



**The Pharmacy
Guild of Australia**

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Senator Zed Seselja
Chair
Senate Standing Committees on Community Affairs
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Senator Seselja

Thank you for the invitation to comment on the *National Health Amendment (Pharmaceutical Benefits) Bill 2014*.

The Pharmacy Guild of Australia ("the Guild") is an employers' organisation servicing the needs of independent community pharmacies. It strives to promote, maintain and support community pharmacies as the most appropriate primary providers of health care to the community through optimum therapeutic use of medicines, medicines management and related services.

Mandatory co-payments have applied in relation to medicines dispensed under the Pharmaceutical Benefits Scheme (PBS) since 1960, when a 50 cent co-payment was introduced. A dual co-payment system has applied since 1983. Under this system, patients eligible for PBS benefits are split into two categories – concessional and general. The current co-payment levels are \$6.00 for concessional beneficiaries and \$36.90 for others. People eligible for concessional status include recipients of the age pension and other social security payments and allowances, and some self-funded retirees.

A PBS safety net arrangement has applied since 1986. Over the period from 2006 to 2009, eligibility for the concessional safety net was progressively increased from 52 co-payments to 60 co-payments (currently equivalent to \$360.00). The general safety net was also increased over this period and in 2014 is set at \$1,421.20. PBS safety nets apply for a family unit.

The concessional co-payment and associated safety net also applies to the Repatriation Pharmaceutical Benefits Scheme (RPBS).

Community pharmacies approved under section 90 of the *National Health Act 1953* collect the PBS co-payment on behalf of the Commonwealth Government and submit claims to the Department of Human Services for the difference between the co-payment and the total cost of the prescription (this differential can vary from one cent to thousands of dollars). The full cost of the medicine is printed on the label affixed to the pack dispensed.

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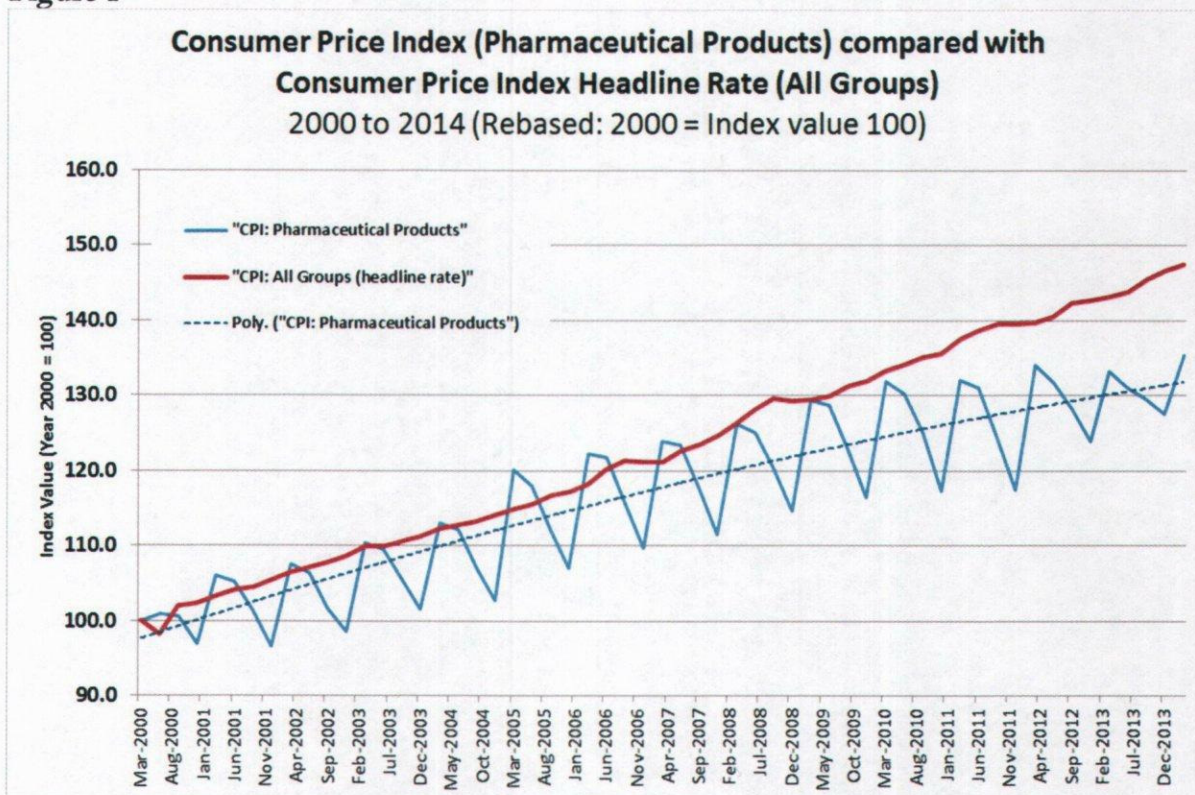


Community pharmacists and other community pharmacy staff also assist patients to monitor and record progress towards their applicable safety net threshold throughout the calendar year. This is done through keeping computerised records (securely stored with other patient details in dispensing software systems) and on a Prescription Record Form (PRF). On behalf of patients, community pharmacists apply for and then issue safety net cards for family units that have reached their applicable threshold.

By law, community pharmacies must not charge more than the applicable co-payment for any subsidised medicine¹. As a result, unlike most other businesses, community pharmacies are prohibited from increasing prices even in response to increased business operating expenses or reductions in income as a result of mandated reductions in the PBS price of individual medicines. It is important to note that an increase in PBS co-payments does not translate to an increase in income for community pharmacy. Any co-payment increase is offset by a corresponding decrease in the amount claimable from the Government by the pharmacy.

As shown in Figure 1 the cost of pharmaceuticals has increased since 2000, but at a significantly lower pace than overall inflation as measured by the Consumer Price Index (CPI). The CPI measures only prices paid by consumers (that is, out-of-pocket costs including co-payments on PBS prescriptions). It does not include the cost of pharmaceuticals to the Government.

Figure 1



Source of data: Consumer Price Index (catalogue 6401.0) Table 7, Australian Bureau of Statistics, 2014

NOTE: the jagged nature of the pharmaceuticals line in Figure 1 is a result of the seasonality caused by the safety net, which resets on 1 January each year.

¹ Plus any brand price premium, therapeutic group premium or special patient contribution that apply under the conditions of PBS listing for the particular drug or brand.

PBS co-payments and Safety Net Thresholds have increased at a faster pace than CPI over the same 14-year period. However, as evidenced by the lower pharmaceuticals CPI, other factors have had beneficial impacts on the overall cost to consumers of pharmaceuticals. These factors have included the high level of competition amongst Australia's community pharmacies and the introduction of PBS Reforms, including price disclosure, from 2007. Relative to other products, pharmaceuticals are significantly more affordable to consumers now than they were at the turn of the century. Over the same period, many new and improved medicines have been developed and made available. As a result, value for money has also improved.

The Guild recognises that the setting of co-payments is a Government decision that must consider a range of factors. It is appropriate that a price signal exists, and that a safety net is in place. Increases to PBS co-payments and safety nets may discourage patients from purchasing their prescribed medicines, leading to non-adherence to a medication regime. It is appropriate that strategies be put in place to address this risk. A vital role of the community pharmacist is to ensure that consumers are aware of the importance of each of their prescribed medicines. Any increase in price signals should be accompanied by a greater commitment to the funding of well-targeted medication management and support services, focussed on those patients in greatest clinical need who have the highest risk of non-adherence to their medicines. The Sixth Community Pharmacy Agreement provides an ideal opportunity to ensure that this occurs.

The Guild would welcome any opportunity to discuss any aspect of this submission.

Yours sincerely

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