



**THE HON PETER DUTTON MP
MINISTER FOR HEALTH
MINISTER FOR SPORT**



Ref No: MC14-001985

Dr Dennis Jensen MP
Chair
Standing Committee on Petitions
Parliament House
CANBERRA ACT 2600

Dear Chair

Thank you for your correspondence of 26 February 2014 (ref 836/1303) inviting my response to a petition recently submitted for the consideration of the Standing Committee on Petitions calling for funding support for community pharmacies.

The Australian Government understands the vital role community pharmacies play in providing primary care services and is committed to supporting Australian pharmacies. That is why on 30 November 2013, the Government announced it had allocated more than \$82 million in additional funding to pharmacists to meet the higher costs of providing chemotherapy treatment.

Fees paid to community pharmacists to dispense Pharmaceutical Benefits Scheme (PBS) medicines reflect the value of the professional services provided when medicines are dispensed. However, these dispensing fees are not intended to cross-subsidise other aspects of pharmacy business. The fees, as agreed with the Pharmacy Guild of Australia (the Guild) in accordance with the Fifth Community Pharmacy Agreement (5CPA) are not static, but are indexed every year as intended under the 5CPA.

The 5CPA is due to expire on 30 June 2015 and the Government will look to negotiate the appropriate level of remuneration as part of negotiations for any possible future agreement, in the lead up to this date.

As you would understand, the Government has inherited an enormous debt. Policy priorities will be considered within this context and any additional expenditure will be considered when we responsibly can do so.

By way of background, the Simplified Price Disclosure measure, that I understand is the 'announcement' referred to in the petition, was announced by the former Government as part of its Economic Statement in August 2013. The savings it will deliver are already factored into the forward estimates for the PBS and the Repatriation Pharmaceutical Benefits Scheme.

A Bill that enables implementation of the Simplified Price Disclosure policy was passed by the House of Representatives on 5 December 2013 and by the Senate on 5 March 2014.

Price disclosure is a routine part of maintaining PBS listings for medicines subject to competition. The objective of the policy is to ensure the prices at which the Government subsidises multiple-brand medicines reflect more closely the prices charged in the market.

The current arrangements are complex and cycles take at least 18 months to complete. This means the Government and consumers can be paying higher than market prices for some medicines for at least 18 months. The new arrangements are intended to allow PBS prices to be adjusted to market prices more quickly rather than to increase the size of the price reductions. It makes sense that the price the Government and consumers pay for a medicine should follow the market price more closely.

The Government understands pharmacists are concerned about the effect of Simplified Price Disclosure on their incomes and that other stakeholders could be impacted by the changes but due to the current fiscal environment, the Government needs to proceed with the changes.

In proceeding with these changes the Government understands that modelling by the Guild suggests the impact of price disclosure is expected to be on average around \$30,000 per annum per pharmacy. However, this does not recognise that over the same period, the average pharmacy will benefit by around \$71,000 per annum, through increased prescription volumes, high-cost listings and additional income from the Premium Free Dispensing Initiative.

The Government is determined to champion the viability of companies along the entire PBS supply chain. This includes working with pharmacies to assist viability and to support pharmacists to provide professional services, in a predictable business environment.

Implementation of these changes will again draw on the commitment shown by the pharmaceutical industry to work with the Government to improve the operation of the PBS. My Department has commenced consultations with pharmacy and industry bodies on these new arrangements to facilitate a smooth transition for all affected stakeholders. Further information on this policy is available on the PBS website at www.pbs.gov.au/info/industry/pricing/price-disclosure-spd.

Thank you for drawing this petition to my attention. I trust this information is of assistance.

Yours sincerely

PETER DUTTON

27/3/14