

## CHAPTER 5

### OTHER ISSUES RAISED DURING THE INQUIRY

5.1 A number of organisations raised other concerns regarding pharmaceuticals and pharmaceutical policy. These included concerns regarding reforms to the Pharmaceutical Benefits Scheme (PBS) and the pricing of generic medicines on the PBS, as well as programs and services provided by pharmacists, which are discussed in this chapter.

#### **PBS reform and generic medicines**

5.2 The Generic Medicines Industry Association (GMiA) was supportive of 'the concept of therapeutic groups'<sup>1</sup> and the use of therapeutic groups as 'a policy tool to ensure that medicines on the PBS delivering the same health outcomes receive the same level of government subsidy'.<sup>2</sup> The GMiA was, however, concerned about the reforms to the PBS in 2007 and the impact of these:

The recent PBS reforms that separate the PBS formularies results in the Government paying higher prices for F1 medicines that deliver the same health outcomes as F2 medicines, in some instances.<sup>3</sup>

5.3 The association was particularly concerned about the impact of PBS reform on the generic medicines sector:

GMiA notes that one of the key consequences of PBS reform is the reduction of prices of generic medicines. The generic medicines sector plays a crucial role in delivering affordable medicines to the Australian public after the market exclusivity period of originator medicines has expired. The commercial viability of the generic medicines sector is driven by volume. A Government policy that reduces the PBS list price of generic medicines in the absence of volume drivers significantly risks undermining the viability of the generic medicines sector.<sup>4</sup>

5.4 The GMiA felt that the separation of the PBS into two formularies, F1 and F2, and the absence of reference pricing between the two formularies meant there was a need for 'other policy mechanisms to ensure that more expensive medicines are used appropriately and that the most cost effective use of PBS expenditure is achieved'.<sup>5</sup> On that basis, and to address their concerns regarding the ongoing viability of the generic medicines sector, the GMiA made the following recommendations:

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- 1 Generic Medicines Industry Association (GMiA), *Submission 16*, p. 14.
  - 2 GMiA, *Submission 16*, p. 13.
  - 3 GMiA, *Submission 16*, p. 3.
  - 4 GMiA, *Submission 16*, p. 4.
  - 5 GMiA, *Submission 16*, p. 14.

- *Price signal to encourage consumers to choose a generic medicine* – the GMiA suggested that the government introduce 'a clear price advantage that provides an incentive for the patient to choose a generic medicine', claiming that this was 'critical to ensure that Australians continue to receive the important savings that generic medicines offer the community'.<sup>6</sup> The GMiA recommended that this price signal take the form of an additional \$5.00 added to the patient co-payment whenever a patient chooses an original brand of a medicine over a generic brand.<sup>7</sup>
- *Floor price for generic medicines* – it was recommended by the GMiA that the government introduce a floor price 'of \$5.00 ex-manufacture below which, when a medicine reaches the floor price...no further price cuts will be applicable to the medicine'.<sup>8</sup> The GMiA believed the floor price was required because 'if there are further price reductions to the price of generic medicines, the ongoing supply of low cost essential medicines and patients' health may be jeopardised'.<sup>9</sup>
- *Monthly listing on the PBS* – the GMiA explained that currently there are three times per year (1 April, 1 August and 1 December) when a sponsor may list a medicine on the PBS and that sponsors must notify the Department of Health and Ageing on 1 December, 1 May or 1 September, respectively, to effect a PBS listing.<sup>10</sup> The GMiA argued that greater cost savings could be achieved (from price reductions such as the 12.5 per cent reduction associated with the listing of a generic on the PBS) if medicines could be listed on the PBS on a monthly basis rather than every four months because 'the cost savings on some products could be realised up to three months earlier than allowed under the current system'.<sup>11</sup>

5.5 The committee acknowledges the concerns raised by the GMiA. The committee did not examine these issues in depth and did not have sufficient evidence to enable it to make a decision with respect to the GMiA's recommendations. The committee notes, however, that the ongoing viability of the generic medicines sector continues to be an issue.

## **Professional pharmacy services**

5.6 The Pharmaceutical Society of Australia (PSA) discussed professional services provided by pharmacists and noted that the Fourth Community Pharmacy

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6 GMiA, *Submission 16*, p. 4.

7 GMiA, *Submission 16*, p. 4.

8 GMiA, *Submission 16*, p. 5.

9 GMiA, *Submission 16*, p. 4.

10 GMiA, *Submission 16*, p. 5.

11 GMiA, *Submission 16*, p. 5.

Agreement (2005-2010) included funding for 'a range of patient-focussed professional pharmacy programs and services'.<sup>12</sup> The PSA was disappointed that:

...the development and implementation of several important programs and services have been unduly delayed during the Fourth Agreement and PSA understands that a considerable proportion of allocated funding may remain unspent when the Agreement ceases on 30 June 2010.<sup>13</sup>

5.7 The PSA believed that the Fifth Community Pharmacy Agreement (negotiated by the government and the Pharmacy Guild of Australia, and commenced on 1 July 2010) should be based on a number of principles, including the delivery of quality professional pharmacy services and integrated professional pharmacy services within the health system to meet the changing health care needs of the Australian population.<sup>14</sup>

5.8 The PSA suggested that the existing arrangements for the negotiation of Community Pharmacy Agreements be reviewed:

...to ensure that:

- proposals for professional programs and services that are considered for funding under these Agreements are formulated on behalf of the pharmacy profession and its patients;
- these programs and services are developed in a timely fashion; and
- all programs and services are implemented efficiently and effectively.<sup>15</sup>

5.9 The PSA went on to recommend a number of programs or services which could be provided by pharmacists, including:

- *Clinical interventions by pharmacists* – the PSA recommended clinical interventions by pharmacists as a way to reduce adverse drug reactions and the unnecessary use of medicines. The PSA calculated that '[e]ach intervention performed by a pharmacist was estimated to result in \$220 of direct cost savings'.<sup>16</sup>
- *Pharmacovigilance* – the PSA suggested a role for pharmacists in post-marketing pharmacovigilance, and recommended capitalising 'on the knowledge and skills of frontline pharmacists' in the 'detection, assessment, understanding and prevention of adverse effects or any other medicine-related problem'.<sup>17</sup>

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12 Pharmaceutical Society of Australia (PSA), *Submission 17*, p. 3.

13 PSA, *Submission 17*, p. 3.

14 PSA, *Submission 17*, p. 3.

15 PSA, *Submission 17*, p. 4.

16 PSA, *Submission 17*, pp 4-5.

17 PSA, *Submission 17*, p. 6.

- *Collaborative prescribing* – the PSA advocated for prescribing by non-medical professionals by way of "collaborative prescribing".<sup>18</sup> The PSA proposed a system whereby:

...once a diagnosis has been established by a medical practitioner or a treatment plan prepared for an individual patient, part of the responsibility for management and some activities associated with ongoing prescribing are undertaken by a non-medical health professional based on patient responses and outcomes.<sup>19</sup>

5.10 The PSA suggested that collaborative prescribing might be most appropriate where patients suffer from chronic diseases such as asthma, diabetes or hypertension.<sup>20</sup>

5.11 In addition to its recommendations with respect to professional services provided by pharmacists, the PSA voiced concern about increases to patient co-payments for PBS-subsidised prescriptions and stated 'PSA contends that patient co-payments have now reached such a high level that there is a danger of patients foregoing some of their necessary medications due to cost'.<sup>21</sup>

5.12 The committee is aware that negotiation of the Fifth Community Pharmacy Agreement has concluded. The committee suggests, however, that the government and Pharmacy Guild of Australia consider the issues raised by the PSA when developing programs under the Community Pharmacy Agreement.

**Senator Rachel Siewert**

**Chair**

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18 PSA, *Submission 17*, p. 7.

19 PSA, *Submission 17*, p. 7.

20 PSA, *Submission 17*, p. 7.

21 PSA, *Submission 17*, p. 7.