



Consumers  
Health Forum  
*of Australia*

**Submission into the Community Affairs Legislation Committee  
Inquiry into the *National Health Amendment (Pharmaceutical  
Benefits Scheme) Bill 2010***

**October 2010**

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**Introduction**

The Consumers Health Forum of Australia (CHF) is the national peak body representing the interests of Australian healthcare consumers. CHF works to achieve safe, quality, timely healthcare for all Australians, supported by accessible health information and systems.

CHF welcomes the opportunity to provide a submission to the Community Affairs Legislation Committee Inquiry into the *National Health Amendment (Pharmaceutical Benefits Scheme) Bill 2010* (the Bill), reintroduced into the House of Representatives on 29 September 2010. The Bill gives legislative effect to the provisions within the Memorandum of Understanding (MoU) signed in May 2010, and re-signed with minor amendments in September 2010, by the Commonwealth of Australia and Medicines Australia (MA).

CHF supports the National Medicines Policy, and its four objectives:

- timely access to the medicines that Australians need, at a cost individuals and the community can afford
- medicines meeting appropriate standards of quality, safety and efficacy
- quality use of medicines
- maintaining a responsible and viable medicines industry.

The Pharmaceutical Benefits Scheme (PBS) works to ensure that these objectives are met.

CHF believes it is essential that the PBS remains viable into the future, and supports PBS Reform that allows for its continuing sustainability. Australia has managed to keep medicines access high while costs remain comparatively low, in spite of the small size of its market. We are the envy of the world in our ability to maintain low cost, high access to pharmaceuticals through the PBS.

CHF's members have consistently championed the PBS as a key component in supporting them to maintain their health. This is particularly important for consumers with long-term or chronic conditions.

We therefore support the passing of the Bill. However, some comments on the Bill, the MoU, and responses to the earlier Senate Inquiry on the Bill are discussed below.

## Ongoing sustainability of the PBS

CHF considers that the Bill and the MoU will contribute to the long-term sustainability and viability of the PBS, through strengthened price disclosure mechanisms for F2 medicines. Price disclosure policies require companies to disclose the prices for which they are selling off-patent medicines. This allows Government to ensure that they are paying a price for those medicines which better reflects the average disclosed market price, which may be well below the existing PBS price. CHF recognises that this policy will result in price reductions representing savings to the Government and therefore to taxpayers, as well as to individual consumers. These savings will support the long-term sustainability of the PBS to ensure that consumers can continue to access the medications that they need into the future.

## Ongoing viability of the generic medicines industry

CHF notes the argument in a submission to the earlier Senate Inquiry on the Bill that price disclosure arrangements may result in threats to the ongoing viability of the generic medicines industry.<sup>1</sup> CHF recognises that price disclosure arrangements may require some administrative changes for this industry to comply. However, we do not accept that price disclosure requirements will render the industry unviable.

CHF understands that price disclosure arrangements are, as described by the Department of Health and Ageing, 'a price taker and not a price setter'.<sup>2</sup> In other words, the price paid by Government is based on the average disclosed price that is actually being paid to companies in the market place. The price is not reduced to the lowest market price, nor is it lowered below the market price. Price disclosure does not prevent generic medicine companies from continuing to compete by offering discounts to pharmacies.

Further, the generic medicines market place is expanding and is likely to continue to do so, with \$2.3 billion worth of medicines coming off patent over the next 12 years.<sup>3</sup> While the MoU prevents the Government from introducing new incentives favouring the prescribing or dispensing of generic medicines, the existing incentive for dispensing of premium-free brands will continue, and the 2010-11 Budget includes a \$10 million generic medicines awareness campaign.

CHF recognises the need for a viable generic medicines industry in Australia, but questions whether the viability of the generic industry will be threatened by the implementation of the MoU.

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<sup>1</sup> Generic Medicines Industry Association 2010 *Submission to Senate Community Affairs Legislation Committee Inquiry into the provisions of the National Health Amendment (Pharmaceutical Benefits Scheme) Bill 2010*. GMiA, Sydney.

<sup>2</sup> Commonwealth of Australia 2010 *Official Hansard: Senate Community Affairs Committee: Budget Estimates 2 June 2010* [D. Learmonth, Department of Health and Ageing], pCA154.

<sup>3</sup> Commonwealth of Australia 2010 *Official Hansard: House of Representatives Parliamentary Debates 29 September 2010* [N. Roxon, Second Reading Speech *National Health Amendment (Pharmaceutical Benefits Scheme) Bill 2010*], p83.

## **Consumer access to medicines**

CHF notes submissions to the earlier Inquiry that argue that consumers may face disruptions in medicine supply due to minimisation of stock by pharmaceutical wholesalers and pharmacists prior to price reductions.<sup>4</sup> CHF agrees that it is essential that consumers are not affected by price change arrangements and that they can continue to access their medicines when required.

However, pharmacists are obliged under the Fifth Community Pharmacy Agreement to keep ‘adequate medicine stocks for the supply of pharmaceutical benefits to ensure reasonable and timely access to those medicines by consumers’, while pharmaceutical wholesalers have an obligation under the Community Service Obligation (CSO) Funding Pool to supply the full range of PBS medicines within 24 hours to all pharmacies in Australia.<sup>5</sup> While price reductions may increase the challenges faced by pharmacists and pharmaceutical wholesalers to provide the full range of medicines to consumers, they do not remove their obligations to ensure that consumers have timely access to medications throughout the transition period.

## **Parallel TGA and PBAC processes**

CHF welcomes the inclusion in the MoU of provisions allowing registration and reimbursement assessment processes by the Therapeutic Goods Administration (TGA) and the Pharmaceutical Benefits Advisory Committee (PBAC) to be undertaken in parallel. This should reduce the length of time before consumers are able to access new medicines. While the introduction of parallel processes should provide the opportunity to achieve efficiencies in how medicines are approved and brought to market, it will be important for TGA and PBAC processes to be closely monitored to ensure that processes are efficient and consumer safety is not compromised.

## **Cabinet timeframes**

CHF welcomes the commitment in the MoU that ‘the Commonwealth will use its best endeavours’ to achieve a maximum timeframe of six months where medicines require consideration and decision by Cabinet. CHF called for the establishment for identified timeframes for Cabinet approval in its submission to the *Senate Community Affairs Committee Inquiry into Consumer Access to Pharmaceutical Benefits*<sup>6</sup>, so this measure is particularly welcome. However, as CHF also argued in this submission, clinical effectiveness must be the basis for Cabinet approvals, and it is important that adequate evidence is provided to enable Cabinet to make an informed decision that protects consumers’ safety.

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<sup>4</sup> National Pharmaceutical Services Association 2010 *PBS Reform – National Health Amendment (PBS) Bill 2010 Submission from NPSA (National Pharmaceutical Services Association representing Full Line Pharmaceutical Wholesalers*, NPSA, Melbourne; Pharmacy Guild of Australia 2010 *Submission to Senate Community Affairs Committee in response to the National Health Amendment (Pharmaceutical Benefits Scheme) Bill 2010*, Pharmacy Guild of Australia, Canberra.

<sup>5</sup> Australian Government and Pharmacy Guild of Australia 2010 *The Fifth Community Pharmacy Agreement Between the Commonwealth of Australia and the Pharmacy Guild of Australia*, Canberra.

<sup>6</sup> CHF 2010 *Submission to the Senate Community Affairs References Committee Inquiry into Consumer Access to Pharmaceutical Benefits*, CHF, Canberra.

## Stakeholder consultation on the MoU

The MA submission to the earlier Senate Inquiry argues that ‘The MoU has been negotiated on behalf of, and agreed to, by the vast majority of affected parties’.<sup>7</sup> However, CHF notes that consumers were not involved in the negotiations or consulted before the signing of the MoU.

We recognise that the MoU grew from discussions with MA, and that the Government did not necessarily intend to negotiate the MoU when these discussions commenced.<sup>8</sup> In this case, the outcome of these negotiations was, in CHF’s view, beneficial to consumers. However, CHF argues that the process for the negotiation of future agreements of this kind should involve consumer consultation, as consumers are the beneficiaries, and ultimately the funders, of the health system.

## Conclusion

CHF welcomes to opportunity to provide comments on the *National Health Amendment (Pharmaceutical Benefits Scheme) Bill 2010*. While we note that consumers were not consulted about the content of the MoU, we recognise the benefits that this Bill provides through savings to the PBS, contributing to its ongoing sustainability and supporting ongoing consumer access to the medicines that they need to maintain health. CHF also welcomes the provisions in the Bill supporting parallel TGA and PBAC processes and a six-month timeframe for Cabinet approvals.

We consider that the benefits that will result from the passing of the Bill will far outweigh the issues raised in submissions to the earlier Senate Inquiry on this Bill.

**CHF therefore supports the passage of the *National Health Amendment (Pharmaceutical Benefits Scheme) Bill 2010*.**

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<sup>7</sup> MA 2010 *Submission to the Australian Senate Community Affairs Legislation Committee Inquiry into National Health Amendment (Pharmaceutical Benefits Scheme) Bill 2010*, MA, Canberra.

<sup>8</sup> Commonwealth of Australia 2010 *Official Hansard: Senate Community Affairs Committee: Budget Estimates 2 June 2010* [D. Learmonth, Department of Health and Ageing], pCA151-152.



The Consumers Health Forum of Australia (CHF) is the national peak body representing the interests of Australian healthcare consumers. CHF works to achieve safe, quality, timely healthcare for all Australians, supported by accessible health information and systems.

CHF does this by:

1. advocating for appropriate and equitable healthcare
2. undertaking consumer-based research and developing a strong consumer knowledge base
3. identifying key issues in safety and quality of health services for consumers
4. raising the health literacy of consumers, health professionals and stakeholders
5. providing a strong national voice for health consumers and supporting consumer participation in health policy and program decision making

*CHF values:*

- our members' knowledge, experience and involvement
- development of an integrated healthcare system that values the consumer experience
- prevention and early intervention
- collaborative integrated healthcare
- working in partnership

CHF member organisations reach millions of Australian health consumers across a wide range of health interests and health system experiences. CHF policy is developed through consultation with members, ensuring that CHF maintains a broad, representative, health consumer perspective.

CHF is committed to being an active advocate in the ongoing development of Australian health policy and practice.