12 October 2005

Mr Elton Humphery
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The Catholic health, aged and community care sector

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Dear Mr Humphery,

Thank you for your letter of 6 October 2005 inviting Catholic Health Australia (CHA) to provide comments on the National Health Amendment (Budget Measures – Pharmaceutical Benefits Safety Net) Bill 2005 and the Health Legislation Amendment Bill 2005.

CHA makes the following comments on the underlying policy and provisions contained within the Bills.

CHA believes, as a fundamental tenet of our health care system, that all Australians should be entitled to access affordable, effective and safe medication when the need arises.

CHA, along with other health groups has strongly argued against the co-payment increases due to their particular impact on the sick and the poor.

Increases in the co-payment reduce the cost to government of the PBS in two ways. There is a direct transfer of part of the cost of the prescription from the government to the patient and there are also likely to be reductions in overall quantity (volume) of the drug that is consumed as the extra expense may lead to people not purchasing their medication. The impact of both these effects is likely to fall hard on sick people—especially those of minimal means who have yet to reach the safety net threshold. It should be borne in mind that not all poorer working people are able to qualify as concessional patients.

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 also more likely to have lower incomes. Some may not be in a position to afford increased co-payments.

If some sick people reduce or cease their medication as a result of the increased co-payments, their condition is more likely to worsen. The government may achieve some short-term savings but in the longer term the patient is likely to cost the health system more. Also the costings do not take into account the ongoing contribution to productivity in the wider economy that accrue from patients gaining timely access to necessary medicines. This issue is particularly pertinent to the Treasurer's comments in responding to the impact of Australia's ageing demographic profile over coming years. Access to medicines will be crucial in encouraging and enabling older Australians to continue to participate in the workforce

A reduction in people taking their essential medicines may not be an overtly stated policy objective. But basic economics suggest that is what will happen in response to an increase in the price—particularly given the scale of the 2005 price increases. 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.

The changes to the PBS safety net are not taking place in isolation. We are also seeing changes to the MBS safety net thresholds that will be imposed in January 2006 which will have a compounding deleterious impact – particularly on those who have a combined need to access medical services as well as to essential medication.

CHA has argued in a number of submissions to Government (including most recently in our submission to the House of Representatives Committee on Health and Ageing Inquiry into Health Funding) that the MBS and PBS safety nets should be combined in order to more adequately take into account the financial impact of ill health on a particular individual or household where illness will result in concurrent medication and medical service expenses.

The financial relief offered by safety nets that are calculated on an annual expenditure basis can also often fail to match the time period in which the expenditure is incurred (and relief most needed). For example an individual may reach the safety a week or two prior to the end of the year. If the illness is continuing, the safety net will be withdrawn immediately the new year commenced until the new year's expenditure thresholds have again been met.

Previous comments by CHA in relation to the wider policy issues in relation to the changes to the PBS safety nets are included in the attached article published in the CHA publication "Health Matters" in June 2005.

CHA does not have any comment in relation to the other matters and due to prior commitments is unable to expand on the above comments on the proposed dates of the Committee's public hearings.

If you require any further information please contact me on 02 6260 5980 or email: franciss@cha.org.au.

Thank you once again for your letter.

Yours sincerely

FRANCIS SULLIVAN
Chief Executive Officer