients within the private hospital system in a timely and efficient manner without the imposition on an already stretched public hospital system.

Unlike public hospital pharmacy departments which receive operational budgets from State Governments, the operational activities that are provided within Ramsay Health Care facilities by the in house pharmacy departments & dispensaries are self funded by the modest margins that are generated from the dispensing activities at each of the sites. Discounts received from suppliers from some off-patent drugs help to cross subsidise many of the services that have been provided across a number of the sites. In addition they assist by cross subsidising the supply of other expensive chemotherapy drugs which were dispensed and supplied by Ramsay Pharmacy at a loss.

An increasing number of examples of this cross subsidy are evident in the use of many expensive targeted oncology therapies which include such drugs as Herceptin, Mabthera, Erbitux & Jevtana where the cost of procuring and supplying the drug to patients is greater than the PBS reimbursement price. This was always recognised by Ramsay Pharmacy Services but was always viewed to be in the best interests of our patients, that they have ready and affordable access to novel, innovative life saving treatments where the losses incurred on these drugs were **in part** offset by the trading terms offered on a small number of off patent chemotherapy drugs.

Table 1.0: Ramsay Pharmacy Services - Cost vs. PBS Reimbursement amounts per infusion

| Drug | PBS Code | Dose | RPS Cost – charged by TGA approved compounding facility | PBS Reimbursement amount | Loss |
|---------------------|----------|--------|---|--------------------------|------------------|
| Bevacizumab | 7243F | 600mg | \$2850 | \$2691.29 | -\$158.71 |
| Trastuzumab | 7266K | 888mg | \$6366.96 | \$6313.94 | -\$53.02 |
| Carbazitaxel | 7236W | 35mg | \$5975.85 | \$5937.12 | -\$38.73 |
| Rituximab | 7259C | 1000mg | \$4680 | \$4631.49 | -\$48.51 |

Given that the number of innovative targeted treatments used across many of the Day Oncology Units is exponentially increasing, it has become increasingly apparent that the remuneration model set out in the EFC was set at a level that did not adequately cover these costs, or provide for remuneration to pharmacists for professional cognitive services which are provided by them to ensure the safe and effective provision of chemotherapy services. The Government via the PBS must recognise the costs that are intrinsic in the delivery of chemotherapy to patients given that the preparation, supply and dispensing of these drugs is not the same and as such does not have the same cost configuration as conventional dispensed medicines.

Funding Shortfalls

PBS Reforms through Price Disclosure have already delivered substantial savings from chemotherapy drugs. The funding model was forced to become unviable for pharmacy service providers from December 1, 2012 due to the 76.2% price reduction on Docetaxel. As the current EFC remuneration is inadequate the supplier discounts that are available to pharmacy departments/dispensaries on Docetaxel are currently cross-subsidising the costs and dispensing of other drugs supplied to oncology patients across the hospital network. From December 1, 2012 this source of cross-subsidy was no longer be available as the price reduction removed the past discounts. There are currently no other discounts or sources of income to replace this loss.

There are a number of other problems with the current Chemotherapy drug funding arrangements and include:

1. The cost for certain drugs (paid to third party providers and in some cases directly from wholesalers) is higher than the official PBS reimbursement price. Currently these continue to be supplied because of the current cross subsidisation from trading terms on other drugs (Refer to table 1.0 for examples)
2. The costs of containers and devices, which can be over \$100 for a single infusion, are not included in the current remuneration model
3. The algorithm used for calculation of reimbursement amounts was not implemented as expected based on DoHA advice to the key stakeholder groups prior to the implementation of the changes.
4. The Price Disclosure calculations include prices paid for drugs which are supplied through third party compounders to the public hospital system. This was not the intention and results in the reimbursement prices being pushed lower than the private market price.

In addition, there are an increasing number of examples of expensive targeted oncology therapies which include such drugs as Herceptin, Mabthera, Erbitux & Jevtana where the cost of procuring and supplying the drug to patients is greater than the PBS reimbursement price.

The pharmacy and private hospital sectors, along with other key stakeholders made representations to Government as far back as 2009 indicating that positive Government policy to reduce the trading term margin and lower the cost of these off patent drugs to the taxpayer would have a consequential impact on this cross subsidisation and some of the savings (around 30%) would need to be reinvested to directly fund the safe and appropriate supply and administration of all chemotherapy items.

The December 1, 2012 price reductions to Docetaxel and the planned price cuts on April 1, 2013 to Paclitaxel 86.94%, Fludarabine 62.40% & Fluorouracil 21.52% have tipped the balance at a number of Ramsay hospitals to a point whereby costs now exceed revenue for chemotherapy supply on an overall basis and will have a detrimental impact on the pharmacy operation at the hospital and will directly compromise the ability to meet the needs of an increasing number of patients who are already in a volatile and compromised physical state.

The patient numbers treated within the Day Oncology Unit at a number Ramsay hospitals have increased significantly since the commencement of the services and the demand for private

cancer care services in regions where our hospitals are located continue to escalate. Any costs that are passed on to the facility by the pharmacy provider due to the PBS cuts will directly impact on the capacity by the facility to continue to invest in developing oncology services within the community in addition to prompting a rethink of what services will continue to receive investment in any future developments.

Any ongoing cuts to pharmacist reimbursements are also likely to have a service based flow on effect in the form of pharmacy staff cuts to offset the cuts to reimbursement levels. Pharmacists play an integral part in ensuring that patients receive a safe and effective drug treatment as part of their journey with cancer. Pharmacists liaise with consultant oncologists to ensure that treatment regimes are tailored to meet the specific needs of patients whilst ensuring that patient safety is paramount.

You can't cut corners with safety in chemotherapy so the discontinuation of service provision will unfortunately be the eventual outcome of these price cuts if the Government doesn't agree to reinvest some of the savings made through the price cuts via an increase in the fee structure as originally proposed in 2009.

Proposed changes to create a sustainable Private Hospital clinical pharmacy service

1. A permanent solution is to increase the current Infusion Fee to a level that recognises the complexity involved in the provision of chemotherapy services in the private hospital setting and provides adequate funding. The Government has already materialised in excess of \$150m in annual savings in chemotherapy drugs through previous price disclosure cycles, in addition to \$23m in savings gained through the implementation of the EFC initiative.
2. The remuneration model should reimburse the pharmacy service for the cost of containers, devices and clinical services that make up this important patient service.
3. The approach taken for price disclosure on chemotherapy drugs should be reviewed and modified in order to avoid pricing being distorted by the public sector purchases through the third party TGA compounders.

Case Study – Regional Private Hospital

Lake Macquarie Private Hospital

Lake Macquarie Private Hospital is a sophisticated cardiac, diagnostic and acute surgical hospital. Located 15kms south of Newcastle and 2kms south of Charlestown this 149 bed facility provides premium care to the **Hunter, Newcastle and Nelson Bay areas**.

Lake Macquarie Private Hospital's technologically advanced equipment and facility offers the best possible outcomes for major surgery including cardiothoracic, vascular, orthopaedic, urology, general, colorectal, breast, oncology and maxillo facial surgery. The modern Intensive and Coronary Care Units provides 24 hr on-site Medical and Specialist Nursing coverage.

Lake Macquarie – Mission & Vision

To be recognised by the community we serve as providing the highest quality health care with sensitivity and understanding.

Pharmacy Services Lake Macquarie Private Hospital

The pharmacy services at Lake Macquarie Private Hospital were transitioned from an external community based pharmacy provider to an in house Section 94 approved dispensary operation. The transition was required to meet the complex needs of a growing hospital with increased acuity and complex casemix of patients. This transition of service occurred in April 2011 and has assisted with the provision of an improved pharmacy services across the hospital in

particular in areas of increased clinical need such as ICU, Cardiac therapy and within the Day Oncology Unit which **commenced servicing and treating the people of the Lake Macquarie region on the 27th of April 2011.**

Chemotherapy treatments are prepared and supplied to patients through a purpose built and modern Day Oncology Unit at Lake Macquarie Private Hospital which currently offers an 8 patient unit. The unit aims to provide a comfortable and supportive environment for patients and carers.

The in-house Section 94 dispensary provides all the requisite pharmacy services to the Day Oncology Unit including the coordination of sterile chemotherapy treatments from a third party TGA Registered compounding facility in Metropolitan Sydney. All oncology treatments are ordered by trained professionals to meet the specific needs of patients within the hospital in a timely and efficient manner without any imposition on an already stretched public hospital system.

The current funding model for chemotherapy drugs operates through the Efficient Funding of Chemotherapy Drugs initiative (EFC) which came into effect on December 1, 2011. Unlike public hospital pharmacy departments which receive operational budgets from State Governments, **the clinical activities that are provided within Lake Macquarie Private Hospital by the in house dispensary are self funded by margins that are generated from the dispensing activities.**

The role of an oncology pharmacist in the provision of considered patient care is a complex and intensive one. The costs inclusive of wages, extensive specialised training, ongoing operation, disposal, consumables and devices are paid for directly by the pharmacy operation with the trading term margins on a small number generic drugs being the only source of cross subsidising these costs. Pharmacists play a very important role within the multidisciplinary team to ensure that the therapeutic goals are optimised.

The team at the Lake Macquarie Private Hospital dispensary play an integral part to ensure that patients receive a safe and effective drug treatment as part of their journey with cancer. Pharmacists liaise with consultant oncologists to ensure that treatment regimes are tailored to meet the specific needs of patients whilst ensuring that patient safety is paramount.

Given the complexity of cancer care and the associated treatment regimes, pharmacists are often called upon to assist with accessing life saving medications through the Special Access Program (SAS) or liaising with Pharmaceutical Manufacturers in order to access often life saving treatments through compassionate programs. This will often mean that patients will gain access to novel and innovative treatments which would otherwise be unaffordable if pharmacists were not available to act in a facilitatory role to ensure access and supply. These services are not charged to patients and are included as part of the comprehensive suite of services provided by the in house dispensary.

The patient numbers treated within the Day Oncology Unit have increased exponentially since the commencement of the service in April 2011. Plans for a linear accelerator have been approved and this will add to the scope of cancer care being provided at Lake Macquarie Private Hospital. The December 1, 2012 price reductions of Docetaxel have had a detrimental impact on the dispensary operation at the hospital and compromised the ability to further invest in additional human capital necessary to meet the needs of an increasing number of patients who are already in a volatile and compromised physical state.

Graph 1.0 – Monthly breakdown of Infusion Services provided at the Lake Macquarie Private Day Oncology Unit

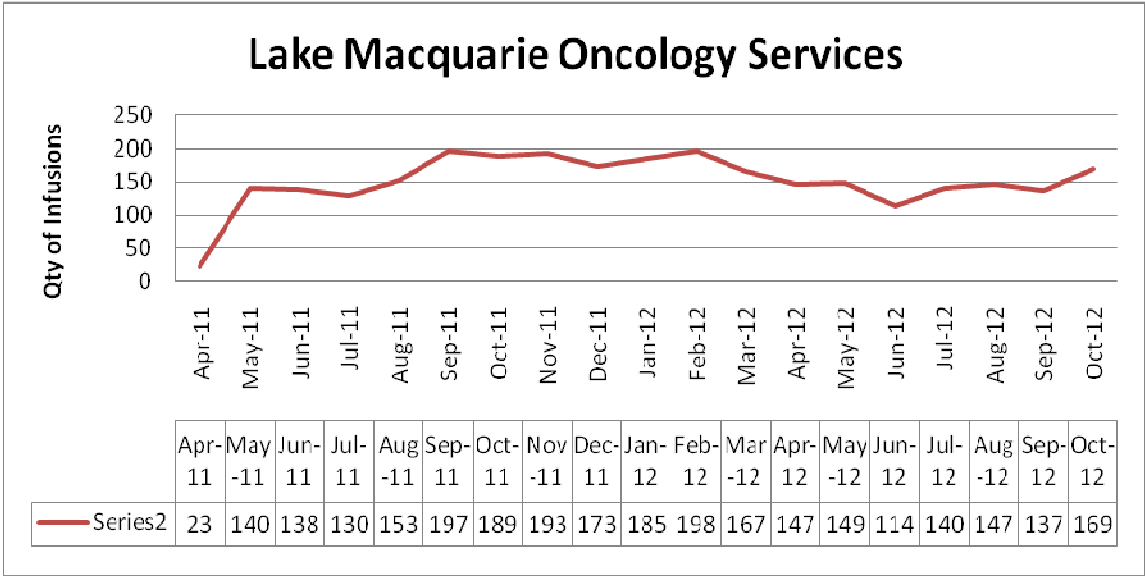


Table 2.0 – Monthly breakdown of Admissions & Infusion Services provided at the Lake Macquarie Private Day Oncology Unit

LAKE MACQUARIE ONCOLOGY SERVICES



Ramsay
Pharmacy
Services

| Month | Admissions | Infusions |
|--------------|-------------|-------------|
| Apr-11 | 21 | 23 |
| May-11 | 107 | 140 |
| Jun-11 | 114 | 138 |
| Jul-11 | 98 | 130 |
| Aug-11 | 134 | 153 |
| Sep-11 | 166 | 197 |
| Oct-11 | 162 | 189 |
| Nov-11 | 151 | 193 |
| Dec-11 | 140 | 173 |
| Jan-12 | 148 | 185 |
| Feb-12 | 146 | 198 |
| Mar-12 | 135 | 167 |
| Apr-12 | 120 | 147 |
| May-12 | 131 | 149 |
| Jun-12 | 107 | 114 |
| Jul-12 | 137 | 140 |
| Aug-12 | 133 | 147 |
| Sep-12 | 129 | 137 |
| Oct-12 | 140 | 169 |
| Total | 2419 | 2889 |

Summary

Ramsay Pharmacy Services welcomes the opportunity to further discuss the current funding model and the proposed changes suggested above. It is the clear intention of Ramsay Pharmacy Services that a comprehensive clinical service be provided to all oncology patients treated within each of the Ramsay Health Care facilities. In order to do this the Government must acknowledge that private hospital pharmacy services involve a high level of complexity required to ensure that patient pharmacotherapy outcomes are optimised. In addition there must equally be recognition that there are inherent costs associated in the delivering chemotherapy drugs to the patient.

Yours sincerely,

Paul Fitzmaurice

Executive Manager,
Corporate and Commercial Operations
Ramsay Health Care