

**Submission to the Senate Community Affairs Inquiry
National Health Amendment (Pharmaceutical Benefits Scheme) Bill 2007
June 2007**

About the Consumers' Health Forum of Australia (CHF)

The Consumers' Health Forum of Australia Inc (CHF) is the national voice for health consumers. As an independent non-government organisation, CHF helps shape Australia's health system by representing and involving consumers in health policy and program development.

CHF member organisations reach millions of Australian health consumers across a wide range of health interests and health system experiences. Health policy is developed through wide consultation with members, ensuring a broad, representative, health consumer perspective. Current priorities include safety and quality in health care, safe and appropriate use of medicines and health care for people with chronic conditions.

Established in 1987, CHF receives funding from the Australian Government Department of Health and Ageing and membership fees. It seeks external funding for priority projects.

PBS reforms

CHF commends the aim of the reforms, to provide Australians with continued access to new and expensive medicines while ensuring the PBS remains economically sustainable into the future.

CHF understands that the major procedural change to underpin the reforms is to split the Schedule of Pharmaceutical Benefits into two separate lists or formularies as follows:

- F1: unique medicines for which there is no competitor product. These products will retain the price negotiated following the Pharmaceutical Benefits Advisory Committee (PBAC) recommendation as part of the Australian Government decision to list the medicine.
- F2: medicines for which a competitor has become available, where a mandatory price reduction will be applied. A price reduction is appropriate as patent protection has expired and the time allowed to the innovator to recoup the costs of research and development through market protection of pricing arrangements has elapsed.

In principle this approach is acceptable to health consumer networks as a measure for sustaining the PBS. This should mean that the cost of generic medicines becomes lower in Australia, where the prices are currently high by international standards.

Consumers' concerns

Consumers must not bear the costs of the reforms through increased out-of-pocket costs and should share in the savings to the PBS. Special patient contributions are not an acceptable alternative to a negotiated price.

CHF continues to hear a range of consumers' concerns about the importance of the PBS and affordability of medicines through ongoing input from members and through community consultations about quality use of medicines around Australia.

The mandatory price reductions may mean that the companies become more willing to risk market share by charging more or higher brand premiums. It is critical for consumers to know that there is always at least one brand of medicine at the base price, with no additional premium for patients. It is also important for people who use a lot of medicines to know that the brand premium does not count towards the PBS Safety Net and to ask their doctor about a lower cost alternative.

Competitive marketing may mean that the lowest cost alternative changes from one prescription to the next, which could result in confusion and medication errors. Allowances are necessary to enable a consumer to stay on the same brand without a price premium where clinically indicated to avoid these problems.

CHF supports the generic medicines awareness campaign to increase understanding about generic medicines, the choices available to consumers and the questions they may need to ask health professionals. The complex arrangements for the reforms must be explained clearly and communicated widely to ensure that consumers are able to claim their entitlements.

Pricing arrangements

CHF consultations with consumers have identified concerns about varying costs of PBS medicines through pharmacies, an issue which may become more pronounced for general patients as more medicines become available below the copayment. Consumers anticipate a fair price for PBS medicines, whether the price is paid by the individual consumer for medicines below the general patient copayment or by Australian taxpayers through PBS reimbursement of pharmacists.

Price disclosure would appear to provide a framework for improving pricing arrangements.

It is unclear to CHF why incentives to encourage dispensing of the most affordable medicine for consumers are necessary, given the financial arrangements already in place for pharmacists to dispense PBS medicines.

Monitoring the impact of the reforms on affordability and quality use of medicines

CHF is concerned to see that the impact of the reforms is monitored in terms of affordability of medicines for consumers with savings for consumers as well as for the PBS.

CHF members also want to be sure that savings through price reductions in the F2 formulary are balanced by PBS investment in innovative medicines, following appropriate evidence-based assessment of comparative safety and cost-effectiveness. Special exemptions to ensure continuing supply of needed medicines, such as special formulations for paediatric or end of life treatment are supported.

Overall, CHF calls on the Australian Government to monitor the impact of the reforms on quality use of medicines for consumers.