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Dear Committee Secretary

Supply of Chemotherapy Drugs such as Docetaxel

Catholic Health Australia (CHA) welcomes the opportunity to provide a submission to this Inquiry.

Catholic hospitals

On any one day, one in 10 hospital patients in Australia is cared for in a Catholic public or private hospital.

CHA members provide 2,300 public hospital beds or around 5% of Australia's total public beds across 19 Catholic hospitals that operate under contract to State or Territory governments. In the private sector, CHA members provide over 6,250 beds across 50 private hospitals, which equates to around 27% of total private hospital beds.

Catholic hospitals operate on a not-for-profit basis with a strong mission ethos of caring for the most vulnerable and disadvantaged.

Chemotherapy services

Consistent with the above mission ethos, Catholic hospitals are significant providers of cancer services, including chemotherapy treatments. We believe that patients who have a cancer diagnosis have a right to receive affordable access to high-quality, chemotherapy treatment in either a public or private hospital.

In 2010-11, Catholic private hospitals – with 27% of beds – were responsible for the provision of around 34% of chemotherapy separations (based on data from the Private Hospital Data Bureau collection). Additionally, Catholic hospitals are Australia's predominant provider of palliative care delivered in hospitals, hospices and through home-based palliative care services.

The arrangements for providing pharmacy services, including chemotherapy, vary from hospital to hospital – with some pharmacies being owned by the hospital and others being operated by outside third parties. Similarly, some hospital pharmacies outsource the compounding process, whilst others undertake this in-house. The mix of cancer treatments and chemotherapy medication that is

supplied to patients also varies between hospitals. This results in different hospitals experiencing different financial outcomes between hospitals from their supply of chemotherapy services.

For this reason, the comments contained within this submission will address the high-level policy issues rather than the intricate detail of hospital and pharmacy supply costs.

CHA also understands that a number of its members and/or their pharmacy partners are intending to lodge separate submissions to this Inquiry, which will go into more detail about their specific cost structures and the impact on their ability to continue to provide chemotherapy services following the price disclosure reductions.

Price Disclosure

CHA supports the underlying philosophy of price disclosure, which seeks to better match the subsidy that is provided by the Australian government for chemotherapy medications with the market price. This is consistent with the principle enunciated in CHA's recently released Health Blueprint that the sustainability of the health system needs to be ensured into the future.

CHA's support for price disclosure is, however, reliant on the ability of our hospital services to be adequately funded for the costs associated with the supply of chemotherapy drugs to patients. The professional services inherent in the safe and high-quality supply of chemotherapy to patients needs to be recognised and paid for in a transparent process that ensures that the costs of supply have been fully covered.

CHA recognises that the Australian government accepts the need to ensure that the costs inherent in the supply of chemotherapy medications are subsidised by the PBS. A number of our members have been working with the Department of Health and Ageing to assist the Department to better understand the underlying costs incurred by hospitals and hospital pharmacies in the provision of chemotherapy.

As many of our hospital members have been supplying chemotherapy services at close to break even (and in some cases below) prior to the reductions associated with price disclosure reductions – particularly for Docetaxel – the impact of price disclosure has been to increase the losses sustained in the ongoing supply of chemotherapy to patients. These losses are set to be exacerbated by the forthcoming reduction in price of Paclitaxel from 1 April 2013.

There is, therefore, an urgent need for the government to finalise and implement its arrangements to replace the revenue derived from reduction in margins from the supply of chemotherapy drugs with a more sustainable funding model based on an increase in the dispensing fee. Whilst there is some variation in the cost of supply between different hospitals within CHA's membership, CHA considers that an increase consistent with that which is being argued by the industry is appropriate.

Whilst CHA members have continued to supply chemotherapy services at a loss over recent months, there is increasing concern that this will not be sustainable over the longer term. The impact of private hospital contracts with health funds, which generally stipulate that hospitals cannot impose an out-of-pocket charge on patients, means that private hospitals do not have any remaining ability to recover costs. Over time, private hospitals will have no choice but to withdraw from the provision of some chemotherapy services.

If this occurs, demand will shift to an already overburdened public sector, with access made more difficult for both public and former private patients. People undergoing chemotherapy treatment, who live in regional areas, may find that they need to travel very long distances to access

chemotherapy if their local service becomes unviable. This would add further considerable stress at a time when their health status has already made their life difficult for both themselves and their families.

In the more immediate timeframe, losses from the provision of chemotherapy treatment in Catholic hospitals mean that there is less money available for the provision of other health and outreach services.

It is our hope that the government will be able to act to rapidly remedy this situation.

As a partial offset to the need to reimburse hospitals purely on a financial basis, CHA and its members propose two additional administrative reforms, which would reduce costs for hospitals and, we also believe, for the Commonwealth.

These reforms include:

- Moving to e-prescribing and removing the need for signed paper PBS prescriptions;
- Removing the requirement for prior authorisation to use chemotherapy drugs for those hospitals able to demonstrate that they are prescribing in accordance with evidence-based treatment protocols.

Thank you again for the opportunity to provide the above comments. If it would assist the Committee in its deliberations, I would be happy to provide further information – either in writing or at a hearing.

Yours sincerely

Martin Laverty
Chief Executive Officer