

Senate Community Affairs Committee

ANSWERS TO ESTIMATES QUESTIONS ON NOTICE

HEALTH AND AGEING PORTFOLIO

Supplementary Budget Estimates 2010-11, 20 October 2010

Question: E10-033

OUTCOME 2: Access to Pharmaceutical Services

Topic: NATIONAL HEALTH AMENDMENT (PBS) BILL 2010

Written Question on Notice

Senator Siewert asked:

The Health Amendment (PBS) Bill 2010 increases ten-fold (from 162 to over 1600) the number of medicines that will be subjected to repeated price reductions to pharmacists. What assurances does the Government have that the price changes will not coincide with stock shortages resulting in patients' inability to obtain prescription medicines as needed?

Answer:

There is significant discounting of the off-patent medicines in Australia. Pharmaceutical companies give big discounts to pharmacists to get them to stock their items over their competitors' items. Price disclosure takes a share of these discounts for the taxpayer and the patients. Price disclosure takes a medicine to the average disclosed price, not the lowest price. It leaves room for further discounting by efficient providers. In this way it follows the market rather than setting it. As companies are already selling these drugs at a lower price, price disclosure does not affect their level of profitability.

The Department does not believe there will be supply issues as a result of the Further PBS Reforms. The Department will provide over three months notice of which medicines are affected by further PBS reforms under price disclosure arrangements. This allows time for wholesalers and community pharmacies to effectively manage stock levels, as they have demonstrated with previous price reductions under the 2007 PBS reforms.

Australian Pharmaceutical Industries (API), a pharmaceutical wholesaler and member of the National Pharmaceutical Services Association, has noted, in a release to the Australian Stock Exchange on 28 October 2010 that 'The impact of PBS reforms announced this year is significant, however we are confident that initiatives are in place to offset or mitigate any major impact on the business'

This statement reflects that eligible wholesalers are sharing in some \$950 million over five years to distribute medicines under Community Service Obligation (CSO) arrangements, 43% more than the previous agreement. The payments from the CSO are in addition to the wholesale margin of 7.52% for most drugs which is paid under the Fifth Community Pharmacy Agreement.

In addition, regulation 33 (1) of the National Health (Pharmaceutical Benefits) Regulations 1960 require a community pharmacy to keep in stock adequate supply of medicines that they reasonably expected to dispense as pharmaceutical benefits.

Further, for eligible wholesalers participating in the Community Service Obligation (CSO) there are a range of contractually enforced standards in operation.

- that at all times a wholesaler will hold stock of one originator brand and two premium-free brands of every PBS medicine; and
- will deliver any PBS medicine to any pharmacy anywhere in Australia within 24 hours when requested.

There are sanctions for failing to meet these standards.