

From: Bob Parry [rwparry@bigpond.com]  
Sent: Monday, 18 April 2005 1:04 AM  
To: Tony.Abbott@health.gov.au  
Cc: gottliebsenr@theaustralian.com.au  
Subject: Medicare Safety Net and GST on PBS drugs

Tony - You may recall that, in your email to me dated 8 October 2004, you said that you thought "that PBS drugs are GST free". You prefaced it saying "I'm no tax expert (so correct me if I'm wrong)".

Yes Tony you are quite wrong and the fact that pharmacies have to pay GST on all drugs they purchase is costing them dearly and therefore adding to the overall cost of the PBS.

When you are next talking to the pharmacists just ask them "How much would you be prepared to cut your prescription margin by if PBS drugs were made GST free?"

The GST system is adding quite significantly to the accounting problems of the whole health system.

For example, the Health Insurance Commission pays pharmacists about \$10-million pa. for the "doctors-bag drugs" and adds 10% GST to every payment. The pharmacists have to record and then send the GST to the ATO while the HIC claims the \$1-million GST back from the ATO.

The really costly problem for pharmacists is with the host of expensive drugs. An item costing \$1000 has \$100 GST added so the wholesaler has to be paid the \$1100 long before the \$100 GST can be recovered from the ATO.

Not one cent of the GST in these examples ends up with the states, but the ATO's costs of handling these "round robin" amounts are deducted from the real GST revenue collected on retail transactions.

By simply defining all PBS drugs for human consumption to be GST-free you can make the health system more efficient.

There are several other ways of simplifying the GST system in the health area which I will happily explain if you are interested in really being "economically responsible".

Tony I was disappointed to see you trying to justify the proposed change to the Medicare Safety Net. Increasing the thresholds will not solve the problem. The simple solution is to implement the plan which I outlined to you just before the election was called.

I am currently updating that plan and I will send you a copy shortly.

You could do a wonderful "back flip" by cancelling the proposed threshold rises.