

ANSWERS TO ESTIMATES QUESTIONS ON NOTICE

HEALTH AND AGEING PORTFOLIO

Additional Estimates 2010-11, 23 February 2011

Question: E11-060

OUTCOME 2: Access to Pharmaceutical Services

Topic: PBS REFORMS

Written Question on Notice

Senator Boyce asked:

- a) Why does the Department hold the view that a 1.7% growth rate compensates the wholesaler for further enhanced PBS reforms and the inflationary costs of doing business?
- b) And if the Department got that estimate wrong what are the implications for the pharmaceutical wholesaling sector?

Answer:

- a) Under the Fifth Community Pharmacy Agreement eligible wholesalers are sharing in some \$950 million over five years to distribute medicines under Community Service Obligation (CSO) Funding Pool arrangements, around 60 per cent (or approximately \$350 million) more than originally funded under the previous Agreement. The payments from the CSO supplement the wholesale margin of 7.52 per cent for most drugs which is paid under the Fifth Community Pharmacy Agreement. Further, the wholesale remuneration for PBS medicines that are priced over \$930.06 is a fixed payment of \$69.94 and is not impacted by price reductions.
- b) The Government is committed to establishing a discussion group with key industry stakeholders, including the National Pharmaceutical Services Association, to consider any unintended consequences or relevant issues arising from the implementation of Further PBS Reform.