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## Family First Dissenting Report

### **Inquiry into the National Health Amendment (Budget Measures – Pharmaceutical Benefits Safety Net) Bill 2005**

The *National Health Amendment (Budget Measures – Pharmaceutical Benefits Safety Net) Bill 2005* is another piece of legislation which shifts health costs to Australian families.

My principle concern is that the Bill, when combined with other measures, will lead to significant increased health costs for families and individuals. This Bill is a prime example of how a Family Impact Statement would have helped illuminate the practical effect of changes for Australian families.

The increase in the threshold is one of the measures "... designed to support the affordability of the PBS into the future."<sup>1</sup>

The changes to the Pharmaceutical Benefits Scheme (PBS) Safety Net thresholds are "... expected to save the Government \$140.2 million over four years."<sup>2</sup>

However The Australian Medical Association challenges this:

Describing these measures as savings is curious. They are in effect transferring extra costs to households and could more accurately be described as cost shifting measures.<sup>3</sup>

#### **Increase in Safety Net thresholds**

The Bill will increase costs on families because it increases the PBS Safety Net thresholds. The Department of Health and Ageing explains that:

For general patients, this will mean that the current Safety Net threshold of \$874.90 will increase by the equivalent of two indexed co-payments (currently \$28.60) on 1 January of each year until 2009. By 2009, the general Safety Net threshold will include eight additional co-payments. For concessional patients, the Safety Net will increase by the equivalent of two co-payments [currently \$4.60] each year from 52 prescriptions currently (\$239.20) to 60 co-payments by 2009.<sup>4</sup>

To gauge the effect of the extra costs, by 2009 a patient without a concession card would have to spend at least an extra \$228.80 each year before being eligible for the concessional rate. Concessional patients would need to spend an extra \$36.80 each year before co-payments are waived.

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<sup>1</sup> Second reading speech, House of Representatives, 14 September 2005

<sup>2</sup> Bills Digest No. 56, 12 October 2005, page 4.

<sup>3</sup> Submission 3, page 1 (Australian Medical Association)

<sup>4</sup> Submission 7, page 1-2 (Department of Health and Ageing)

### **The effect of increasing health costs**

The effect of increasing the threshold for the PBS Safety Net is compounded for families by the 30 per cent increase in co-payments on 1 January 2005<sup>5</sup> and by the recent Government decision to raise the Medicare Safety Net. Changes to the Medicare Safety Net increased the amount families would have to pay in out-of-pocket non-hospital health costs by at least \$180 each year, before they are eligible for Medicare Safety Net benefits.

A number of groups giving evidence pointed out that people relying on the PBS Safety Net are not likely to be in good health and are likely to have a low income:

...someone who is taking 60 scripts a year is probably quite sick. If they are a concessional they are probably not working. They are probably not going to be loaded with cash. Obviously not 100 per cent of people fit within that. There are people who have big assets and low incomes who can manage to get into these things but, by and large, you can make a pretty good correlation, I think, between the concession card people and low income, particularly someone who is on 60 scripts a year. That is a lot of scripts.<sup>6</sup>

Spending on pharmaceuticals is a necessary cost and should not be regarded as discretionary spending. This can pose particular problems for people on lower incomes.

Given that medicines are normally only prescribed for sick people, spending on medicines should not be regarded as discretionary – increased payments will therefore need to come at the expense of some other purchase. Where a person has a number of health conditions (as is often the case with the elderly for example), this impact will be exacerbated. Incomes and health status tend to be closely correlated – so sick people are more likely to have lower incomes. Some may not be in a position to afford increased co-payments.<sup>7</sup>

The increase in the PBS Safety Net therefore will have a particularly harsh effect on lower income people who require pharmaceuticals for medical problems. The Government should consider other ways to fund cuts to expenditure, rather than these measures which negatively affect vulnerable people.

You have to ask the question whether there would not be a better way to do it which would impact more generally across the board on patients or taxpayers rather than to affect those who are using a hell of a lot of pharmaceuticals. To get to 60 scripts for a concessional you have got to be quite sick.<sup>8</sup>

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<sup>5</sup> Bills Digest, No. 56, 12 October 2005, page 1

<sup>6</sup> Committee Hansard, 13 October 2005, page 2 (Australian Medical Association)

<sup>7</sup> Submission 5, page 1-2 (Catholic Health Australia)

<sup>8</sup> Committee Hansard, 13 October 2005, page 1 (Australian Medical Association)

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Both the AMA and Catholic Health Australia have called for a joint Medicare and PBS Safety Net.<sup>9</sup> This would at the least help policy makers to better determine the impact of policy change on families and individuals.

### **Trading off money for health**

People living on low incomes are more vulnerable to increases in the cost of living. Many other low income households will also be forced to decide between buying pharmaceuticals and forgoing other spending, or risking their health.

It is argued that some recent savings in PBS expenditure made by the Government after increasing the price of medicines "... 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."<sup>10</sup>

Unfortunately the Department of Health and Ageing does not appear to understand the very real impact of drug costs on lower income Australians, implying they are lucky to not be paying even more:

The maximum financial disincentive we are talking about there is the difference between \$4.60 and \$28.60 at the moment, with those rates indexing each year. I am sure it is a significant amount of money ... for some people in need. No doubt. But it is not as if we are asking them to pay the full cost of those medicines.<sup>11</sup>

### **Conclusion**

The increase in the PBS Safety Net thresholds is just one more in a series of recent increases in the health costs forced on Australian families by the Federal Government. If the Government was genuinely concerned about the interests of families, particularly low income and disadvantaged families, it would issue a Family Impact Statement on such policy measures so that the full impact on families can be understood. In the absence of such a statement, the evidence shows that such increases in the health costs for families are not in their interests and should be addressed by the Government.

Senator Steve Fielding  
Family First, Victoria

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<sup>9</sup> Submission 3, page 2 (Australian Medical Association); Submission 5, page 2 (Catholic Health Australia)

<sup>10</sup> Submission 5, page 2 (Catholic Health Australia)

<sup>11</sup> Committee Hansard, 13 October 2005, page 15 (Department of Health and Ageing)

