Additional comments by Senator Nick Xenophon

1.1 I am one of the instigators of this inquiry following numerous representations made by cancer treatment providers (including the community pharmacy sector) and cancer patients. There is no question that increased price transparency of chemotherapy drugs is a laudable public policy position. However, the apparently unintended consequences of reducing the price paid for the supply of some chemotherapy drugs have been significant and detrimental to providers, with widespread potential impacts on patients. Unless the impasse can be resolved soon there is very real risk that many Australians requiring chemotherapy treatment will be significantly disadvantaged, and in some cases, health outcomes compromised. The reduction in the price paid for the supply of some chemotherapy drugs, in some cases by more than 70 per cent, sent a wave of concern through many cancer treatment providers and patients.

1.2 The announcement by the Health Minister on 5 May 2013 that there will be an inquiry into the issues canvassed by this Senate inquiry should be seen as a belated acknowledgement by the Government of the seriousness of this problem. To that end this Senate committee inquiry should reasonably be seen as a catalyst for the Government's recent announcement.

1.3 Unless the issues raised by this inquiry are resolved there could be widespread closure of chemotherapy services to cancer patients in the private sector, with a consequence that the public sector will be overwhelmed by additional demand. In regional areas this may also mean patients will be put to the inconvenience of having to travel many kilometres to receive treatment. There is a broader concern that, given the time critical nature of chemotherapy treatment, the treatment of patients could be compromised.

Impact on patients

1.4 The ability of the public sector to cope should private providers be forced out of the market due to the price cuts to chemotherapy drugs was a real concern among many witnesses:

> If the current system for the preparation and supply of chemotherapy drugs through private hospitals and private clinics collapses, cancer patients are likely to be forced into the already overstretched public hospital system. The public hospital system does not have the capacity to deal with closures of cancer clinics in the private sector. Put simply: it will not cope. In centres in regional and rural locations, if they were forced to close, patients would have to travel substantially further to access chemotherapy or have delayed access to treatment. We know that country patients want to be treated in the country. They do not want to travel three hours to the nearest metropolitan centre. Any threat to the viability of oncology pharmacy services in remote

> locations poses a significant threat to patient access to appropriately administered chemotherapy.[1]

1.5 Mr Wayne Pertzel should be congratulated for his courage in giving evidence to the committee in relation to the chemotherapy his wife Mandy is receiving. He described for the committee what impact changing from a private chemotherapy provider (through which his wife could schedule appointments for treatment) to the public system would have on his family:

> You talk about the impacts of the funding on the patients themselves. As a carer, I can say that the impact on us is that I have to get the patient—Mandy—a significantly greater distance to get the care. On top of that, I then have to wait around for significantly longer while the patient gets the care.[2]

1.6 Mr Pertzel continued:

> The ability to have the care locally means so much to the patients. It is staggering how much that means. I do not think anyone would believe that you would get a different level of care in a public hospital or a private hospital, but public hospitals are not everywhere and private hospitals do fill a lot of those gaps. From someone who is living with it, it is very important to us.[3]

1.7 The importance of access to cancer treatment, particularly for patients in rural and regional areas cannot be underestimated:

> We know based on evidence that, as the distance increases from where the service is available, the type of service and those receiving optimal service are reduced. Utilisation rates change. For example, in radiotherapy they go from 52.6 per cent down to as little as 25 per cent, and then they opt for mutilating surgical procedures. They do all sorts of weird and crazy things, and in fact the overall cost to the public purse, I believe, is substantially more than the cost of providing the services and being able to fund them appropriately.[4]

1.8 Given the demonstrated barriers of access to cancer treatment faced by patients in rural and regional Australia, it is vital that all providers, but particularly those located in these areas are compensated appropriately for the delivery of cancer treatment. That in a developed country such as our own cancer sufferers are continuing to forego treatment due to logistical difficulties is completely unacceptable.

---

1 Mr Dan Mellor, *Committee Hansard*, 28 March 2013, p. 7.

2 Mr Wayne Pertzel, *Committee Hansard*, 28 March 2013, p. 22.

3 Mr Wayne Pertzel, *Committee Hansard*, 28 March 2013, p. 23

4 Mr Noun, *Committee Hansard*, 28 March 2013, p. 16.

Funding arrangements for chemotherapy drugs

1.9 I have little doubt this inquiry played a strong role in bringing about the Federal Government's announcement on 5 May 2013 that a one-off funding boost of $30 million will be provided for chemotherapy drugs. This has provided some relief for providers and patients, however it is clear this is just a stop-gap solution to a serious ongoing problem. I urge the Federal Government to consult with the industry in order to develop an efficient funding model for the delivery of chemotherapy drugs.

1.10 As has been made clear by submissions and evidence given to this inquiry, the supply of chemotherapy drugs in Australia has been funded by an inefficient and unsustainable model for too long. For example, one submitter to the inquiry stated:

> For years, higher margins for some items dispensed through the PBS (such as Docetaxel) have:
>
> – offset (cross subsidised) the cost of compounding the majority of chemotherapy medicines where the financial cost of supply far exceeds the return via the PBS.
>
> – offset (cross subsidised) the delivery of clinical services and administration related to the PBS.
>
> For years, this is the business model our organisation, and others, have used to provide clinical, administrative and compounding services, primarily due to the inadequate funding required to deliver high quality, best practice health care.[5]

1.11 The submitter continued:

> To ensure equitable access to suitable medicines that are safe and effective (National Medicines Policy) and avoiding a 'user pays' system developing, it is a requirement of governments to ensure that healthcare providers can deliver these outcomes cost effectively. However, without appropriate and transparent reimbursement, these objectives are not achievable. As pharmacists, we are in support of cuts to the price of PBS medicines. We agree taxpayers should not be paying unnecessary high prices for generic medicines, especially as more high-cost drugs come off patent.
>
> Current funding for supply of chemotherapy AND associated clinical services is inadequate. I would like to see a funding model that compensates compounding pharmacies for the true costs of compounding these products and providing clinical pharmacy services to these patients.[6]

1.12 Support for transparency was strong among the industry. For example, Ms Carol Bennett, Chief Executive Officer of Consumers Health Forum Australia told the committee:

> CHF supports transparency and sustainability in funding arrangements for all health services. This is why we strongly support the price disclosure

5 Name Withheld, *Submission 30*, p. 5.

6 Name Withheld, *Submission 30*, p. 5

> policy, which brings government expenditure on Pharmaceutical Benefit Scheme medications in line with the market prices for these medications being paid by pharmacies.[7]

1.13 The Federal Government must ensure transparency is a key element of the new funding model that will result from the current inquiry into the supply of chemotherapy drugs. This is achievable by audits being conducted on the new funding model every three years by the Australian National Audit Office.

Recommendation: The Australian National Audit Office conduct an audit of the funding model for the supply of chemotherapy drugs every three years.

Government consultation

1.14 The committee has thoroughly examined the history of Commonwealth Government funding for chemotherapy drugs by way of the Pharmaceutical Benefits Scheme ('PBS') and has concluded the Department of Health and Ageing has been consistent in their approach in that funding for chemotherapy drugs was always a part of the Fifth Community Pharmacy Funding Agreement. However it should be noted that while funding negotiations between the Department and the Pharmacy Guild have been ongoing for a number of years, they have not necessarily been industry inclusive:

> Senator MOORE: My understanding of the process is that none of you are around the negotiation table on this issue. That is right isn't it?
>
> Dr Bashford: That is correct.
>
> Senator MOORE: So you all accept that this negotiation continues between the Pharmacy Guild and the department.
>
> Dr Clark: That is correct.
>
> Senator MOORE: I am worried by that.
>
> Dr Clark: … The minister has completely shut them – I am speaking on behalf of the Australian Private Hospitals Association – out of the discussions, to my knowledge.[8]

1.15 Dr Clark continued:

> I guess we feel as though we have been shut out. That breeds a degree of suspicion. It may not be warranted. But I think it is fair to say that private for-profit and not-for-profit organisations involved in this very important aspect of the treatment of cancer patients feel that this is extremely unfair and they are accepting the burden here, which really puts them in a very difficult situation. We are interested in giving the patients the best possible care, and we are being put in a situation whereby financially it becomes unviable. Some people can accept those losses and some cannot. We are not as vulnerable as some, but we are talking about across the board here, not

7 Ms Carol Bennett, *Committee Hansard*, 28 March 2013, p. 37.

8 Dr John Bashford and Dr Leon Clark, *Committee Hansard*, 28 March 2013, p. 46.

> just ourselves, because patients go to a variety of providers outside the public sector. So I guess it is an expression of anger and frustration.[9]

1.16 It is unclear why the Department would exclude major stakeholders such as the Australian Private Hospitals Association from negotiations about funding for the supply of vital chemotherapy drugs. Therefore the Department should consult with a broader range of parties during the new review of chemotherapy funding arrangements.

1.17 The implementation of the Federal Government's price transparency regime for chemotherapy drugs has had a number of apparently unintended consequences that are serious and must be urgently addressed. The Government has been warned of the impending problems for some time, and the announcement on the 5th of May 2013 is a belated acknowledgement of the severity of the problem. It is critical, for the sake of cancer patients requiring chemotherapy across Australia, that this crisis is resolved as a matter of urgency.

Senator Nick Xenophon

9 Dr Leon Clark, *Committee Hansard*, 28 March 2013, p. 47.