



Australian Government

Department of Finance

The Treasury

PUBLIC RELEASE OF 2019 ELECTION COMMITMENT COSTING

Name of proposal costed: Pharmaceutical Benefits Scheme – increasing the safety net	
Costing Identifier:	COA033
Summary of costing:	This costing outlines the impact of lowering the Pharmaceutical Benefits Scheme (PBS) Safety Net threshold from 1 January 2020 by the equivalent of 12 full-priced scripts for concession cardholders and the equivalent of approximately two full-priced scripts for non-concession cardholders (general patients).
Ongoing or Terminating (including date)^(a)	Ongoing
Person making the request:	Prime Minister
Date costing request received:	9 May 2019
Date of public release of policy:	2 May 2019
Date costing completed:	15 May 2019
Additional information requested (including date):	Not applicable
Additional information received (including date):	Not applicable

(a) Ongoing policies continue indefinitely (until a decision is made to cease or alter the program).

Terminating measures end on a date set out in the initial policy and a further decision is required to continue the program beyond this date.

Financial implications (outturn prices)^(b)

Impact on	2018-19	2019-20	2020-21	2021-22	2022-23
Underlying Cash Balance (\$m)	0.0	-6.0	-104.3	-107.5	-111.0
Fiscal Balance (\$m)	0.0	-6.4	-109.8	-107.7	-111.2

(b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in revenue or a decrease in expenses or net capital investment in cash terms.

Where relevant, state that the proposal has been costed as a defined or specified amount.

Not applicable.

Where relevant, include separate identification of revenue and expense components.

The table below provides the separate identification of the impacts on the Department of Health and Department of Veterans' Affairs.

Impact on	2018-19	2019-20	2020-21	2021-22	2022-23
Health – Underlying Cash Balance (\$m)	0.0	-5.8	-101.2	-104.4	-108.0
Department of Veterans' Affairs – Underlying Cash Balance (\$m)	0.0	-0.2	-3.1	-3.1	-3.0
Total – Underlying Cash Balance (\$m)	0.0	-6.0	-104.3	-107.5	-111.0
Health – Fiscal Balance (\$m)	0.0	-6.2	-106.5	-104.6	-108.2
Department of Veterans' Affairs – Fiscal Balance (\$m)	0.0	-0.2	-3.3	-3.1	-3.0
Total - Fiscal Balance (\$m)	0.0	-6.4	-109.8	-107.7	-111.2

Where appropriate, include a range for the costing or sensitivity analysis.

Not applicable.

Qualifications to the costing (including reasons for the costing not being comprehensive).

Not applicable.

Where relevant, explain effects of departmental expenses.

Consistent with the costing request, it is assumed that the Department of Health will absorb any associated departmental operating or capital expenses.

Where relevant, explain the reason for any significant differences between the assumptions specified in a party costing request and those used in a Treasury or Finance costing.

The costing reflects the current script volume estimates.

Other comments (including reasons for significant differences between the estimated impact on the fiscal and underlying cash balances).

Not applicable.

Where relevant, include an explanation of the medium term implications of the proposal^(c).

Not applicable.

(c) Information on the medium term implications will be provided if the cost of the policy is expected to be significantly different beyond the forward estimates period.

Background information

Costing methodology used:

The costing is based on analysis of PBS historical data to predict future consumption rates based on a patient's safety net status, and applying the impact of lowered safety net thresholds.

Policy parameters

The costing assumes, consistent with the costing request, the policy would start from 1 January 2020, to reduce the general safety net from \$1,586.40 threshold to \$1,486.80 (approximately 38 to 36 scripts at the maximum co-contribution rate of \$41.30) and to reduce the concessional safety net from \$396.00 threshold to \$316.80 (60 to 48 scripts at the maximum co-contribution rate of \$6.60).

A patient's co-payment and safety net threshold will continue to be indexed in line with the Consumer Price Index on 1 January each year.

Statistical data used

The costing is based on the 2017-18 PBS transactional data.

Behavioural assumptions used (as appropriate)

A patient's uptake of medicines once reaching the safety net is consistent with behavior under the existing threshold.



Attachment A – Pharmaceutical Benefits Scheme – Increasing the safety net – medium-term financial implications

This attachment has been prepared by the Parliamentary Budget Office (PBO) to indicate the medium-term financial impacts of this proposal. The PBO has used the same methodology as outlined by the Department of Finance to estimate these impacts.

Table A1: Pharmaceutical Benefits Scheme – Increasing the safety net – Fiscal balance (\$m)^{(a)(b)(c)}

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Expenses													
<i>Administered</i>													
<i>Department of Health</i>	-6.2	-106.5	-104.6	-108.2	-111.8	-115.6	-119.5	-123.5	-127.7	-132.0	-136.4	-325.4	-1,191.8
<i>Department of Veterans' Affairs</i>	-0.2	-3.3	-3.1	-3.0	-3.0	-3.0	-3.0	-3.0	-2.9	-2.9	-2.9	-9.6	-30.3
Total – expenses	-6.4	-109.8	-107.7	-111.2	-114.8	-118.6	-122.5	-126.5	-130.6	-134.9	-139.3	-335.0	-1,222.1

- (a) Figures for the period 2019-20 to 2022-23 are consistent with the costing prepared by the Department of Finance. Figures for the period 2023-24 to 2029-30 are PBO estimates.
- (b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.
- (c) Figures may not sum to totals due to rounding.

Table A2: Pharmaceutical Benefits Scheme – Increasing the safety net – Underlying cash balance (\$m)^{(a)(b)(c)}

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
Payments													
<i>Administered</i>													
<i>Department of Health</i>	-5.8	-101.2	-104.4	-108.0	-111.6	-115.3	-119.2	-123.2	-127.4	-131.7	-136.1	-319.5	-1,183.9
<i>Department of Veterans' Affairs</i>	-0.2	-3.1	-3.1	-3.0	-3.0	-3.0	-3.0	-3.0	-2.9	-2.9	-2.9	-9.4	-30.1
Total – payments	-6.0	-104.3	-107.5	-111.0	-114.6	-118.3	-122.2	-126.2	-130.3	-134.6	-139.0	-328.9	-1,214.0

- (a) Figures for the period 2019-20 to 2022-23 are consistent with the costing prepared by the Department of Finance. Figures for the period 2023-24 to 2029-30 are PBO estimates.
- (b) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.
- (c) Figures may not sum to totals due to rounding.