Senate Community Affairs Committee

ANSWERS TO ESTIMATES QUESTIONS ON NOTICE

HEALTH PORTFOLIO

Additional Estimates 2015 - 2016, 10 February 2016

Ref No: SQ16-000022

OUTCOME: 2 - Access to Pharmaceutical Services

Topic: PBS Access and Sustainability Package

Type of Question: Written Question on Notice

Senator: Di Natale, Richard

Question:

a) What are the revised forward estimates for expenditure on Pharmaceuticals and Related Services (by sub function) following the announcement of the PBS Access and Sustainability Package?

b) What is the breakdown of the total savings from the measures (year on year) in the PBS Access and Sustainability package announced on 27 May 2015? Measures:
- One-off statutory price reduction of five per cent for all medicines in the F1 formulary (on patent drugs) after they have been listed on the PBS for at least five years.
- Removing the originator brand from the Price Disclosure calculation after 3 years of listing on F2
- Increasing the number of price change points from 3 to 6 per year
- Flow-on price disclosure reductions from single ingredient medicines (e.g. atorvastatin) to combination items (e.g. amlodipine and atorvastatin).
- Savings generated from the uptake from Biosimilars
- Expanding the list of medicines covered by the 20 Day Rule
- Removing (Delisting) OTC Medicines from the PBS (Revised PBAC exclusions)
- Refocussing the Premium Free Dispensing Incentive (PFDI) fee to only apply where there is a brand premium
- Maintain current funding levels for the Community Services Obligation (CSO), with a freeze to current indexation
- Provision of National Diabetes Services Scheme (NDSS) Products through the CSO
- Allowing Pharmacy to Discount the PBS Patient Co-payment to customers

c) Do you believe that you have accurately forecast the savings from last year's PBS Access & Sustainability Package (PASP).

d) Can you please provide an updated expected savings for each of the measures introduced?

e) Regarding the biosimilars savings measure, what were the assumptions used to forecast these savings and are these still on track, i.e. do you still anticipate market entry for biosimilars at the earliest possible opportunity following loss of exclusivity of the originator biologic?

f) Has DOH raised with the Minister or other Departments or Ministers the prospect of further PBS savings measures in the coming May Budget?

g) Is the DOH aware of any pharmaceutical companies which have raised concerns that policies contained in the PASP (such as changes to the calculations for the Weighted Average Disclosure Price (WADP)) could make the listing of some products on the PBS no longer viable or sustainable?
- Are you aware of any pharmaceutical company that has withdrawn or which may withdraw products due to current PBS pricing policies?
- Is there any concern about supply issues for particular treatments which are subject to competition and government pricing policies?

Answer:

a) This is reported in the Portfolio Additional Estimates Statements 2015-16 from page 37.

b) The Package is intended to enable PBS and RPBS gross savings of $6.6 billion (net savings of $3.7 billion) over five years. Further information on the breakdown is available in Attachment A of the Commonwealth's submission into the *Inquiry into the National Health Amendment (Pharmaceutical Benefits) Bill 2015* available at: http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Pharmaceutical_Bill_2015/Submissions

c) Yes.

d) No. The Package has been operating for less than a year, and some measures have not yet commenced, or commenced very recently. The Department has no reason to revise these estimates.

e) Yes. International precedent and recent discussions with the pharmaceutical industry indicate that biosimilars are sold for substantially less than originator products. The Department has received advice from a considerable number of companies regarding biosimilars now under development that they will seek to list these on the PBS when possible.

f) This is a matter for Government.

g) Yes. For instance, the impact of price disclosure on medicine reimbursement levels is a topic that the Generic and Biosimilar Medicines Association requested be part of ongoing discussions with the Government through the Generic Medicines Working Group.

Companies decide to withdraw their brands or products from the PBS for many reasons. Specific information about potential de-listings is confidential to the relevant companies until published or otherwise announced by that company.

The Department continues to work with companies to ensure access to clinically important medicines at a reasonable cost to patients and taxpayers.