

# Chapter 1

## Introduction

### Terms of reference

1.1 On 23 June 2011, the Senate referred the following matters to the Senate Finance and Public Administration References Committee for inquiry and report by 18 August 2011:

The Government's administration of the Pharmaceutical Benefits Scheme (PBS), with particular reference to:

- (a) the deferral of listing medicines on the PBS that have been recommended by the Pharmaceutical Benefits Advisory Committee;
- (b) any consequences for patients of such deferrals;
- (c) any consequences for the pharmaceutical sector of such deferrals;
- (d) any impacts on the future availability of medicines in the Australian market due to such deferrals;
- (e) the criteria and advice used to determine medicines to be deferred;
- (f) the financial impact on the Commonwealth Budget of deferring the listing of medicines;
- (g) the consultation process prior to a deferral;
- (h) compliance with the intent of the Memorandum of Understanding signed with Medicines Australia in May 2010; and
- (i) any other related matter.<sup>1</sup>

### Conduct of the inquiry

1.2 The inquiry was advertised in the newspaper *The Australian*, and through the internet. The committee invited submissions from the Commonwealth and State and Territory Governments and interested organisations.

1.3 The committee received 64 public submissions and one confidential submission. The list of individuals and organisations which made public submissions to the inquiry, together with other information authorised for publication by the committee, is at appendix 1. The committee held two days of public hearings, one in Melbourne on 21 July 2011 and one in Canberra on 25 July 2011. The list of witnesses who gave evidence at the public hearings is available at appendix 2. Submissions, additional information and the Hansard transcript of evidence may be accessed through the committee's website at [http://www.aph.gov.au/Senate/committee/fapa\\_ctte/index.htm](http://www.aph.gov.au/Senate/committee/fapa_ctte/index.htm)

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1 *Journals of the Senate*, 23 June 2011, p. 1102.

## **Acknowledgement**

1.4 The committee thanks those organisations and individuals who made submissions and gave evidence at the public hearings.

## **Note on references**

1.5 References in this report are to individual submissions as received by the committee, not to a bound volume. References to the committee Hansard are to the proof Hansard. Page numbers may vary between the proof and the official Hansard transcript.

## **Structure of the report**

1.6 The report is structured as follows:

- Chapter 2 of the report provides a background to the Pharmaceutical Benefits Scheme (PBS) including the role of the Pharmaceutical Benefits Advisory Committee (PBAC), the process of listing medicines under the PBS, the costs of the PBS, and the recent Government decision to defer listings of a number of medicines under the PBS.

The chapter also provides background on the Memorandum of Understanding (MOU) between the Commonwealth Government and Medicines Australia signed with effect until 30 June 2014;

- Chapter 3 discusses the Government's decision to defer the listing of medicines under the PBS;
- Chapter 4 canvasses the financial impact of the PBS on the Commonwealth Budget;
- Chapter 5 covers the impacts on patients of the Government's decision to defer the listing of medicines;
- Chapter 6 discusses the consequences for the pharmaceutical sector and the availability of medicines in Australia; and
- Chapter 7 presents a summary of the committee's conclusions.

## **Personal comment from the Chair - Declaration of interest**

1.7 As Chair I would like to restate for the public record that, prior to being elected to the Senate in November 2007, I was an employee of GlaxoSmithKline (GSK) from November 2002-December 2006 and that I undertook some consulting work with Medicines Australia in February 2008. I am also a shareholder in GSK Plc, as declared in the Register of Senator's Interests.