



Reducing cost of living pressures for concessional patients accessing the PBS

REQUEST:

As part of the passage of the [National Health Amendment \(General Co-payment\) Bill](#) through the senate move a motion to amend s99G of the National Health Act (NHA) to freeze the indexation of the PBS concessional co-payment for 2023 and 2024

THE ISSUE

- The Government is reducing the Pharmaceutical Benefits Scheme (PBS) General Co-payment from \$42.50 to \$30.00 on 1 January 2023. This is a good and welcomed reform.
- However, under s99G of the HA, PBS co-payments increase annually on 1 January based on the CPI rate for the previous year based on the September quarter. Whilst this will not apply to the General PBS co-payment for 1 January 2023, it will apply to the Concessional Co-Pay.
- Based on the 12-months to August CPI of 6.8% that will see concessional patients facing an increase of at least 50c per script on 1 January 2023 (from \$6.80 to \$7.30) and a commensurate increase in their Safety Net threshold of around \$18.00 (50c x 36 scripts).
 - It could be as high as 60 cents a script.
- This increase will also impact Aboriginal and Torres Strait Islander General patients who access PBS medicines via the Closing the Gap program at the Concessional Co-Pay rate.
- Individuals and families earning less than \$78,000 p.a. are making choices between feeding their kids, paying their rent, putting fuel in their car, and whether or not they can afford their medicines.
- Every cent counts. Ever percent increase hurts.
- Ideally a 5-year freeze on indexation of the PBS co-payments and safety nets would be applied to ensure the Government is not making healthcare unaffordable for those least able to pay.
- However, at a minimum this Bill should include a freeze on indexation for the PBS Concessional Co-Payment for 2023 and 2024. This would reflect the current Treasury forecasts.
 - *“Treasury expects headline inflation at 5½ per cent by the middle of next year, 3½ per cent by the end of 2023, and 2¾ per cent by the middle of 2024 – back inside the RBA’s target range”.*¹
- Without this freeze on the concessional Co-Pay indexation, the Government will be profiting from the inflationary pressures crippling the Australian community right now.
- With a well-managed economy Concessional Co-Pays were going up by 10 or 20 cents annually. Government factors this into their forward estimates. The increases of 50 or 60 cents are a windfall for Government.
 - These increases will cost concessional patients \$76M to \$91M more each year for their medicines for the next two years.
 - Freezing indexation would only cost the Government the originally budgeted \$15-\$30M a year for two years.
- A small cost to Government, but a crippling cost for those on fixed incomes, noting the [average weekly earnings in Australia](#) are only \$1344.70

¹ The Hon Dr Jim Chalmers, Treasurer of Australia, [“Ministerial Statement on the Economy”](#) Speech, 28 July 2022

COUNTERING THE ARGUMENTS ON WHY NOT

1. *On 1 July the Government reduced the PBS Safety Net threshold for concessional patients from 48 to 36 scripts. We are already protecting their access to medicine*
 - a. The average concessional patient or family are using 17 scripts a year and those over 65 around 43 scripts.²
 - b. The General Safety Net was also lowered on 1 July, and yet Government recognise the need for day to day affordability with this Bill.
 - c. Day to day affordability is critical for all, not just those who can attain a Safety Net.
2. *The cost of the PBS is also rising every year, we need to keep it affordable*
 - a. PBS medicines are not subject to annual inflation-based price increases. Most medicines significantly decrease in cost over time as a result annual statutory price reductions, catch-up price reductions and price disclosure.
 - b. Concessional patients keep paying more for their medicines when the Government is paying less for them.
3. *Isn't the Government losing \$76M a year too?*
 - a. No. Forward Estimates would have previously prepared for a 10c or 20c increase nt 50c or 60c. Actual offsets required for this policy are only \$15-\$30M

THE STATS					
concessional script in 2020-21	\$ 152,319,056.00				
2021 co-pay increase	\$ 0.10				
new revenue to government	\$ 15,231,905.60				
2022 co-pay increase	\$ 0.20				
new revenue to government	\$ 30,463,811.20				
		CPI windfall for government			
2023 co-pay increase option1	\$ 0.50	compared to 10 cent increase		compared to 20 cent increase	
2023 new revenue to gov't opt1	\$ 76,159,528.00	\$ 60,927,622.40	or	\$ 45,695,716.80	
2023 co-pay increase option2	\$ 0.60				
2023 new revenue to gov't opt2	\$ 91,391,433.60	\$ 76,159,528.00	or	\$ 60,927,622.40	
True cost to gov't of freexing indexation proposal		\$ 15,231,905.60	or	\$ 30,463,811.20	
<i>the loss of the 10c or 20c increase as previously forecast</i>					

Sources:

[Script volumes - Latest PBS Expenditure report 2020-21, Table 2a published December 2021](#)

[Co-payment increases - PBS Copatment history](#)

PROPOSED AMENDMENT

- Current Bill content with proposed amendments in red .
- It includes option to delay indexation of general co-payment and safety net.
 - If this is not supported, the changes in red to clause 1 should not proceed, and
 - the inclusion of the amendments to Item 4 on the Table referenced in Clause 2 should not proceed

² National Health Amendment (Pharmaceutical Benefits) Bill 2015 [Second Reading Speech](#), The Senate, Parliament of Australia Tuesday, 16 June 2015

Please note that

- Item 2 of the Table is the lower Co-payment that a general patient pays once they have hit their safety net – it is equivalent to the concessional rate
- item 3 is the Concessional Co-payments
- Item 4 is the General Co-payment safety net which is still being indexed as of 1 January 2024.

16 Indexation

General patient charge

- (1) The amount mentioned in item 1 of the table in subsection 99G(1) of the *National Health Act 1953*, as amended by this Schedule, is to be indexed under section 99G of that Act:
 - (a) on 1 January ~~2024~~ 2025; and
 - (b) on 1 January in each year after ~~2024~~ 2025.

Concessional patient charge

- (2) The amounts mentioned in item 2, 3 and 4 of the table in subsection 99G(1) of the *National Health Act 1953*, are not to be indexed under section 99G of that Act:
 - (a) on 1 January 2023 and 1 January 2024,
- (3) The amounts in items 2,3 and 4 of the table in subsection 99G(1) of the *National Health Act 1953*, is are then to be indexed under section 99G of that Act from 1 January 2025.

Need more information?

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