

NATIONAL HEALTH AMENDMENT (BUDGET MEASURES – PHARMACEUTICAL BENEFITS SAFETY NET) BILL 2005

THE INQUIRY

1.1 The National Health Amendment (Budget Measures – Pharmaceutical Benefits Safety Net) Bill 2005 (the Bill) was introduced into the House of Representatives on 14 September 2005. On 5 October 2005, the Senate, on the recommendation of the Selection of Bills Committee (Report No. 11 of 2005), referred the provisions of the Bill to the Committee for report.

1.2 In recommending the reference of the Bill to the Committee, the Selection of Bills Committee provided the following issues for consideration.

To examine the provisions of the Bill relating to increases in the Pharmaceutical Benefits Safety Net thresholds and new safety net and patient co-payment arrangements for some pharmaceutical benefits where the pharmaceutical benefit is supplied within 20 days of a previous supply to determine the implications for access and equity in relation to medicines for all Australians.

1.3 The Committee considered the Bill at a public hearing on 13 October 2005. Details of the public hearing are referred to in Appendix 2. The Committee received 13 submissions relating to the Bill and these are listed at Appendix 1. The submissions and Hansard transcript of evidence may be accessed through the Committee's website at http://www.aph.gov.au/senate_ca

THE BILL

1.4 The purpose of this Bill is to amend Part VII of the *National Health Act 1953* (the Act) in relation to certain aspects of the Pharmaceutical Benefits Scheme (PBS), as announced in the 2005-06 Budget. The amendments will implement new safety net and patient co-payment arrangements for some pharmaceutical benefits where the pharmaceutical benefit is supplied within 20 days of a previous supply. The amendments will also increase the thresholds for eligibility for PBS safety net entitlements.¹

1.5 Expenditure on the PBS and Repatriation Pharmaceutical Benefits Scheme (RPBS) has grown at an average rate of 12 per cent per annum for the last 10 years,

1 Explanatory Memorandum, p.1.

with a total cost of about \$6.5 billion in 2004-05. This Bill implements government budget measures designed to support the affordability of the PBS into the future.²

1.6 The measures in the Bill have a total saving of \$210 million over the four years 2005-06 to 2008-09. The amendments relating to the early supply of specified pharmaceutical benefits via the PBS and the RPBS are estimated to result in savings of approximately \$70 million, while the amendments relating to increases in the safety net thresholds are estimated to result in savings to the PBS and RPBS of approximately \$140 million.³

1.7 The Parliamentary Secretary to the Minister for Health and Ageing stated:

The measures recognise that the PBS is important to the health of Australians. The sensible and practical steps in this bill demonstrate determination to preserve this valued part of the Medicare system for our children and future generations. We have a responsibility to keep watch on the cost of the PBS for the community as a whole and the costs for the individuals and families at the time of purchasing PBS medicines.⁴

ISSUES

1.8 This Bill addresses two issues in relation to the operation of the PBS which have become apparent: it deters the stockpiling of medicines by discouraging repeat prescriptions within 20 days ('safety net 20 day rule') and 'will help to rebalance the way costs for the PBS as a taxpayer funded scheme are shared between the community as a whole and individuals using medicines' by gradually raising the threshold of the safety net by two co-payments every year for the next 4 years.⁵

Safety net 20 day rule

1.9 The AMA pointed out that early repeat supply is reasonable for people who are travelling or have other commitments.⁶ It also suggested that stockpiling activity would self-correct:

From our point of view the stockpiling issue should be fairly much self-correcting. If you are spending above the safety net and you stockpile this year, it is going to take you longer to get to the safety net in the following year.⁷

2 Parliamentary Secretary to the Minister for Health and Ageing, Second Reading Speech, 14.9.05.

3 Explanatory Memorandum, p.3.

4 Parliamentary Secretary to the Minister for Health and Ageing, Second Reading Speech, 14.9.05.

5 Parliamentary Secretary to the Minister for Health and Ageing, Second Reading Speech, 14.9.05.

6 *Submission 3*, p.2 (AMA).

7 *Committee Hansard* 13.10.05, p.2 (AMA).

1.10 The Australian Consumers' Association (ACA) did not support the introduction of the 'safety net 20 day rule' as it believed patient care will suffer, for example, patients who live in rural areas who often have to travel long distances to a pharmacy.⁸

1.11 The Government of Western Australia opposed the amendment on the following grounds:

This proposed amendment could result in a patient's co-payment for the supply of any medication within 20 days not being eligible for the safety net arrangements. This will effectively penalise patients financially where the doctor is adjusting a medicine's dose to achieve an optimum effect, where a patient has lost their medicines, or where, through illness, they require an increase in the rate of supply of their medicines.⁹

1.12 The National Association of Practising Psychiatrists (NAPP) sought an exemption from the safety net 20 day rule for medications for psychiatric patients. It argued:

It is self evident that some psychiatric patients will be among those who perhaps commonly misplace medication because of their mental state. Increases in payments, or reductions in applicability of co-payments towards safety-net arrangements would seem to us to be unintentionally punitive and perhaps discriminatory. NAPP would seek exemption of such medications under new provisions.¹⁰

1.13 The Australian Divisions of General Practice (ADGP) gave qualified support for the proposed change,¹¹ while the submission from the Health Consumers Council WA (HCC) listed a number of advantages which should accrue from the introduction of the safety net 20 day rule including that:

This approach will discourage unnecessary supply of PBS medicines and reduce wastage costs. It encourages consumers to use medicines responsibly and not to get early or excess supplies.¹²

1.14 Research by the Department of Health and Ageing (DoHA) has found evidence that stockpiling of PBS medicines occurs towards the end of each calendar year when many people have reached their thresholds. Apart from discouraging stockpiling, the Department indicated that the introduction of the safety net 20 day rule will have the added benefits of 'reducing wastage, and reducing risks associated with excess medicines in the community'.¹³

8 *Submission 6*, p.1 (ACA).

9 *Submission 13*, p.2 (Western Australian Government).

10 *Submission 1*, p. 2 (NAPP).

11 *Submission 9*, p.1 (ADGP).

12 *Submission 4*, p.3 (HCC).

13 *Submission 7*, p.4 (DoHA); see also *Committee Hansard 13.10.05*, pp.12-13 (DoHA).

1.15 DoHA asserted that people with chronic conditions or living in remote areas will not be worse off under the new safety net rule. It noted:

Under the existing Regulation 24 provision, a doctor can endorse a prescription at the time of writing so that the original and all repeats can be dispensed at the one time, if that is necessary for the patient due to distance from a pharmacy or chronic illness, and hardship in obtaining repeats on separate occasions. For example, doctors can use Regulation 24 for prescriptions for people who live or work in remote areas.

There will be no change to the operation of Regulation 24. Supply of multiple repeats of a prescription on the same day as the original under Regulation 24 will not be affected by the new Safety Net rule.¹⁴

1.16 The Department noted that only medicines for long-term therapy will be affected by the safety net 20 day rule. It clarified:

The Safety Net 20 Day rule will apply only to medicines for long-term therapy. It is not intended to apply to all PBS medicines. It will not apply to medicines such as morphine; palliative care medicines; chemotherapy medicines; Section 100 items (eg. medicines for HIV); or medicines for acute conditions or short-term use (eg. antibiotics for acute infections).

The Safety Net 20 Day rule will only apply where the same PBS item (any brand) is resupplied early for the same person. This means that where the doctor writes a prescription for the same medicine but for a different dosage or formulation (eg tablets instead of a liquid), there will be no financial penalty to the patient from the supply of both prescriptions within 20 days even where the medicine is one that is subject to the new rule.¹⁵

Increase in safety net thresholds

1.17 At present the general patient co-payment under the PBS is \$28.60, and the concessional patient co-payment is \$4.60. Currently general patients who reach their safety net threshold of \$874.90 (equivalent to 30 prescriptions) pay \$4.60 for any additional PBS scripts for the remainder of that calendar year, while additional medicines are free for concessional patients who reach their threshold of \$239.20 (equivalent to 52 prescriptions).¹⁶

1.18 The AMA argued that the safety net thresholds are already high and stated:

Increasing these already high thresholds by a further 8 scripts to 38 and 60 respectively will impose further hardship on the sickest Australians.

This measure is in addition to increases in the general and concessional co-payments which are indexed annually following a more than 20%

14 *Submission 7*, p.5 (DoHA).

15 *Submission 7*, p.5 (DoHA); see also *Committee Hansard 13.1.0.05*, p.14 (DoHA).

16 Bills Digest No. 56 dated 12 October 2005, p.6.

adjustment in the 2004-05 budget. This measure will cause hardship for the people in our community least able to afford it.¹⁷

1.19 The Health Consumers Council WA (HCC) voiced a similar concern:

People with chronic illnesses, the elderly and families with children will also be amongst the groups hardest hit by the increased safety net contributions for PBS medicines.¹⁸

1.20 The Queensland Government commented that 'it could be anticipated that the increased number of co-payments will create major pressures for some non-concessional patients with chronically ill patients in the family, and for many concessional patients'.¹⁹ Similarly, the Government of Western Australia felt that raising the safety net thresholds 'will disadvantage the chronically ill in our community'.²⁰

1.21 The Australian Women's Health Network (AWHN) expressed grave concern that medicines are being priced out of the reach of increasing numbers of ordinary Australians. It added:

This issue is of particular concern to women because they use more hospital and medical services and medicines than men, partly in fulfilling their reproductive roles and partly because they live longer, using more services in old age. Moreover, they experience more episodes of illness. Affordability of medicines is thus crucial to women.²¹

1.22 Women's Health Victoria (WHV) made a similar point, stating that the Bill will affect women disproportionately.²²

1.23 Catholic Health Australia (CHA) argued against the proposed increases as previous price rises are already impacting on demand, resulting in budgetary savings for the Government. CHA noted:

In fact the latest data on PBS expenditure over the twelve months to June 2005 shows that PBS expenditure is running at around \$250m less, on an annualised basis, than if the trend established over the last 5 years had continued. A significant component of this saving is undoubtedly due to volume reduction with the latest HIC figures suggesting a reduction of around 5 million scripts in the year to June 2005 compared to what could have otherwise been expected.²³

17 *Submission 3*, p.1 (AMA).

18 *Submission 4*, p.1 (HCC (WA)); see also *Submission 6*, p.2 (ACA).

19 *Submission 10*, p.1 (Queensland Government).

20 *Submission 13*, p.1 (Western Australian Government)

21 *Submission 12*, p.2 (AWHN).

22 *Committee Hansard 13.10.05*, p.6 (WHV).

23 *Submission 5*, p.2 (CHA); see also *Submission 6*, p.2 (ACA).

1.24 The Department Health and Ageing (DoHA) argued that people accessing PBS medicines should 'contribute a fair and reasonable amount to the cost of those medicines, in line with their treatment needs and ability to pay'. DoHA continued:

The cost to a patient for a PBS medicine is often only a fraction of the actual total cost. Increases in the cost of the PBS have meant that the relative contribution of patient payments as a proportion of total PBS costs has fallen from around 20% in the early 1990's to 16.4% in 2004-05.

The incremental increases in the Safety Net thresholds will result in a gradual adjustment over four years which will help to rebalance the way costs for the PBS as a taxpayer-funded scheme are shared between the government and individuals. The on-going benefits of the PBS Safety Net will continue to protect individuals and families.²⁴

Recommendation

1.25 The Committee reports to the Senate that it has considered the National Health Amendment (Budget Measures – Pharmaceutical Benefits Safety Net) Bill 2005 and recommends that the Bill be passed without amendment.

Senator Gary Humphries
Chairman

November 2005

24 *Submission 7*, p.2 (DoHA).