



Australian Government

RESPONSE TO THE RECOMMENDATIONS OF THE FINANCE and PUBLIC ADMINISTRATION REFERENCES COMMITTEE REPORT ON THE GOVERNMENT'S ADMINISTRATION OF THE PHARMACEUTICAL BENEFITS SCHEME

RECOMMENDATION 1

The committee recommends that the Government withdraw the statement made on 25 February 2011 regarding the deferral of the listing of new medicines and the new rules applying to listings from that point forward.

Response

The Government does not support the recommendation.

On 30 September 2011, the Government announced a decision to provide subsidised access to 48 medicines from 1 December 2011, including the listing of medicines that remained deferred as a result of the statement made on 25 February 2011, subject to listing arrangements being met.

In the same statement, the Government announced its commitment to work with industry and consumer groups to improve the certainty around the Pharmaceutical Benefits Scheme (PBS) listing process, while working to ensure the PBS remains sustainable. As part of this commitment, the Government undertook to not defer any drugs that cost under \$10 million a year for a period of 12 months while the Government works with all parties to achieve longer term PBS sustainability.

The Government will continue to consider all new PBS drug listings in a timely manner and how these listings compare with other health spending priorities such as training new doctors and nurses, opening new hospital beds and investing in new preventative health programs.

RECOMMENDATION 2

The committee recommends that the Government retract the statement that PBAC listing recommendations will not be proceeded with until savings are found to offset the costs of listing those medicines under the PBS.

Response

The Government does not support the recommendation.

The Government is committed to supporting a strong economy and continues to apply responsible fiscal scrutiny to all new expenditure, including those relating to PBS listings. It has always been the Government's role to consider where finite resources would best be directed and to weigh expenditure decisions against competing pressures in the budget.

The Government is committed to a sustainable PBS that provides Australians with access to essential medicines. The Government has added around 700 new medicines or brands of medicines to the PBS, the Life Saving Drugs Program and the National Immunisation Program over the last four years, at a cost of around \$4.5 billion. This underlines the priority which the Government places on making medicines available to Australian residents.

The Government will continue to consider all new PBS drug listings in a timely manner and how these listings compare with other health spending priorities such as training new doctors and nurses, opening new hospital beds and investing in new preventative health programs.

The Government announced on 30 September 2011 an agreement with the Consumers Health Forum, Generic Medicines Industry Association and Medicines Australia to improve the certainty around the PBS listing process, while working to ensure the PBS remains sustainable.

As part of this agreement, all parties have committed to work together on possible future savings following the expiry of the Memorandum of Understanding between the Government and Industry.

This builds on the Government's strong track record of working productively with industry and consumer groups to deliver a sustainable PBS that provides Australians with access to affordable medicines.

RECOMMENDATION 3

The committee recommends that the Government should explicitly state that it rejects any implication that the listing of new medicines requires savings to be made elsewhere in the health portfolio.

Response

Please refer to the response to Recommendation 2.

RECOMMENDATION 4

The Government should restate its commitment to making an explicit decision regarding the listing of new medicines on the PBS within the terms and intent of the Memorandum of Understanding signed with Medicines Australia on 6 May 2010 and re-signed on 28 September 2010.

Response

The Government does not support the recommendation.

The Government considers it is unnecessary to restate its commitment as it has always met, and continues to meet, its obligations outlined in the Memorandum of Understanding (MoU) with Medicines Australia.

RECOMMENDATION 5

That the Government reinstate the '\$10 million rule' so that medicines that have a financial impact of less than \$10 million in each year over the forward estimates can be listed on the PBS Schedule by the minister without waiting for Cabinet approval.

Response

The Government does not support the recommendation.

While PBS listings with a financial impact are considered by the Cabinet, it does not approve PBS listings. Responsibility for listings, taking into account all information, including advice from the Cabinet, remains with the Minister for Health, in accordance with the legislative requirements of the *National Health Act, 1953* (as amended).

It is appropriate for the Government to apply responsible fiscal scrutiny to proposed new PBS listings, as it does for all new expenditure. It has always been the Government's role to consider where finite resources would be best directed in the health portfolio and to weigh competing pressure on the budget across the health and other areas of government responsibility.

The Government announced an agreement with industry and consumer groups to improve the certainty around the PBS listing process, while working to ensure the PBS remains sustainable. As part of this agreement, the Government undertook to not defer any drugs that cost under \$10 million a year for a period of 12 months, while the Government works with all parties to achieve longer term PBS sustainability.

The Government will continue to consider all new PBS drug listings in a timely manner and how these listings compare with other health spending priorities such as training new doctors and nurses, opening new hospital beds and investing in new preventative health programs.

**RESPONSE TO THE AUSTRALIAN GREENS ADDITIONAL
RECOMMENDATION ON THE GOVERNMENT'S ADMINISTRATION
OF THE PHARMACEUTICAL BENEFITS SCHEME**

RECOMMENDATION 1

That the Government investigate alternative methods of pricing generic medicines as an alternative cost-saving measure to the deferral of listings by Cabinet.

Response

The Government notes the recommendation.

On 30 September 2011, the Government announced an agreement with the Consumers Health Forum, Generic Medicines Industry Association and Medicines Australia to improve the certainty around the PBS listing process, while working to ensure the PBS remains sustainable. As part of this agreement, the Government undertook to not defer any drugs that cost under \$10 million a year for a period of 12 months, while the Government works with all parties to achieve longer term PBS sustainability.

As part of this agreement all parties agreed to work together on possible future savings following the expiry of the Memorandum of Understanding between the Government and Industry.

This builds on the Government's strong track record of working productively with industry and consumer groups to deliver a sustainable PBS that provides Australians with access to affordable medicines.