

ANSWERS TO ESTIMATES QUESTIONS ON NOTICE

HEALTH AND AGEING PORTFOLIO

Supplementary Budget Estimates 2010-11, 20 October 2010

Question: E10-075

OUTCOME 2: Access to Pharmaceutical Services

Topic: CLAUSE 5 OF MEMORANDUM OF UNDERSTANDING (MoU)

Written Question on Notice

Senator Fielding asked:

Given that Clause 5 of the MoU re-affirms the split in pricing of patented and generic medicines, resulting in Australians paying more per health outcome for patented medicines than generic medicines in some cases - which seems to provide the suppliers of on-patent medicines a significant advantage, as the price of a patented medicine can have a price higher than an off-patent medicines that delivers the same health benefit (eg. I understand that the following doses cholesterol lowering medicines provide the same health benefit, yet are priced at significantly different prices because one is on patent and the other is off patent: Rosuvastatin 20mg costs \$96.43 (patented); Atorvastatin 20mg costs \$100.70 (patented) and Simvastatin 80mg costs \$59.42 (off-patent), can the Department explain how this will not eventually give the on-patent sector a significant advantage?

Answer:

All medicines are listed on the Pharmaceutical Benefits Scheme on the advice of the independent, expert advisory body known as the Pharmaceutical Benefits Advisory Committee (PBAC), comprised of doctors, other health professionals and a consumer representative. In accordance with the *National Health Act 1953*, the PBAC must consider applications for PBS listing having regard to the clinical effectiveness and cost-effectiveness (value-for-money) of medicines, in comparison with other available treatments. The Australian Government cannot list a medicine on the PBS unless the PBAC makes a recommendation to do so.

The prices of PBS medicines are reviewed by the Pharmaceutical Benefits Pricing Authority (Pricing Authority). The Pricing Authority is the independent body which makes recommendations to the Minister for Health and Ageing on prices for medicines that have been recommended for listing on the PBS by the PBAC. The Pricing Authority's objective is to secure a reliable supply of pharmaceutical benefits items at the most reasonable cost to Australian taxpayers and consumers consistent with maintaining a sustainable, viable and responsible pharmaceutical industry in Australia.

There is no preferential treatment for medicines that may be on patent. When medicines are listed on the PBS, they are placed into one of two formularies:

- Formulary 1 (F1) consists of drugs where there is only one brand; or
- Formulary 2 (F2), which consists of drugs where there are two or more brands listed on the PBS.

When a medicine on F1 becomes subject to brand competition it is moved onto F2.

The market place determines when a medicine becomes subject to brand competition and which formulary a medicine is contained on and the subsequent level of discounting that applies.

In relation to the medicines mentioned in the question, all are cholesterol lowering medicines, but advice provided by the PBAC in July 2005 indicated that atorvastatin is more effective than simvastatin in lowering cholesterol. This is why it has a higher price than simvastatin. Rosuvastatin was subsequently listed on the PBS, following a recommendation from the PBAC that it delivered similar clinical outcomes with atorvastatin. Both atorvastatin and rosuvastatin are in F1.

Current PBS prices are consistent with these facts.