

ANSWERS TO ESTIMATES QUESTIONS ON NOTICE

HEALTH AND AGEING PORTFOLIO

Supplementary Budget Estimates 2010-11, 20 October 2010

Question: E10-093

OUTCOME 2: Access to Pharmaceutical Services

Topic: PRICE DISCLOSURE AND GENERIC MEDICINES

Written Question on Notice

Senator Boyce asked:

The Minister said in Parliament on 2 June and again on 29 September that the proposed reforms do not prevent the generic medicines industry from competing for a growing share of the PBS scripts. Currently suppliers of generic medicines compete heavily by discounting the price into pharmacy. As these discounts are clawed back through price disclosure, what mechanisms are available to suppliers of generic medicines to compete?

Answer:

Price disclosure relies on competition occurring in the market and aims to ensure that taxpayers and consumers share in the benefit from competition through lower, market driven, prices for PBS listed medicines.

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, by ensuring that no price reductions occur if the weighted average disclosed price is 10 per cent or less than the Commonwealth price. This safeguard allows companies to continue to compete for market share, as demonstrated by the fact that since price disclosure commenced on 1 August 2007, fifteen drugs have taken or are scheduled to take price disclosure-related price reductions, and all of the drugs that have completed a second round of price disclosure have taken further price reductions.

Further support for the generics sector will be provided through a consumer awareness campaign run by the National Prescribing Service (NPS). Based on the success of the previous campaign which increased consumer confidence in generic medicines from 72 to 77 per cent, the campaign will be targeted to increasing consumers' understanding of the safety and efficacy of generic medicines, and increase their confidence to choose a generic when a popular brand medicine may cost them more. Increasing consumers' awareness of, and confidence in, generic medicines as an equal choice benefits consumers and will also contribute to the viability of the generic medicines industry.