

Pharmaceutical Benefits Scheme

The Pharmaceutical Benefits Scheme (PBS) provides affordable access to necessary medicines for Australians. Under the PBS, the Commonwealth government subsidises the cost of medicine for most medical conditions.

The five year Sixth Community Pharmacy Agreement (6CPA) between the Commonwealth and the Pharmacy Guild of Australia commenced on 1 July 2015.

The PBS Schedule lists all of the medicines available to be dispensed to patients at a Government-subsidised price and is managed by the Department of Health and administered by Department of Human Services.

Most of the listed medicines are dispensed by pharmacists and used by patients at home while some medicines need medical supervision when administered and are administered by healthcare providers.

Australian residents with a current Medicare card can access the PBS along with overseas visitors from countries with which Australia has a Reciprocal Health Care Agreement.

The Commonwealth pays pharmacies a dispensed price for every PBS medicine dispensed to patients, which includes the ex-manufacturer price, a wholesale mark-up, a retail mark-up, a dispensing fee, and other relevant fees that may apply to each medicine.

As of 1 January 2016, Australians pay a co-payment of up to \$38.30 for most PBS medicines or \$6.20 for concession card holders while the Commonwealth pays the remaining cost, often much more than the co-payment. Pharmacists may choose to discount the PBS patient co-payment by up to \$1.00.

A safety net threshold of \$372 for concession card holders and \$1475.70 for all other patients reduces or removes out-of-pocket costs for people with significant health problems.

AHHA POSITION:

- ✧ Delivering safe, affordable and clinically effective medicines to all Australians must be a key government objective, as should assuring value for taxpayers' money.
- ✧ Economists argue Australia pays too much for medicines on the PBS. The Commonwealth should negotiate better prices for medicines, as other countries do, and should only pay for the best-value medicine when more economical ones work just as well as more costly ones.
- ✧ The listing of new medicines on the PBS schedule is one of the largest contributors to increasing expenditure. The Pharmaceutical Benefits Advisory Committee provides advice on the cost-effectiveness of medicines to be listed on the PBS, but the Health Minister and Commonwealth make the ultimate decision. An independent authority should be established to manage price negotiations, the listing, continuous review against best-practice, and de-listing of pharmaceutical drugs on the PBS.
- ✧ The Commonwealth should address the lengthy price disclosure and adjustment processes that take up to a year to pass on reduced prices to consumers.
- ✧ High co-payments may discourage use of beneficial medications and potentially increase downstream costs. The Commonwealth should consider a proportional co-payment to the actual cost of the drug up to a maximum level, as this would encourage doctors and patients to consider cheaper drugs.
- ✧ International trade agreements should ensure Australia retains independent, sovereign control in the listing and pricing of medicines.

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