Senate Community Affairs Committee

ANSWERS TO ESTIMATES QUESTIONS ON NOTICE

HEALTH AND AGEING PORTFOLIO

Supplementary Budget Estimates 2010-11, 20 October 2010

Question: E10-090

OUTCOME 2: Access to Pharmaceutical Services

Topic: FURTHER PBS PRICING REFORMS AND GENERIC MEDICINES

Written Question on Notice

Senator Boyce asked:

a) Is the Government railroading the reforms through in a desperate attempt to balance its Budget in the forward estimates?
b) Why won't the Minister meet with representatives of the Generic Medicines industry Association (GMiA) and work with them on other mechanisms by which PBS savings can be booked forward into the Budget estimates?
c) What assurances does the Government have that the proposed reforms will not jeopardise the public's ongoing access to a stable supply of generic medicines?

Answer:

a) The National Health Amendment (Pharmaceutical Benefits Scheme) Bill 2010 was previously brought forward on the 2 June 2010. The substantial savings achieved as part of the further pricing reform measures contained in the Bill are reliant on the passage of the legislation through the Parliament this year. Through the proroguing of the previous Parliament prior to the last Federal Election and the extended caretaker period, the passage of the Bill has already been significantly delayed.

b) GMiA had a number of opportunities to discuss options for reform to the PBS, including with the Minister and senior officials of the Department of Health and Ageing since November 2009 and prior to the Budget in May 2010.

   The Department believes that GMiA had a good hearing and the Department has valued the exchange of views. GMiA’s views about price disclosure were made clear in these discussions.

   The Department will be happy to consider further savings proposals put forward by GMiA or any other interested party. However, such consideration will need to be in the context of the pricing policy stability provisions in the Memorandum of Understanding signed with industry, as represented by Medicines Australia.

c) The Department does not believe there will be any supply issues as a result of the Further PBS Reform measure.

Since 2008, all drugs on the F2A formulary have been subject to statutory price reduction on 1 August each year. These price reductions have not resulted in any supply issues for PBS medicines, nor has the application of price disclosure affected supply of drugs since price changes came into effect in 2009.

The Department will continue to provide over three months notice of which medicines are affected by the further PBS reforms under price disclosure arrangements and statutory price reductions. 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.

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.