

Senate Community Affairs Committee

ANSWERS TO ESTIMATES QUESTIONS ON NOTICE

HEALTH AND AGEING PORTFOLIO

Supplementary Budget Estimates 2010-11, 20 October 2010

Question: E10-078

OUTCOME 2: Access to Pharmaceutical Services

Topic: MEDICINE PRICING

Written Question on Notice

Senator Fielding asked:

Given that restrictive prescription medicine pricing policy can result in the exit of major generic players, reduced competition in the market place and resulting in the paradoxical effect of increased prices of generic medicines over time (e.g. The GMiA submission to the Senate Inquiry of 20 August provides a case study of this outcome occurring in the Canadian market), what analysis has the Department performed such that the public can be assured that the proposed reforms to the PBS of the National Health Amendment (PBS) Bill 2010 will not have the paradoxical effect of increased prices of generic medicines over time?

Answer:

Statutory price reductions and price disclosure are not new programs, both have been in operation since 2007. There is no evidence of increased prices of generic medicines in Australia since the introduction of the 2007 PBS Reforms.

Product discounting is a business decision made by companies to gain market share.

Price Disclosure does not discourage competitiveness in the market and still leaves room for further discounting by efficient providers, allowing companies to continue to compete for market share. Of the drugs which have taken both a price reduction and completed a second round of price disclosure, the majority demonstrated continued discounting in the second cycle.