

Senate Community Affairs Committee

ANSWERS TO ESTIMATES QUESTIONS ON NOTICE

HEALTH PORTFOLIO

Budget Estimates 2015 - 2016, 1 - 2 June 2015

Ref No: SQ15-000395

OUTCOME: 6 - Private Health

Topic: Private Health Insurance

Type of Question: Written Question on Notice

Senator: Xenophon, Nick

Question:

- a) When the Department developed the current approach to pricing, did it anticipate manufacturers and suppliers providing cash discounts, volume discounts, in-kind discounts, free equipment and training and other inducements to hospitals and day surgeries in return for promoting the use of their devices?
- b) Similar behaviour was once present in the supply of pharmaceutical items but has been addressed via PBS and ACCC transparency practices. What has been the effect on prices rates for items listed on the PBS since price disclosure and incentive transparency arrangements were put in place?
- c) Has the Department briefed the Minister on the applicability of price disclosure and incentive transparency type arrangements, similar to those in place for the PBS, to the supply prosthesis and medical devices?

Answer:

- a) The current approach to pricing of prostheses on the Prostheses List is based on historic benefits. These benefits were negotiated directly between prostheses sponsors and private health insurers or the Prostheses and Devices Negotiating Group (later the Negotiation Oversight Committee).
- b) From 1 October 2015, 75 of 329 drugs subject to recent price disclosure calculations will receive a price reduction ranging from 10 per cent to 52.03 per cent. Information is disclosed at regular six monthly intervals and is used to work out the price at which the Pharmaceutical Benefits Scheme brands are sold. There is a six month processing period following each data collection period.

A large number of medicines have taken multiple reductions since the start of price disclosure.

- c) No.