

24 July 2015

Joint Select Committee of Public Accounts and Audit  
C/o Committee Secretary  
PO Box 6021  
Parliament House  
CANBERRA ACT 2600  
Via email: [jcpaa@aph.gov.au](mailto:jcpaa@aph.gov.au)

Dear Mrs Cardell

Thank you for the opportunity to make a submission to the Joint Committee of Public Accounts and Audit Inquiry into Australian National Audit Office (ANAO) Report No.25 (2014-15) *Administration of the Fifth Community Pharmacy Agreement*. Medicines Australia appreciates the opportunity to provide the committee our input.

## Introduction

Medicines Australia represents the research-based innovative medicines industry in Australia. Today, over 50 pharmaceutical companies and around 400 locally-owned medical biotechnology firms, operate in Australia. Together, they employ approximately 40,000<sup>1</sup> highly-skilled Australians (with at least 14,000 jobs<sup>2</sup> largely from within our member companies), invest more than a combined \$1 billion per year in research and development<sup>3</sup> and generate nearly \$2.9 billion in exports each year<sup>4</sup>. Our member companies supply up to 86% (by value) of the therapies available on the Pharmaceutical Benefits Scheme (PBS) – medicines and vaccines that help millions of Australians live healthier, longer, more productive lives.

The ANAO review of the Administration of the Fifth Community Pharmacy Agreement resulted in a number of recommendations for the negotiation process and administrative arrangements of the community pharmacy agreements and related contracts.

## ANAO Recommendations

Medicines Australia acknowledges the ANAO findings that there is room for improvement for some of the processes in relation to engagements with stakeholders at the Department of Health and agrees that this would be of benefit across all engagements, not limited to those associated with the pharmacy agreement. As the Department acknowledged itself “there is scope to realise further improvement in the effective and efficient administration of these agreements and

<sup>1</sup> Comprises bio-medical research, biotechnology firms, originator and generic medicines companies and service related segments including wholesaling and distribution: Department of Innovation, Industry, Science and Research, Pharmaceutical Industry Fact Sheet, available at:

[www.innovation.gov.au/Industry/Pharmaceuticals/Pages/AustralianPharmaceuticalsIndustryFactSheet.aspx](http://www.innovation.gov.au/Industry/Pharmaceuticals/Pages/AustralianPharmaceuticalsIndustryFactSheet.aspx)

<sup>2</sup> IBIS World, Melbourne, 2014, Pharmaceutical Product Manufacturing in Australia: Market Research Report

<sup>3</sup> Australian Bureau of Statistics 2012, 'Business Expenditure Report on R&D'

<sup>4</sup> Australian Bureau of Statistics 2015, 'International Trade in Goods and Services': March 2015

welcomes the recommendations as an ongoing platform for ongoing development of future community pharmacy agreements and transparent engagement with the pharmaceutical sector.”<sup>5</sup>

Medicines Australia trusts the Commonwealth has the best intentions to implement the recommended changes in a timely manner and would like to express the willingness to work constructively with the Commonwealth.

As recommended by the ANAO, Medicines Australia also supports that it is in the public interest to clearly identify the actual cost of the pharmacy programs. The Commonwealth's main focus has been to ensure the PBS program is cost-effective in delivering medicines to Australian patients. In the past decade the PBS program had significant reforms which have led to the PBS program to be the most stable, cost-effective program of the health portfolio.

The Australian Institute of Health and Welfare (AIHW) report *Health Expenditure Australia 2012-13: analysis by sector* even confirmed the PBS program is sustainable and the main driver of efficiency in the health system<sup>6</sup>. The PBS reforms generated billions of dollars in savings and provided in return for some relative stability to the industry, recognising that the reforms put the sector under pressure; the program continues to be a valuable and cost-effective investment in Australia's health. Prior to any further reductions in the PBS, Medicines Australia believes that it would be appropriate to consider applying the same level of accountability through the principle of cost-effectiveness to all parts of the health portfolio.

## Transparency

Increased transparency of the health portfolio may also lead to a better understanding and appreciation for pharmacy programs, and the PBS, by the public. This increased transparency would also further highlight how cost effective the PBS is in providing access to medicines.

To improve transparency in agreement-making, Medicines Australia believes all participants in the medicines supply chain, including manufacturers, should be included in the discussion around a new community pharmacy agreement. As manufacturers and pharmacists are both part of the PBS supply chain, all parties should be consulted in the process of the next community pharmacy agreement. Medicines Australia hopes to continue to work with other PBS stakeholders and the Government to ensure continued timely and cost effective access to medicines is available for Australians.

Medicines Australia supports the ANAO<sup>7</sup> recommendation to improve the accuracy and transparency of reporting on the PBS and Repatriation Pharmaceutical Benefits Scheme (RPBS) by providing suppliers access to data held by the Department of Health. Gaining access to information on PBS regarding the collection and payments will lead to a better insight on the PBS program, and highlight its cost effectiveness. This enriched insight will lead to better understanding of the different PBS components and of the PBS growth as a whole.

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<sup>5</sup> ANAO 2015. Administration of the Fifth Community Pharmacy Agreement. [http://www.anao.gov.au/Publications/Audit-Reports/2014-2015/Administration-of-the-Fifth-Community-Pharmacy-Agreement/Audit-summary#H2\\_Recs](http://www.anao.gov.au/Publications/Audit-Reports/2014-2015/Administration-of-the-Fifth-Community-Pharmacy-Agreement/Audit-summary#H2_Recs)

<sup>6</sup> AIHW, Health expenditure Australia 2012-13: analysis by sector, 2014 <http://www.aihw.gov.au/publication-detail/?id=60129550083>

<sup>7</sup> ANAO 2015. Administration of the Fifth Community Pharmacy Agreement. [http://www.anao.gov.au/Publications/Audit-Reports/2014-2015/Administration-of-the-Fifth-Community-Pharmacy-Agreement/Audit-summary#H2\\_Recs](http://www.anao.gov.au/Publications/Audit-Reports/2014-2015/Administration-of-the-Fifth-Community-Pharmacy-Agreement/Audit-summary#H2_Recs)

## **Conclusion**

The Australian research based medicines industry is a dynamic, vital part of the Australian economy and society. It provides access to innovative and affordable medicines for Australians and creates investment and jobs. Medicines Australia supports the recommendations of the ANAO's report and welcomes the acknowledgement and agreement of the Department of Health that there are opportunities for efficient improvement in agreement-making.

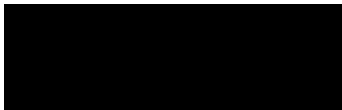
Medicines Australia welcomes the recommendations to provide more clarity in the cost-effectiveness of the pharmacy programs and believes consultation in the negotiation process of future agreements should include all stakeholders.

Medicines Australia believes successful reforms can be achieved through strong, timely and collaborative relationships between the Commonwealth and the stakeholders involved.

Medicines Australia is and always has been keen to collaborate with the Government to ensure the best health outcomes can be achieved for all Australians.

Thank you for your consideration of our submission.

Yours sincerely

A solid black rectangular box used to redact the signature of Tim James.

Tim James  
CEO  
Medicines Australia