

Senate Community Affairs Committee

ANSWERS TO ESTIMATES QUESTIONS ON NOTICE

HEALTH AND AGEING PORTFOLIO

Additional Estimates 2010-11, 23 February 2011

Question: E11-059

OUTCOME 2: Access to Pharmaceutical Services

Topic: AUSTRALIAN PHARMACEUTICAL INDUSTRIES

Written Question on Notice

Senator Boyce asked:

The Australian Pharmaceutical Industries claims that while ‘the industry shares in some \$950 million over five years to distribute medicines under the Community Service Obligation (CSO) arrangement, this is some \$225 million less than what the Government is removing from the industry with its current PBS reforms’. Is this correct and if not, could you explain in detail why not?

Answer:

Under the Fifth Community Pharmacy Agreement the pharmaceutical wholesale industry shares in some \$950 million over five years to distribute medicines under the Community Service Obligation (CSO) arrangement (Refer to response in E11- 060 parts (a) and (b)). The Department does not agree that \$1.2 billion (\$950m + \$225m) is being removed from the wholesale industry. The save to Government over five years from the further PBS reforms is around \$1.9 billion. Given that the impact of PBS price reductions flows through to wholesalers is a maximum of 7.52 per cent (i.e. the wholesaler margin/mark up) it is not possible that the impact on wholesalers is \$1.2 billion.