

Senate Community Affairs Committee

ANSWERS TO ESTIMATES QUESTIONS ON NOTICE

HEALTH PORTFOLIO

Additional Estimates 2015 - 2016, 10 February 2016

Ref No: SQ16-000021

OUTCOME: 2 - Access to Pharmaceutical Services

Topic: PBS Reforms

Type of Question: Written Question on Notice

Senator: Di Natale, Richard

Question:

- a) What were the original forecast and budgeted savings for PBS reform measures since 2007 vs the actual savings achieved through these reform measures to date?
- b) Can you please provide a list of each reform measure with the forecast from the time of its introduction and actual savings?
- c) What happens to these savings made since 2007?
- d) Can you break down exactly how much has been reinvested into the PBS (F1 and F2 separately), how much was allocated to “other” health spend and how much returned to finance and treasury for general consolidated revenue?

Answer:

a) and b)

In 2007 amendments to the *National Health Act 1953* restructured Pharmaceutical Benefits Scheme (PBS) pricing arrangements. A requirement of the legislation was that the Minister present a report to the Parliament on the impact of the reforms, including forecasted savings for each of the measures. The report is available on the PBS website at:

<http://www.pbs.gov.au/info/industry/useful-resources/impact-of-pbs-eform>

Further PBS Reform packages have been introduced in the 2010-11 Budget (notably Expanded and Accelerated Price Disclosure), and August 2013 Economic Statement (Simplified Price Disclosure).

Budget 2010-11 (*Budget Paper No. 2 page 248*)

| Expense (\$m) | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Department of Veterans' Affairs (DVA) | - | -2.0 | -10.9 | -29.0 | -29.2 |
| Department of Health | - | -28.7 | -180.2 | -499.4 | -517.2 |
| Total | - | -30.7 | -191.2 | -528.4 | -546.4 |

Simplified Price Disclosure was estimated to save \$835.0 million over four years (this includes DVA and is expressed as cash). Please refer to table *Table B2: Expense measures since the 2013-14 Budget* refer Footnote j.

For PBS Access and Sustainability savings please refer to SQ16-000022.

Since 2010-2011 the forecasted ongoing savings for the various PBS Reform measures have been detailed in the Department's Portfolio Budget Statements as a Key Performance Indicator under Outcome 2.2.

Table 2.11 (*Department of Health Portfolio Budget Statements 2010-11 page 117*)

| Increase sustainability of the Pharmaceutical Benefits Scheme | | | | | |
|---|------------------------|-----------------------|------------------------|------------------------|------------------------|
| Quantitative Key Performance Indicators for Program 2.2 | 2009-10 Revised Budget | 2010-11 Budget Target | 2011-12 Forward Year 1 | 2012-13 Forward Year 2 | 2013-14 Forward Year 3 |
| Estimated savings to Government from the price disclosure program | N/A | \$9.0m | \$38.0m | \$62.0m | \$121.0m |

Price Disclosure, and its enhancements, has been the primary contributor to ongoing PBS savings. Price Disclosure continues to reduce the price of medicines for consumers and supports the capacity of the system to list new and innovative medicines, such as those used in the treatment of cancer.

Estimated savings for ongoing cycles of Price Disclosure are factored into the updated forward estimates each Budget and MYEFO, and are part of \$16 billion in savings estimated to be achieved by 2018-19, since inception of PBS pricing reforms in 2007.

c) and d)

Ongoing PBS Reforms have helped to ensure the sustainability of the PBS, and savings from PBS reforms have supported key funding priorities for the Australian Government. Many new medicines have been listed on the PBS since 2007.

Over the past decade the cost of the PBS has increased by 80 per cent. Long-term PBS expenditure is expected to grow, noting that the current growth estimate does not factor in any future decisions, such as new listings and price increases.

Since October 2013, 947 new or amended PBS items (including 105 price changes), have been listed, or will soon be listed, under the Government's current process. Currently, an average of 31 new and amended listings are occurring each month, at an overall cost of \$3.4 billion (fiscal excluding revenue) since October 2013. This amount does not include the cost of four Hepatitis C medicines that the Government agreed to fund from 1 March 2016. These medicines will cost over \$1 billion.