Senate Community Affairs Committee

ANSWERS TO ESTIMATES QUESTIONS ON NOTICE

HEALTH PORTFOLIO

Supplementary Budget Estimates 2015 - 2016, 21 October 2015

Ref No: SQ15-000717

OUTCOME: 2 - Access to Pharmaceutical Services

Topic: Chemotherapy Funding

Type of Question: Written Question on Notice

Senator: Di Natale, Richard

Question:

a) How much has been committed to chemotherapy funding over the forward estimates?
b) Can the Department set out how this is split over each financial year and the remaining forward estimate years?
c) How was this figure derived?
d) Have you made any changes to the compounding fee in the 6CPA?
e) What is the rationale for reducing the compounding fee for $60 to $40 for non-TGA licensed compounders?
f) How was $40 arrived at as the appropriate amount to cover the cost of compounding in non-TGA licensed facilities?
g) How many sites contributed data to the $41.33 figure in that report (Report to the Minister for Health: Review of Funding Arrangements for Chemotherapy Services, October 2013)?
h) Have you had any representation from providers questioning the veracity of that report?
i) Has the Department consulted hospitals and community pharmacies on the impact of the reduction?
j) Have any providers made representations to Government that they may reduce or withdraw from compounding on their sites?
k) Has the Department's financial modelling taken into account the impact of non-TGA licensed compounders ceasing to compound and moving to outsource compounding?
l) Has the Department taken into account the difference in wastage rates (ie. PBS claimable pre-ordered chemotherapy that cannot be used due to patient cancellation) between providers that compounders that compound on-site versus those who outsource and need to pre-order?
m) What impact will this have on PBS expenditure?
n) How will the Department ensure that this does not restrict access (of just-in-time chemotherapy and chemotherapy drugs with short half-life) to rural and remote areas who will incur increased transit times for pre-ordering chemotherapy?

Answer:

a) $372 million from 2015-16 to 2019-20

b) $ million

2015-16	2016-17	2017-18	2018-19	2019-2020	Total
67.6	67.0	73.1	79.1	85.1	372

c) The Department of Health's costing applied the $40-$60 fee to previous Efficient Funding of Chemotherapy prescription numbers and included a factor for increased prescription rates over time as well as increased use of Therapeutic Goods Administration (TGA) compounders as a proportion of market share of compounding over time.

d) In response to the findings of the *Review of Funding Arrangements for Chemotherapy Services*, October 2013 (the Review), a time-limited additional $60 was included in fees payable to pharmacists when claiming items under the Efficient Funding of Chemotherapy program. This funding ceased on 30 June 2015. New funding of $372 million to support chemotherapy compounding is provided under the sixth Community Pharmacy Agreement (6CPA).

e) The Review highlighted that compounders who meet TGA manufacturing licence requirements incur significant infrastructure, quality assurance, auditing and other costs. The new compounding fee arrangements under the 6CPA provide a higher rate of funding to those chemotherapy compounders who are licenced by the TGA. Under the new arrangements the remuneration payable along with the relevant compounding fee will provide over the estimated infusion costs, even taking into account slightly higher costs of compounding in rural areas, as reported in the Review.

f) The $20 differential between the $60 and $40 compounding fees reflected the different cost structures associated with gaining and maintaining TGA licensing.

g) Please refer to the response provided to Question on Notice SQ15-000693.

h) Some stakeholders, including those who did not take the opportunity to provide input to the Review, have been critical of the outcomes of the Review. As noted by the consultants to the Review in Appendix K, data that were made available to the Review were sufficient to determine an approximate range with respect to the potential cost for the identified components of chemotherapy provision. While concerns with aspects of the report have been raised in stakeholder meetings, no recent written representations are recorded in the Department's Ministerial database. The Department has confidence in the analysis for the purposes for which it was used.

i) The Department has been consulting regularly with a range of stakeholders including pharmacists who provide chemotherapy compounding services, independent compounders, and state and territory governments on behalf of public hospitals. A workshop with compounders, pharmacists and hospital representatives was held in Sydney on 5 November 2015 and another is planned for late 2015, to discuss implementation arrangements.

j) A small number of compounders have raised concerns with the Department about the impact of the $40 compounding fee on their businesses.

k) The Department's financial modelling included an increased utilisation of TGA licensed chemotherapy compounders over the life of the measure.

l) No. The Review found that in-house compounders can prepare and dispense medicines for a patient at short notice and can usually wait until a treatment order is confirmed before preparing an infusion. While this has not been quantified, the Review does suggest this may in some circumstances reduce wastage.

m) The Review also found that there is almost always a level of wastage which varies depending on the vial sizes chosen to make up each infusion. Wastage adds to the cost

of these expensive medicines, and this occurs irrespective of whether compounding is provided in-house or by a third party compounder.

n) Based on the data presented in the Review the new payment mode provides adequate remuneration for both TGA licensed compounders, as well as in-house compounders, including recognition of additional preparation costs that may exist in some regional areas. The payment arrangements do not specify that a particular compounder must be used. Pharmacies have the option of either compounding in-house or using a third party compounder allowing local circumstances to determine the most suitable compounding arrangements.