

ANSWERS TO ESTIMATES QUESTIONS ON NOTICE

HEALTH AND AGEING PORTFOLIO

Budget Estimates 2011-2012, 30/31 May 2011

Question: E11- 029

OUTCOME 2: Access to Pharmaceutical Services

Topic: PRICE OF GENERIC MEDICINES

Written Question on Notice

Senator Siewert asked:

The 2010 amendments to the NHA Act stipulate that the average price of generic medicines must be reduced by a minimum of 23 per cent on 1 April 2012.

- a) Can the Department please advise what measures it has in place to ensure that there is no disruption to the supply chain as the pharmaceutical supply chain absorbs an overnight price cut of a minimum 23 per cent?
- b) Can the Department please advise what measures it has in place to address potential de-stocking by pharmacists as the value of their generic medicines will decrease by 23 per cent overnight?

Answer:

- a) The Department will provide over three months notice of which medicines are affected by expanded and accelerated price disclosure under the 2010 *Further PBS Reforms*. This allows time for wholesalers and community pharmacies to effectively manage stock levels, as they have demonstrated with previous price reductions under the 2007 Pharmaceutical Benefits Scheme (PBS) reforms and the statutory price reductions which occurred on 1 February 2011 under the Further PBS Reforms.

Issues around unintended consequences of the Further PBS Reforms, including any possible disruptions to the supply of PBS medicines, will also be discussed at the six-monthly Pharmaceutical Industry Discussion Group (PIDG) to ensure it is appropriately managed by all parties. The PIDG includes representatives from the Pharmacy Guild of Australia, the National Pharmaceutical Services Association, the Generic Medicines Industry Association, Medicines Australia, the Consumer Health Forum of Australia, AusBiotech and Australian Pharmaceutical Industries.

- b) Regulation 33 (1) of the National Health (Pharmaceutical Benefits) Regulations 1960 require a community pharmacy to keep in stock an adequate supply of medicines that they reasonably expected to dispense as pharmaceutical benefits.

Further, for eligible wholesalers participating in the Community Service Obligation (CSO) there are a range of contractually enforced standards in operation,

- that at all times a wholesaler will hold stock of one originator brand and two premium-free brands of every PBS medicine; and
- will deliver any PBS medicine to any pharmacy anywhere in Australia within 24 hours when requested.

There are sanctions which may be applied to CSO distributors for failing to meet these standards.