National Health Amendment (Budget Measures – Pharmaceutical Benefits Safety Net) Bill 2005

Health Legislation Amendment Bill 2005

October 12th 2005.

Submission by the Health Consumers' Council of Western Australia (Inc) (HCC) to the Selection of Bills Committee on the National Health Amendment (Budget Measures – Pharmaceutical Benefits Safety Net) Bill 2005 and the Health Legislation Amendment Bill 2005.

Background

National Health Amendment (Budget Measures – Pharmaceutical Benefits Safety Net) Bill 2005

- The Pharmaceutical Benefits Scheme (PBS) is an important tool for administering affordable, high quality medicines to Australians. Expenditure on the PBS and the Repatriation PBS has grown at an average rate of 12% per annum over the last 12 years. The cost to Australia of the PBS was around $6.5 billion in 2004-05.

Proposed Safety Net Increases from 2006

- Note that within the PBS the terms general patients and concession patients are used.

- The bill outlines the proposed increases to the PBS Safety Net over the next four years. The PBS Safety Net threshold will increase by two general patient copayments and two concessional copayments each year from 2006-2009. This means that the general safety net threshold, currently $874.90 (2005), will increase progressively by amounts equal to two indexed copayments each year for four years, resulting in a safety net threshold in 2009 which includes eight additional copayments. The concessional safety net threshold, which is currently $239.20 (2005) and equal to 52 prescription copayments, will increase by two copayments each year to 54 prescriptions in 2006; 56 in 2007; 58 in 2008; and 60 in 2009. These increases will come into effect on 1 January each year and will be in addition to the usual annual indexation based on Consumer Price Index (CPI).

Comment

- Whilst these changes are gradual, they impact on the safety net contributions of consumers and the increased costs will have an additional effect on the financial budget of low income earners. 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. .General patients have been most affected by the

steady increase in copayments for PBS medicines over the years. Research done for this submission found that approximately up to 40% of general patients PBS prescriptions were under copayment. Therefore, although counting towards the safety net they do not attract any government subsidy. General patients, although receiving a subsidy for PBS medicines over the copayment (ie pay a maximum of $28.60 per item), still contribute significantly to the cost of medicines received under the scheme.

- The cost of PBS medicines is only one of the costs incurred by consumers using the health system. There is a separate Medicare safety net for medical services. In addition health care related expenses are hard for consumers to budget for as they are unpredictable. Consumers may have some months where their income is stable, however, their medical and medicine expenses are high. People with chronic illnesses spend a higher proportion of their household budget on health care costs than the average household. The safety net is a per annum amount and does not take into account the potential for variation over the months (eg consumers can't bank some money into their safety net contributions or pay quarterly contributions).

Additional fees

- All consumers receiving PBS medicines may face additional charges that do not count towards the safety net, these are brand premium policy and therapeutic group premiums policy.

- **Additional fees for General Patients**

- Where a pharmaceutical item has a dispensed price for maximum quantity (usually one month's supply) of less than $28.60, the pharmacist may charge general patients additional allowable fees. These fees, cannot take the cost of the prescription above the maximum copayment amount of $28.60. An additional charge of up to $0.95 from 1 July 2004, provided this does not take the cost of a prescription above $28.60. The amount of this fee can count toward the Safety Net threshold. There is also currently an additional patient charge up to a maximum of $3.36. This amount *does not count toward the Safety Net Threshold.* These are discretionary fees (almost universally applied) and pharmacists are free to discount these fees for PBS items where the cost is below the general patient contribution rate.

New Safety Net for Medicines Dispensed Under 20 Day Rule

<u>Background</u>

- As a general rule, once a PBS item has been dispensed, a repeat of that item cannot be supplied to that patient again within the next 20 days if the item has more than 4 repeats (eye and ear preparations are currently exempt). The bill proposes a new safety net for medicines dispensed under a safety net 20 day rule to apply from 2005.

- The existing PBS 'immediate supply' provisions allow for subsidised resupply of some medicines to occur within 20 days if the medicine has been destroyed, lost, stolen or is required without delay for treatment. If this were to occur for a medicine subject to the new safety net 20-day rule, the copayment will not count towards the safety net threshold. The implications for consumers of this new provision within the PBS are, if they are using a long term medicine with five repeats (eg long term cholesterol lowering medicine), deemed as appropriate to be subjected to this additional safety net, and they get it dispensed earlier than twenty days, the item will not be eligible for safety net inclusion. It will be outside the normal safety net and they will pay either the concessional patient or general patient status price, whichever applies to them. There will be a second safety net operating and if, for example, they are a concession patient and past their safety net entailment and receiving PBS medicines free for the rest of the calendar year and they get one of their medicines deemed appropriate to be subjected to the new safety net rule, dispensed under the safety net 20 day rule, they will pay the concessional rate. The same applies to general patients. If they have reached their safety net and are entitled to medicines at the concessional copyament rate ($4.60 in 2005) , and they get a medicine dispended under the 20 day safety net rule, they will not be eligible for the safety net entitlement and will have to pay the normal general patient copayment amount ($28.60 in 2005) .
- The medicines which will fall under these new provisions will be subject to expert advice from the Pharmaceutical Benefits Advisory Committee (PBAC) to ensure that the new rules apply only to those medicines where it is appropriate.
- The two safety nets will run in parallel with each other. It is anticipated that the second safety net *will not have an upper amount.*

Positives from The 20 Day Rule

- The proposal encourages responsible use of PBS entitlements and safety net arrangements. It removes the incentive to obtain extra PBS medicines for the purpose of accessing safety net advantages.
- The safety net 20-day rule means that patients will achieve the best value for PBS copayments by complying with standard PBS entitlements rather than attempting to maximise safety net benefits by obtaining excess supplies.
- The safety net 20-day rule is a sensible way to reduce inappropriate demand. The new rule will only apply to PBS medicines where, on expert advice, it is appropriate. It is reasonable that, if an additional or early supply of one of these medicines is required, it should be eligible for PBS subsidy but not be eligible for safety net benefits.
- 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.
- Importantly, this proposal continues to *allow for access to additional supplies of PBS medicines under the 'immediate supply' provisions when that is required.* It is fair for the individual, the PBS and the community as a whole.
- <u>The safety net 20-day rule will not apply to PBS medicines supplied on prescriptions relating to treatment at a hospital or day hospital facility. This means that PBS medicines prescribed in private hospitals, discharge medicines prescribed at</u>

participating PBS reform hospitals and outpatient medications supplied at public hospitals *will not* be affected.

- It will help to reduce wastage and reduce the risk that excess medicines in the community can pose to consumers and others.
- It will encourage consumers to keep accurate records of their prescriptions on their "Prescription Record Form" (which is the individuals responsibility).
- It is hoped that the new arrangements will lead to the PBS working appropriately with the "Quality Use of Medicines" initiative.
- It encourages consumers to further build their relationships with their pharmacists and prescribers.
- It is proposed *to educate the professions* re the new arrangements.
- It assists with the supply chain of medicines from industry. Currently due to the safety net operating towards the end of the calendar year there is a down time in the following January. Pharmacies are very busy in December and some are doing almost one third of their trade at that time. Storage shortages are experienced in the pharmacy and the problems of staff recruitment are of concern to the profession and to consumers. Within the quality care initiatives and pharmacy accreditation, there are professional standards for the provision of "pharmacy" and "pharmacist only" and "prescription medicines" in pharmacies. Consumers support these initiatives as well as the opportunity for privacy (if needed) when medicines are dispensed.
- The modeling done by the Department of Health and Ageing of the PBS demonstrated specific trends over all patient groups when the safety net was reached. There is a huge increase in prescriptions dispensed in the later third of the year. The 20 day safety net rule has the potential to make the PBS fairer for all Australians
- Currently there is evidence that some stockpiling of medicines is done by consumers. This could lead to the unsafe use of medicine and some wastage.
- There is some doctor and prescription shopping being undertaken (article in the West Australian Newspaper "Records ban adds to drug problem" by Cathy O'Leary Medical Editor 7.10.05).
- The electronic "Pharmacy Online" initiative is coming on board over the next three years. This will streamline the dispensing of and payments for prescriptions.

Better Use of Authority Scripts

- Their appropriate use will result in some consumers getting *better targeted medicine for their illnesses.*
- Currently there are some medicines on the PBS that are authority scripts. If a consumer requires and increased dosage of a medicine then the prescriber can apply for an authority to prescribe increased quantities of that medication. The 20 safety net benefit rule may lead to better use of the authority script and has the potential to benefit the consumer. The PBS was designed for one month's supply of a medicine. Therefore, a consumer who needs more medication is entitled to receive it rather than get a new prescription filled in for example a fortnight's time. It is hoped that prescribers will more effectively use the authority script process to benefit their patients. This is quality use of medicines and it provides consumers with accessible, affordable medicine. *More appropriate use of authority scripts is one of the most*

important benefits to consumers of the new 20 day safety net rule. This is where there is potential for consumers to actually save some money spent on PBS copayments(if they are currently getting their medication dispensed frequently ie under one month).

- It is expected that the new provisions will take some time to "settle"

DOWN SIDES

- There is already widespread confusion regarding the safety net so an additional safety net will make things even more complex for consumers.
- The safety net amount changes every year anyway as it is indexed to the CPI. The new safety net amount of two annual increased copayments is in addition to the CPI increase. Consumer will have to get used to these new arrangements.
- Consumers will also have to adjust as some will pay more. *Some may not be able to afford their prescriptions and will have to cut back or cut expenditure in another area.*
- When copayments for the Repatriation PBS (RPBS) were introduced under their safety net (previously there was no charge for RPBS), people heeded the "price signal". The effectiveness of a "price signal" was demonstrated as the prescription rate for RPBS declined. There was some evidence at the time that people were regularly getting prescriptions filled as part of their weekly shopping trip. Charging a copayment reduced wastage and more judicious use of medicine was encouraged
- *The new arrangements will be monitored*. As stated previously, only those medicines seen as appropriate by the PBAC will be subject to the 20 day safety net rule. This provides a support measure for consumers as an expert committee (PBAC) will monitor the new additional safety net scheme
- There have been widespread changes to the PBS and *these proposed new changes will need to be effectively communicated to consumers.*
- When consumers are getting their prescriptions filled there is still widespread lack of knowledge of the PBS Safety Net. *The on-going and appropriately targeted education campaigns are required. This will need to be properly funded.*

HEALTH LEGISLATION AMENDMENT BILL 2005

Background Information

- Schedule 3 of the bill makes two amendments to the Health Insurance Act 1973. The first amendment clarifies the scope of the power to make the Medicare tables. It has been a longstanding practice to specify, in the Medicare tables, conditions that must be met for Medicare benefits to be payable for health services. The amendments remove any doubt as to the validity of including such conditions in the tables.

- The second amendment to the Health Insurance Act is to insert a new power that allows the minister to make a legislative instrument determining that Medicare benefits are not payable in respect of professional services rendered in specified circumstances. A power of this kind is required to allow swift action to be taken to prevent medical practitioners claiming existing Medicare Benefits Schedule items for services which they were never intended to cover or which the government does not wish to fund through Medicare.
- Problems in this area most commonly arise in relation to the development of new medical technologies. Medical practitioners sometimes claim new medical technologies under existing Medicare items before the government is satisfied that the new technology is safe or that it represents value for money.
- With the rapid advances in medical technology this has the potential to drive up the costs of Medicare and to impact on the broader health system through, for example, increased private health insurance premiums.

- **Note** *Medicare Australia* came into operation on 1 October 2005. Medicare Australia now performs all the functions and provides all the services that were performed by the *Health Insurance Commission* (HIC) http://www.medicareaustralia.gov.au/ online (12th October 2005).

Comments

- The amendments to the Bill are required to ensure that the correct Commonwealth Medicare Benefits Schedule (CMBS) items are used by the professions.
- This is important because at the moment when new procedures and technologies are in use there are occasions when existing Medicare items are used as they *describe a procedure*. This grey area covering the use of an item number needs to be clarified.
- The proposed changes in this bill will ensure the accurate and appropriate use of the CMBS. There needs to be a consistent approach to the use of CMBS.
- There are cost pressures on Medicare and they are increasing. For example due to both increased utilization of Medicare services (population growth is one factor here) and the costs of the new medical procedures and technologies.
- Medicare needs to be fair for all Australians. It provides universal health cover and is funded by the taxpayer. Consumers value Medicare and their access to a first class health system
- There is a Medicare Services Advisory Committee (MSAC) (Strengthening Evidence Based Health Care in Australia). This committee and its sub committees assess new medical procedures and technologies.
- The main MSAC committee has broad expert representation from the health area and it also includes two health consumer representations. There is extensive documentation of MSAC on the Department of Health and Ageing web site. http://www.msac.gov.au/index.htm online (12.th October 2005)
- Each MSAC subcommittee formed to evaluate an MSAC application also includes a health consumer representative. Sometimes two consumer are

appointed as one of the main MSAC committee members may be appointed to the sub committee as well

- The principle role of MSAC is to advise the Australian Minister of Health (MOH) and Ageing on evidence relating to the safety, efficacy and cost effectiveness of a new medical technology and procedure. This advice informs the Commonwealth Government discussion on public funding for new and in some cases existing medial procedures. The MOH is grateful to the MSAC committees that are formed and the comprehensive work they do when evaluations are undertaken. Their work is important to inform him and he receives the final reports from MSAC once an evaluation is complete.
- If this proposed legislation is passed, the Commonwealth can say to providers of health services who are using CMBS item number inappropriately, there is a transparent MSAC process which is firmly established. Providers can then be informed that if they want to use a medical procedure or technology and they have the necessary information about it and want to have it evaluated for inclusion on the CMBS, then they can put in an application for consideration of evaluation by MSAC.
- The rigorous applications performed by MSAC are accountable
- This legislation if passed is fair to taxpayers.
- If the legislation is passed, it clarifies the use of CMBS item numbers for the professions and is fair for them.
- If an applicant is unhappy with outcome of an MSAC evaluation and the MOH does not recommend it for funding on the CMBS and the applicant believes they have sufficient new information, they can resubmit to MSAC. The MSAC review process is expensive and there are a steady number to review. If an applicant want to resubmit to MSAC there must be additional information available.

- This legislation is supported by health consumers for the reasons outlined above.

Thank you for inviting the Health Consumers' Council of Western Australia (Inc) to comment.