



The Pharmacy Guild of Australia

Ref: POLGOV INQ

19 October 2010

Senator Claire Moore
Chair
Community Affairs Legislation Committee
The Senate
Parliament House
CANBERRA ACT 2600

Dear Senator Moore

Thank you for the opportunity to provide comments to the Community Affairs Legislation Committee Inquiry into the National Health Amendment (Pharmaceutical Benefits Scheme) Bill 2010, which was reintroduced into the House of Representatives on 29 September 2010. As some dates referred to in the Bill have been changed compared with the Bill that was introduced in June, The Pharmacy Guild of Australia ('the Guild') wishes to provide the following comments in addition to those in our submission to the initial Inquiry. We ask that this letter be read and considered in conjunction with that earlier submission.

This Bill contains major amendments to the National Health Act 1953 that will achieve more than \$1.86 billion in savings over the next four years. Although these amendments will have a significant impact on the future profitability of community pharmacies, the Guild wishes to reiterate its support for the Bill, in the interest of industry certainty and value for taxpayers. However, the Guild is seeking small but vital changes to the current Bill to ensure a smooth transition to the new arrangements. **The Guild's proposed changes would have no effect on the planned government savings or the timing of those savings.**

This Bill was originally introduced to Parliament in June 2010. Its passage was delayed by the first referral to the Senate Community Affairs Legislation Committee and, subsequently, the election. The original Bill contained a start date of 1 October 2010 for changes to PBS Price Disclosure. Price Disclosure is an initiative that has been in place since August 2007 whereby manufacturers supply sales data to the government. Where the average price of a drug is found to be significantly below the PBS subsidised price, the PBS subsidised price for the drug is reduced, ensuring that taxpayers receive the benefit from market competition. The Bill is designed to expand the scope of Price Disclosure, to include all drugs for which there is more than one brand available on the PBS.

Sensibly, the version of the Bill introduced to the new Parliament on 29 September had been amended, compared with the June version, to delay the 1 October 2010 change until 1 December 2010. It appears that the new Bill was written with the expectation that it would be passed at the

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September sittings. This is evident by the use of 11 October 2010 as the reference point for deciding which drugs will be subject to price reductions on 1 February 2011. Had the Bill been passed in the September sitting it would have allowed for a two months notice period to the industry, which would have been adequate to allow for necessary communications and market adjustment, and to minimise the possibility of errors in procedures and data collection.

The reporting date for this Inquiry is 16 November 2010. This means that the Bill will now not be considered until one of the late November sittings of Parliament. This will be two months later than was intended when the Bill was written. **In recognition of this further delay, it is important that the Bill be further amended. The Guild proposes the following changes:**

- **That the proposed 1 December 2010 start date for price disclosure be delayed until 1 February 2011.**
- **To ensure that the level and timing of government savings are not affected, that the duration of the data period for this 1 February 2011 round of price disclosure be further reduced, from 10 months to 8 months. This will allow price reductions to occur on 1 April 2012 as planned.**

The following are some important points regarding these amendments proposed by the Guild:

- There will be no change to savings estimates or the timing of price reductions.
- The proposed amendments allow the intended two month period of notification and transition for market participants, which will ensure:
 - a) a sufficient timeframe for manufacturers to start data collection. The changes bring hundreds of drugs on the PBS into price disclosure for the first time. Implementing processes with any shorter notification period will risk errors and subsequent inequities in pricing. It is important to note that the first round of price reductions due to Price Disclosure was delayed in 2009 due to administrative problems, and there have been successful challenges to previous government calculations. The Guild's proposed amendments reduce the risks of these problems re-occurring.
 - b) a sufficient timeframe for community pharmacies to react to potential changes in trading terms from suppliers as a result of the changes.
- The drugs that will enter Price Disclosure as a result of the changes to legislation proposed by this Bill are drugs that have had multiple manufacturers for at least three years. A shorter time period for data collection (8 months rather than the normal 12) is appropriate for these new drugs entering Price Disclosure as they all have stable, established markets. The legislation continues to allow, as it should, for a 12 months period of data for drugs

that have just come off patent. The 12 month period is important for these drugs as it takes several months for market prices to settle.

The Guild regards these as small, simple amendments that are essential to ensure a smooth transition to the new arrangements.

Yours Sincerely,

Kos Sclavos
National President