SENATE STANDING COMMITTEE ON COMMUNITY AFFAIRS

LEGISLATION COMMITTEE

Inquiry into the National Health Amendment (Pharmaceutical Benefits Scheme) Bill 2010

SUBMISSION

SUBMISSION NUMBER: **17**

SUBMITTER

MSD

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20 October 2010

Committee Secretary
Community Affairs Legislation Committee
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Committee Secretary,

Re: Inquiry into the *National Health Amendment (Pharmaceutical Benefits Scheme) Bill 2010*

MSD appreciates this opportunity to provide comment to the Community Affairs Legislation Committee's inquiry into the *National Health Amendment (Pharmaceutical Benefits Scheme) Bill 2010* ('the Bill').

MSD supports the legislation as outlined in the Bill. We believe it would deliver a balanced and effective approach to policy that appropriately takes into account the needs of government, consumers and industry.

The Bill enables changes to legislation that will provide savings to the taxpayer, benefit consumers by making improving access to new medicines and making many medicines cheaper, and afford business certainty and stability to industry.

If passed, the Bill implements aspects of a broader Memorandum of Understanding (MOU) agreement negotiated and agreed earlier this year between government and Medicines Australia on behalf of the research based medicines industry. The purpose of the MOU was to build on previous reforms ensuring the ongoing capacity of the Pharmaceutical Benefits Scheme (PBS) to provide access to existing and new medicines.

Australia is one of the few countries in the world with a clearly defined and agreed National Medicines Policy (NMP). The MOU and the Bill are fully aligned with and support this important policy; specifically two of the four key planks of the policy being:

> *Timely access to the medicines that Australians need, at a cost individuals and the community can afford*
>
> *Maintaining a responsible and viable medicines industry*

MSD as a company will be one of the hardest hit by some of the price cuts the Bill will bring about. While this will be difficult for us, we believe that:

> It is appropriate for government and consumers to benefit from reduced prices brought about by market competition between generic products. This approach uses companies own pricing decisions rather than introducing direct government intervention in market pricing.

The stable and predictable pricing policy provided for in the MOU, and enabled by the Bill, is fundamental to companies being able to plan ahead, make considered investment and employment decisions and operate efficiently in the Australian environment.

The Bill is fully aligned with the earlier PBS reforms, and supports the PBS in continuing to have the capacity to enable consumer access to the medicines they need.

Evidence shows that Australia pays 20% less than the OECD average for patented medicines, whilst prices for generic products remain high by international standards. The application of health technology assessment by the PBAC has enabled Australia to extract significant value from the prices it pays for patented medicines. However experience from previous price disclosure reforms has demonstrated that there remain areas where discounting means the government is paying a price higher than that drug is being offered in the market. The Bill provides the opportunity for the taxpayer and consumer to pay less for some commonly used medicines.

MSD is committed to working constructively with government to ensure the delivery of these negotiated savings to the government and the consumer as soon as is practicable. The passage of the Bill will allow these savings to start being delivered without further delay.

The MOU also included important aspects that will improve the timely access to valuable new medicines; such as enabling the TGA and PBAC deliberations on a new medicine to occur in parallel, best endeavours for the Cabinet Approval process to take no longer than 6 months, and the agreement to develop a method of allowing managed entry schemes for important new medicines to be available in Australia. These improvements are already being progressed by government and industry.

I ask that the Committee support the passage of this Bill before the end of 2010.

We would be pleased to further elaborate on the content of this letter or provide additional information at the Committee's request.

Yours sincerely

Jane Orr
Managing Director
MSD Australia & New Zealand