

The Secretary
Senate References Committee on Community Affairs
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

Dear Sir/Madam

Submission to the Senate Inquiry: Supply of chemotherapy drugs such as Docetaxel

The Australian Private Hospitals Association is grateful for the opportunity to present a submission to the Committee's inquiry into the supply of chemotherapy drugs such as Docetaxel.

This issue is one of vital concern to private hospitals and day clinics providing chemotherapy services as it directly concerns the ongoing viability of services to cancer patients.

The APHA look forward to speedy resolution of this matter.

Yours sincerely



Michael Roff
Chief Executive Officer
20 March 2013

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About the APHA

APHA is the national peak body representing Australia's private hospitals and its diverse membership includes large and small hospitals and day surgeries, for profit and not for profit hospitals, groups as well as independent facilities, located in both metropolitan and rural areas throughout Australia. The range of facilities represented by APHA includes acute hospitals, specialist psychiatric and rehabilitation hospitals and also free-standing day hospital facilities.

As of December 2012, more than 10.7million Australians held private health insurance, and it is likely that private hospitals will play an expanded role in coming years as a key part of Australia's health system. Private hospitals play a central role in cancer care.

The AIHW estimates that 1 in 2 Australians will develop some form of cancer during their lives(2012). Considering that 60% of chemotherapy patients are treated in private hospitals and day facilities, maintaining the viability of private chemotherapy services is a crucial facet of the Australian healthcare system.

Response to Terms of Reference

- A The supply of chemotherapy drugs such as Docetaxel, particularly in relation to:**
- **patient access to treatment,**
 - **cost to pharmacists and suppliers, and**
 - **cost to the private and public hospital systems.**

Patient access to treatment

As the following table shows, the majority (60%) of same-day chemotherapy treatments for people with cancer are delivered in the private sector.

Same Day Acute Separations 2010-11 for Chemotherapy

Public	143,492
Private free-standing day facilities	57,831
Other private hospitals	151,073
Total	<u>352,396</u>

Source: AIHW, *Australian Hospital Statistics, 2010-11*. (April, 2012)

The chemotherapy services provided by private hospitals and day facilities are made possible through advanced care pharmacy services that are provided either in-house or, more commonly, through external pharmacy providers. These advanced care pharmacy services are intrinsic to the safe delivery of chemotherapy drugs.

Advanced care pharmacists perform a complex series of functions taking the manufactured drugs and preparing them to meet the individual requirements of the patient at each stage of their treatment. Chemotherapy drugs cannot be safely administered to a patient without the provision of these expert pharmacological services and safety checks. These services are distinct from the services provided by the treating oncologist and other members of the clinical team and cannot be delegated.

Why have services not been interrupted to date?

Hospitals committed to the care of cancer patients are both legally and morally obligated to ensure full financial disclosure before treatment is commenced and to ensure that all treatment services commenced are completed on the terms pertaining at commencement. When concerns about the funding of chemotherapy drugs first became public in November 2012, our members' first priority was to ensure that patients were informed of the situation and supported in ensuring continuance of appropriate care.

Private hospitals were heartened upon hearing late last year that the Government had commenced discussions with the pharmacy sector to resolve the issue. Hospitals retaining their own pharmacy services have committed to continuing services and absorbing costs as a demonstration of goodwill in the expectation that a solution would soon be found. Hospitals dependent on external pharmacy services have appreciated the forbearance shown by pharmacy service providers in refraining from passing on the shortfall resulting from reduced PBS funding.

Hospitals remain extremely concerned, now almost four months after the price reduction for Docetaxel, lest this show of goodwill be exhausted before the situation is resolved. Already there are signs that some pharmacy services have begun to pass on costs, for example St Andrew's Hospital Toowoomba has advised that they have been required to accept an additional charge of \$85.00 per infusion. Other hospitals have been put on notice by their pharmacy service suppliers.

APHA is concerned that further PBS reductions for chemotherapy drugs scheduled for introduction on 1 April 2013 will only add to these pressures.

If private hospitals and day clinics were forced to reduce or close their chemotherapy services, there would be grave concerns that patients would be left without access to alternative services in the already over-stretched public sector. As shown in the table below, in some States, the private sector is responsible for the overwhelming majority of same-day chemotherapy treatments. Moreover public sector services will also be impacted by PBS price reductions.

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Public	3,282	79,847	29,907	27,171	92	1683	950	560	143,492
Private	39,813	53,799	63,777	27,131	18,928	5456			208,904
TOTAL	43,095	133,646	93,684	54,302	19,020	8649			352,396
Private Share	92%	40%	68%	50%	100%	37%			60%

Source: AIHW, *Australian Hospital Statistics, 2010-11*. (April, 2012)

Cost to the private hospital systems

The pharmacy supply chain involved in delivering chemotherapy drugs to cancer patients takes a variety of forms to meet the requirements of different locations, logistical considerations and markets. Common to all these variants is the necessity of providing safe handling and delivery of toxic substances and the provision of expert delivery of time-critical services and advice specific to the needs of each patient.

Importantly concern has been expressed to APHA by a wide diversity of members ranging from very large hospitals in major metropolitan centres through to small hospitals or day clinics providing services in regional locations. Our members range from major hospitals with large oncology departments and their own in house pharmacy services through to small independent hospitals dependent on external pharmacy services.

One key factor for many hospitals will be the response of third party TGA compounders. The price offered by compounders will vary from hospital to hospital in accordance with specific contracting arrangements. Nevertheless we understand that in some cases the compounder's price reductions will be considerably less than the PBS reduction. For example, a PBS reduction of 70% might trigger a compounder price reduction of only 50% as compounders do not pass the full PBS reduction on to pharmacy services and hospitals. The APHA is also concerned that PBS price setting mechanisms does not include scope to examine differences between the prices offered to private sector and those available to the public sector with the result that the single PBS price for each drug is well below the prices at which private sector pharmacies are able to purchase. This factor illustrates why the supply chain as a whole must be taken into account.

The losses incurred per dose for drugs provided by third party compounders varies significantly but the following figures provided to us from one hospital operator indicate the magnitude involved and the extent to which these purchases have been dependent on cross-subsidisation.

Drug	Dose	Cost per dose	PBS Reimbursement amount	Loss per dose
Bevacizumab	600mg	2,850.00	2,691.29	-158.71
Trastuzumab	888mg	6,366.96	6,313.94	-53.02
Cetuximab	770mg	3,200.00	2,841.33	-358.67
Rituximab	4680mg	4,680.00	4,631.49	-48.51
Cabazitaxel	30mg	5,975.85	5,937.12	-38.73
Natalizumab	300mg	2,372.70	2,165.35	-207.35
Nano Paclitaxel	184mg	975.20	884.77	-90.43
Vinorelbine	50mg	140.00	135.66	-4.34
Doxorubicin Liposomal	100mg	3,325.00	3,078.71	-246.29

These figures also highlight how the 1 December 2012 PBS price reduction for Docetaxel has in fact impacted the viable supply of a wide range of chemotherapy agents.

If pharmacy service providers are unable to cover the costs of preparing these drugs and ensuring safe administration to the patient, chemotherapy services in the private sector will be unviable. Hospitals cannot absorb the costs, estimated as an average of \$100 per infusion, no longer covered by the PBS. Scope to pass these costs onto patients will be limited because the terms of contracts between hospitals and health funds commonly preclude the charging of 'gap-fees' to patients. Consequently there is a real threat that services will be discontinued.

B Any long-term sustainable funding models for the supply of chemotherapy drugs, including Docetaxel

At the outset it must be stated that APHA is supportive of the principle of Price Disclosure and improvements in the efficiency of provision of chemotherapy drugs through the Efficient Funding of Chemotherapy Drugs initiative (EFC). Price Disclosure enables the PBS to take advantage of market competition to obtain the best outcomes for patients including the listing of new drugs as they become available. However true efficiencies and savings can only be obtained by understanding the full supply chain involved in provision of drugs to patients. The application of Price Disclosure to chemotherapy drugs has resulted in some unintended consequences that are now of real concern.

Both in-house and independent pharmacy service providers are funded through the PBS for the provision of listed chemotherapy drugs. Pharmacy services associated with PBS listed drugs are not recognised in funding arrangements with private health insurers. APHA has been advised that should pharmacy service providers pass on the estimated shortfall of \$100 per infusion, members providing cancer services will be faced with either drastically reducing or stopping the provision of cancer services to their patients. Likewise hospitals providing chemotherapy through in-house pharmacy services will be unable to absorb the additional cost on an on-going basis.

Scope for passing costs onto patients is likely to be constrained by hospital agreements with health funds and both legal and moral obligations to existing patients. In view of these constraints, APHA is advised that hospitals are already closely monitoring planned admissions and treatment programs.

Some hospitals may be protected in the short term by contractual arrangements which preclude pharmacy services from passing on costs but these protections do not provide a long term solution.

The APHA supports the provision of an additional fee of per infusion to ensure that the pharmacy services upon which chemotherapy services in the private hospital and day clinic sector rely remain viable. This measure would provide a transparent funding mechanism and remove the need to the industry to rely on untenable cross-subsidisation arrangements. This additional fee must recognise the full complexity of the pharmacological services involved in delivering chemotherapy. PBS funding must take account of the cost of containers and devices inherent in the safe preparation, handling and delivery of the drug to the patient. PBS funding must also recognise the distinctive role of advanced care pharmacists in ensuring the safe delivery of chemotherapy drugs to the patient and the

management of pharmacological side-effects through expert advice, education and use of additional medications.

Pharmacies are licenced under the National Health Act 1954 to supply pharmaceutical benefits funded through the PBS. The private hospital sector is serviced by pharmacies holding two types of licence: Section 94(hospital based pharmacies) and Section 90 (community based pharmacies) each attracting slightly different funding entitlements. The impact of PBS price reductions for chemotherapy is particularly acute for Section 94 pharmacists as these changes come on top of the changes to the PBS remuneration model for Section 94 pharmacies effective from 1 October 2010 which resulted in a significant reduction in trading terms. Consequently Section 94 pharmacies are forced to work within tight margins. To ensure a viable and sustainable model of cancer care, the APHA contends that the solution found needs to provide equitable outcomes for both Section 90 and Section 94 pharmacists where they are offering the same services.

C Any related matters

The impasse which has arisen in relation to the funding of chemotherapy drugs highlights the importance of taking account the perspectives of all stakeholders involved, including not only drug manufacturers and pharmacists but also patients, careers, cancer professionals, hospitals and day clinics in both public and private sectors.

Noting the growing pressures on the PBS, the APHA looks forward to the opportunity for wider stakeholder engagement with the Government ahead of the next Pharmacy Agreement.