



**The Hon Tanya Plibersek MP
Minister for Health**

The Hon John Murphy MP
Chair
Standing Committee on Petitions
PO Box 6021
Parliament House
CANBERRA ACT 2600



Dear Mr Murphy

Thank you for your letter of 2 November 2011 to the then Minister for Health and Ageing, the Hon Nicola Roxon MP, regarding a petition submitted for the consideration of the Standing Committee on Petitions about amendments to the *National Health Act 1953* to prohibit exclusive supply of Pharmaceutical Benefits Scheme (PBS) medicines to community pharmacies. I am responding as the Minister for Health.

All distribution arrangements for PBS medicines are being closely monitored by the Australian Government to ensure that the objectives of the PBS continue to be met.

To this end, the Department of Health and Ageing has met with the key stakeholders to discuss direct and exclusive supply arrangements, but has not yet received any independent evidence that these arrangements have caused systemic diminished access to PBS medicines for consumers.

The purpose of the PBS is to provide reliable, timely and affordable access to a wide range of medicines for all Australians. The cost of the PBS represents a large portion of the health budget, and in the 2010-11 financial year, the PBS cost the Government approximately \$9 billion. The Government currently subsidises over 3,950 medicines through the PBS, making it one of the most accessible and affordable medicine subsidy schemes in the world.

The Government recognises the role pharmaceutical wholesalers play in the supply chain for PBS medicines and provides remuneration through both the Community Service Obligation (CSO) Funding Pool and the wholesale mark-up on PBS medicines.

Introduced under the Fourth Community Pharmacy Agreement, the primary objective of the CSO Funding Pool is to ensure that arrangements are in place to provide all Australians with ongoing and timely access to PBS medicines via their community pharmacy.

These arrangements support pharmaceutical wholesalers supplying PBS medicines to community pharmacies across Australia, regardless of pharmacy location and the relative cost of supply.

Additional stability for wholesalers has been provided through the retention of the CSO Funding Pool under the Fifth Community Pharmacy Agreement. Pharmaceutical wholesaler remuneration has increased under the CSO from \$663.4 million under the Fourth Agreement to nearly \$950 million over five years of the Fifth Agreement. The wholesaler mark-up remains unchanged (from the Fourth Agreement) at 7.52 per cent of the medicine's price for most drugs, and \$69.94 for drugs costing more than \$930.06.

Although the CSO Funding Pool provides eligible wholesalers with financial support in recognition of the additional costs incurred in providing PBS medicines to all community pharmacies, participation in these arrangements is voluntary. The Government cannot compel wholesalers to take part in the arrangements nor require PBS manufacturers to use the distribution services provided under the CSO arrangements.

Exclusive supply is not a new concept in Australia with many pharmacies benefiting from these arrangements over a number of years. Decisions by a manufacturer to distribute its PBS medicines under exclusive supply arrangements is a commercial decision outside the responsibility of Government, but the Government remains absolutely committed to ensuring timely access of all PBS medicines to all Australians.

My Department would welcome stakeholders providing any information that direct and exclusive supply arrangements are causing patient health impacts through delayed access, either directly or through the Pharmacy Guild of Australia.

Once again, thank you for writing.

Yours sincerely

Tanya Plibersek

24.1.12