promoting excellence in medicines management

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Updated submission to:

Senate's Community Affairs Reference Committee inquiry into out-of-pocket costs in Australian healthcare

With a focus on:

- **the impact of co-payments on: consumers' ability to access health care, and health outcomes and costs**
- **key areas of expenditure, including pharmaceuticals, primary care visits, medical devices or supplies, and dental care**
- **the appropriateness and effectiveness of safety nets and other offsets**

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Introductory remarks

Contemporary health care demands that all health professionals act collaboratively to support consumers who have multiple chronic diseases, poor health literacy and often struggle to adhere to their treatment plan. Health care is increasingly focused on patient outcomes, patient safety, quality care and the efficient use of resources.

The Society of Hospital Pharmacists of Australia (SHPA) is the national professional organisation for over 3,000 pharmacists, pharmacists in training, pharmacy technicians and associates working across Australia's health system. SHPA is the only professional pharmacy organisation with a strong base of members practising in public and private hospitals and other health service facilities.

SHPA is committed to facilitating the safe and effective use of medicines, which is the core business of pharmacists. **The use of medicines is a critical factor in the efficiency of the health system as a whole. Medication safety is and should be seen as a consumer right and not an 'optional extra'.**

Non-adherence of medicines presents a significant challenge with an estimated 50% of patients with chronic disease not taking their medicines as prescribed. This is known to contribute to medicine-related problems (around 10% of patients seeing a GP have experience an adverse medication event in the last 6 months) and presentations to emergency departments and hospital admissions (approximately 2-3% of all hospital admissions, 12% of all medical admissions and 20-30% of admissions in consumers aged 65 years and over are medication-related).

In addition there is a higher incidence of medicine-related problems in consumers who see multiple doctors, have multiple conditions and do not have a regular doctor.

The term 'responsible use of medicines' has been used to describe the system-wide approach that is required to ensure the activities, capabilities and existing resources of the health system are aligned to ensure consumers receive the right medicines at the right time, use them appropriately and benefit from them. That is, that medicines are:

- **available and affordable**
- used by the right consumer, in the right way, at the right time and
- used with the support of structures that assist the prescribing, dispensing, administration and evaluation of medicines use in individual consumers and consumer populations

These concepts are reflected in objectives of Australia's *National Medicines Policy.*

The Australian government funds medicines for community-based consumers through the Pharmaceutical Benefits Scheme (PBS); most Australians could not afford the cost of most medicines without this subsidised system.

Australia's PBS remains a highly effective mechanism for making medicines available and affordable. However the benefits associated with the use of medicines is compromised when a consumer does not take their medicines appropriately or at all (referred to as medication non-adherence) or when the consumer has a poor or insufficient understanding of health information which impacts on their ability to make effective decisions about their health care (health literacy).

With the increase in the number of Australians living with chronic illness and multiple chronic illnesses there has been a need to better support consumers by improving medication adherence and health literacy i.e. ensuring value for money. This has been acknowledged in recent Community Pharmacy Agreements (CPA) with the description and funding of professional pharmacy service programs. Consumers most at risk of medicine-related problems are targeted through these programs to reduce their overall health cost and they gain the greatest benefit from these services.

Issues regarding out-of-pocket costs with a focus on access to medicines

The Australian community expects a mix of public and private (not-for-profit and for-profit) primary care and hospital services; this is one of the reasons that providers in the public and private sectors are funded by public monies to provide medicines through the PBS.

SHPA believes that with the fall in total expenditure on PBS medicines in recent years that there is little or no justification for increasing the out-of-pocket costs and the safety net thresholds as proposed in the Federal budget.

In addition we believe that there should be no out-of-pocket costs for pharmacist professional services funded through the CPA. However SHPA would support the inclusion of pharmacist professional services into the range of non-hospital services eligible for funding through private health insurers.

NPS MedicinesWise has recently published a series of interviews with real consumers about the affordability of their medicines under the current co-payment / safety net thresholds and what they do to manage their medicine use. We suggest that members of the Committee may find this series of 13 short video clips insightful, consumers give their thoughts on:

- medicines expenses can be high
- 'doing without' to afford medicines
- the cumulative burden of medicine expenses
- the impact of reduced work hours and low income
- PBS assistance

The interviews can be accessed at http://www.nps.org.au/topics/living-with-multiple-medicines/talking-points/the-costs-of-taking-multiple-medicines

SHPA believes that the affordability of medicines will become a more substantial issue for a greater number of consumers as the number of Australians living with multiple chronic diseases increases.

SHPA would like to highlight several specific issues.

PBS co-payment and safety net

Current co-payment charges and safety net thresholds are available at:
http://www.humanservices.gov.au/customer/services/medicare/pbs-safety-net?utm_id=9
Proposed co-payment charges and safety net thresholds are available at:
http://www.pbs.gov.au/info/news/2014/05/2014-budget-information

It is unclear if the proposed changes to the 'concessional' co-payment and safety net thresholds will apply to medicines accessed through the Repatriation PBS.

The patient contribution rates, eligibility criteria and safety net thresholds for PBS medicines have also been used by jurisdictions to define the extent of out-of-pocket expenses for non-PBS medicines provided to non-admitted patients through public hospitals.

Many patients cannot meet the costs of medicines required on discharge from the hospital or when leaving the emergency department and elect not to receive new medicines when they leave the hospital.

This has an impact on the effectiveness of medicines and is related to re-presentations to the emergency department or readmission to the hospital.

SHPA believes that the 13% increase across all co-payments categories for PBS medicines will have a considerable impact on the ability for consumers to afford medicines on their discharge from hospital and lead to an increase in medicine-related presentations to emergency departments and admissions to hospitals.

SHPA believes that these changes partially undermine the raison d'être for the PBS – ensuring access for life saving medicines for all Australians eligible for Medicare services.

The safety net thresholds will be calculated on the basis of the number of times a co-payment is made; this will change from 60 prescriptions to 68 prescriptions annually by 2018.

Currently 40% of medicines listed on the PBS are priced below the 'general' co-payment. It has been estimated that with the new co-payment value 55% of medicines currently listed on the PBS will be priced below the new co-payment for 'general' patients. This figure will continue to rise with the impact of the price disclosure initiative as when a medicine is priced below the co-payment value, the amount recorded towards the consumer's safety net is the actual price paid. Therefore many consumers must receive more that 60 prescriptions before the safety net value is reached.

SHPA believes that in addition to raising the total annual cost for consumers, these recent decisions will greatly reduce the number of 'general' patients who actually reach the annual safety net.

Many advocacy groups have highlighted the difficulties many consumer sub-groups have with affording medicines, even though they are subsidised through the PBS for example senior Australians (http://www.productiveageing.com.au/userfiles/file/medicinesreport.pdf) and Australians with cancer (https://www.deloitteaccesseconomics.com.au/uploads/File/Access%20to%20oncology%20medicines%201707%20FINALv4.pdf)

Anecdotal information from our members concurs with many of the findings of a paper published in the Australian Health Review last year (http://www.publish.csiro.au/?act=view_file&file_id=AH11153.pdf).
The researchers found that consumers reporting moderate to extreme financial burden to access prescription medicines were significantly more likely to:

- be in middle age groups (40–49 and 50–59)
- be in fair or poor health
- have a diagnosed long-term health condition
- be on a low income
- be a renter
- have four or more children
- have failed to obtain at least one of their prescribed medicines in the last 3 months
- self assess as being poor or very poor
- find it difficult to raise $2000 for an emergency

SHPA believes that out-of-pocket expenses for medicines present a substantial financial burden for consumers with: diseases such as cancer, multiple chronic diseases, single people (this group has a higher per person safety net threshold) and in particular single women (who also have a lower average income).

Closing the Gap (CTG) PBS co-payment measure

(https://www.medicareaustralia.gov.au/provider/pbs/pharmacists/closing-the-gap.jsp)

The CTG PBS Co-payment Measure has the aim of improving access to PBS medicines for eligible Aboriginal persons living with, or at risk of, chronic disease through the removal or

reduction of out-of-pocket expenses for medicines. This program has been available to eligible Australians from 1 July 2010.

The primary aim of the CTG PBS Co-payment Measure program is to improve the health outcomes of Aboriginal persons attending Aboriginal Controlled Community Health Services in rural and urban areas. By definition, it is not open to Aboriginal persons accessing services in remote Australia. SHPA notes that there are in effect two different systems: those living in remote areas are covered through the Special S100 supply program (and therefore do not have access to CTG PBS Co-payment Measure) and those living in rural and urban areas who do have access to CTG PBS Co-payment Measure.

Individual consumers often have to deal with both systems depending on where they are living at any given time. In addition, having parallel systems has resulted in two groups of pharmacists providing services with differing support structures and programs.

SHPA has contributed to discussions regarding this program and concurs with the position published by the Pharmacy Guild of Australia (http://iaha.com.au/wp-content/uploads/2013/06/20130429-CTG-position-paper_436824_2.pdf) that the following issues need to be addressed to improve the impact of the measure:

1. CTG eligibility status and requirement of annotation on the prescription.
2. Interaction between programs and mobility of people living in remote areas.
3. Coverage of medicines under the CTG co-payment measure.
4. Improving Quality use of Medicines (QUM) support services
5. Promotion of the CTG co-payment measure.

Information in the Federal budget papers is sketchy about how changes to co-payments and thresholds will apply to medicines accessed through the CTG co-payment measure.

New medicines

In addition to sponsoring clinical trials, pharmaceutical companies offer access to new medicines prior to their registration and their listing through the PBS, through product familiarisation programs (PFP) or medicines access programs (MAP). In recent years Australia's percentage share of the global medicines market has declined. Australia is now a 'less attractive' market and this is beginning to impact upon the availability of some new medicines. This has lead to a decline in access to medicines through a PFP or MAP at no cost to the patient and a growth in direct cost-sharing arrangements for medicines between the pharmaceutical company and the consumer.

SHPA is also concerned about very high cost medicines that do not meet the criteria for listing on the PBS, may not be listed on the Commonwealth's Life Saving Drugs Programme (which funds medicines used to treat very rare life-threatening conditions) and are too expensive to be funded through public hospitals. In some instances consumers may be able to fund the cost of the medicine but not the admission to a private hospital to have the medicine administered, or they seek to gain specific approval for the medicine to be administered in a public hospital (there are difficult ethical and legal issues to be worked through to enable this option).

This results in consumer out-of-pocket expenses in the tens of thousands of dollars and is creating a two-tiered system for access to high costs medicines.

GP co-payment measure

SHPA is also concerned that proposed changes to bulk-billing for GP services through Medicare will have impact on access to medicines, and therefore medicines adherence, as consumers will not visit the GP when they require a prescription.

SHPA would also like to highlight that public hospitals in two jurisdictions, NSW and ACT, do not have approval to supply medicines through the PBS on the consumer's discharge from hospital. Consumers are required to attend their GP to obtain a PBS prescription for any new medicines which will result in them being charged a co-payment for this appointment.

As noted by the Commission of Audit, both the PBS and GP co-payments will create an out-of-pocket differential between Commonwealth and state funded services. This has the potential to increase the demand for services in public hospitals, particularly an increased use of emergency department services with a corresponding impact on hospital pharmacy services.

In addition, SHPA understands from evidence provided at the Senate's community affairs committee by the Deputy Health Secretary 2 June 2014 that no economic modelling was performed of the impact changes to the PBS, or the introduction of co-payments for Medicare services, on presentations to emergency departments and admissions to hospitals.

Additional proposed changes to co-payments proposed by the Commission of Audit in the *Towards Responsible Government* report

The Commission of Audit has proposed significant changes to the co-payments charged for PBS medicines: increasing the co-payment for PBS medicines, increasing the safety net value and introducing a two tiered co-payment system so that every medicine attracts a co-payment irrespective of the annual payments made by the consumer.

The report is silent on whether the proposed changes should apply to the Repatriation Pharmaceutical Benefits or to consumers eligible for CTG PBS co-payment measure.

SHPA is gravely concerned about further changes to co-payments for PBS medicines, in particular the effective removal of the safety net for consumers who are pensioners or who have health care cards.

SHPA believes that the raison d'être for safety nets and programmes such as the CTG PBS co-payment measure is to ensure access to medicines for those consumers with chronic diseases least able to afford the cost of medicines. Introducing a mandatory co-payment would be inconsistent with the purpose of these programmes. The introduction of a mandatory co-payment in one programme would result in inconsistent policy.