

07/36

Mr Elton Humphery  
Committee Secretary  
Senate Community Affairs Committee  
Parliament House  
Canberra ACT

Dear Mr Humphery

**National Health Amendment (Pharmaceutical Benefits Scheme) Bill 2007.**

Thank you for the opportunity to make a written submission to the proposed inquiry on the National Health Amendment (Pharmaceutical Benefits Scheme) Bill 2007.

**PBS reform**

The AMA supports PBS reform which is consistent with quality use of medicines, best practice prescribing and quality dispensing, and ensures that Australians have access to the most appropriate, cost-effective medicines for their condition and circumstance. We believe that prescribing decisions are best made by medical practitioners who have extensive therapeutic training. Clinical freedom to prescribe must be preserved. For Australians to have access to cost-effective medicines, it is essential that PBAC retains the independence to carry out high quality, evidence-based assessments.

With a large number of patents for high volume brand pharmaceuticals due to expire soon, the AMA supports PBS reform aimed at ensuring efficient pricing arrangements so that money is not wasted needlessly on super profits for the retail sector. Our preference is that the savings available from utilisation of the generic options are captured and retained within the PBS.

**Streamlined authorities**

There are only minor references to this issue in the Bill. Having to make millions of phone calls each year to Medicare Australia to receive approval for dispensing authority scripts is a major annoyance to the medical profession. There was never any evidence that this was a cost-effective form of regulation. In this context, the AMA has been pleased to achieve a streamlined authority script system for a limited number of authority listings to reduce the administrative burden placed on doctors when providing clinical care.

The AMA is pleased that this change will be implemented from 1 July 2007, and that the impact of the system will continue to be monitored by a tripartite working group with membership from the AMA, Medicare Australia and the Department of Health and Ageing, with scope for further refinements to the system as appropriate. Cooperation between the Government and the medical profession is invariably the best way to deal with such issues.

## **Pricing arrangements**

A significant challenge for effective reform of the PBS was to set the listed price of generic medicines closer to the actual price paid for pharmaceuticals by retail pharmacy. The AMA supports the implementation of mandatory price disclosure arrangements, whereby the price the Government pays for medicines will become much closer to their market price.

The AMA believes that a sustainable PBS must be one where the providers (pharmaceuticals companies and retail pharmacy) receive a fair price in a competitive framework. At the same time, innovative medicines with little or no competition are encouraged and can have prices set having regard to their own cost effectiveness and the cost effectiveness of other relevant medicines.

While the AMA is comfortable with the concept of price disclosure to achieve this aim, it is less comfortable with the decision to compensate retail pharmacy for the loss of profits as a result of the initiative. In our view, distribution costs of PBS medicines are already excessive and should be allowed to fall.

Obviously the widespread utilisation of PBS Online will generate cost savings to the Government that in turn benefits taxpayers. To this end it is hard to dispute the rationale for an incentive to improve uptake.

We understand that price disclosure mechanisms have been implemented effectively elsewhere and that it can be an effective means of avoiding wasteful government expenditure. The AMA would like to see evidence in due course that the price disclosure regime is producing the outcomes that were anticipated and that it has not been subverted by covert payments to disguise the true extent of price discounting.

## **Access to medicines work group**

The AMA supports this forum as a mechanism to consider issues of continued access to innovative medicines through the PBS. As the forum currently includes representation from Medicines Australia and the Department of Health and Ageing, the AMA considers it would be useful to have other stakeholders given observer status, and the publication of minutes and reports to ensure the process is seen to be open and transparent.

## **Generic medicines awareness campaign**

While the AMA is supportive of this endeavour and is represented on the reference group that will guide the development of the community education campaign, there are some key issues that should not be overlooked in the quest to encourage the use of generic medicines:

1. ***The need for clear data that indicates current, projected and desired targets and outcomes.*** The AMA believes that penetration of generic medicines in the Australian market is currently around 30 per cent and maximum penetration would be 50 per cent given the number of patent medicines.
2. ***The need for a discussion of the benefits or otherwise of active ingredient labeling.*** This occurs in the United Kingdom where the uptake of generic medicines is much higher at between 55 per cent and 70 per cent.

3. ***The need to consider the safe use of generic medicines given the potential for brand switching and confusion***, particularly with older people using multiple medications, unless a doctor indicates otherwise.

In the lead up to the PBS reforms, the Government was critical of doctors for preventing further generic penetration in the Australian market. It was alleged this was achieved by doctors ticking the “not for substitution” box on the PBS script. However when we asked the Department to further examine this allegation, it was discovered that doctors only ruled out substitution in 3% of scripts. The AMA is confident that this would be almost exclusively driven by the most appropriate clinical care for the patient.

The AMA appreciates the opportunity to make a submission to the Senate committee on Community Affairs in relation to the National Health Amendment (Pharmaceutical Benefits Scheme) Bill 2007.

Yours sincerely

A handwritten signature in black ink, appearing to read "John Gullotta". The signature is fluid and cursive, with a large loop at the beginning and a long, sweeping tail.

Associate Professor John Gullotta  
Chair AMA Therapeutics Committee

13 June 2007

jg:sc