

PBS pricing framework means higher out-of-pocket costs for many medicines

November 23, 2021

Many Australians face higher out-of-pocket costs for medicines under the secretly negotiated changes currently before the parliament.

The enabling legislation - the National Health Amendment (Enhancing the Pharmaceutical Benefits Scheme) Bill - is scheduled for consideration by the House of Representatives tomorrow.

One of the most significant outcomes of the federal government's new agreements with Medicines Australia and the Generic and Biosimilar Medicines Association (GBMA) is the new floor ex-manufacturer price for some PBS-listed medicines in return for a supply holding commitment.

Under clause 3.5.4 of the government's new agreement with the GBMA, from 1 October next year, PBS-listed medicine with an ex-manufacturer price below \$2 will see that price increased to \$2.50. Medicines with a price between \$2 and \$3.50 will have a \$0.50 increase applied up to a maximum of \$3.50.

The impacted medicines include commonly prescribed antibiotics, medicines for mental health, painkillers, high cholesterol and hypertension.

Tens of millions of prescriptions are potentially impacted with non-concessional patients facing higher out-of-pocket costs.

Around one-third of PBS-listed medicines dispensed each year, equating to approximately 100 million prescriptions, attract no government subsidy. These are medicines dispensed at prices below the \$41.30 PBS non-concessional co-payment with patients covering the full cost.

Announcing the new industry agreements on 7 September, health minister Greg Hunt said, "These agreements will also reduce the cost of prescription medicines and bolster the supply of medicines available through the PBS."

Yet it seems the commitment to secure supply will be significantly at the expense of non-concessional patients accessing important medicines for chronic conditions.

These price increases, which under the changes are not permitted to be discounted through trading terms to pharmacy, will be automatically passed on to non-concessional patients who cover the full cost of their medicines.

In a statement, the GBMA did not deny the reality of higher out-of-pocket costs for these medicines, saying it would be offset by reductions in the ex-manufacturer prices of other medicines.

"The negotiated package of measures are cost neutral to taxpayers and will have an overall positive impact on consumers/patients, and across all of the measures, general and concessional patients will have improved supply continuity and will save through reductions to other more expensive medicines that are below the general patient co-payment," it said.

The GBMA said it does not oppose parliamentary scrutiny of the enabling legislation.

Comment - a very odd example of ministerial discretion

Is higher out-of-pockets for patients an 'unintended' or 'inappropriate' outcome of the government's new agreements with the industry?

Or, is the policy intentionally designed to ensure patients significantly fund the new six-month supply commitment?

This is not to challenge the policy objective around ensuring the supply of important medicines. However, the federal government has not exactly been transparent about the impact of this change.

For those with an interest in the health minister exercising their discretionary powers over the PBS, this one is pretty good.

The enabling legislation currently before the parliament simply limits the application of price disclosure to PBS-listed medicines covered by the floor price and supply commitment.

The commitment to floor pricing will be almost entirely implemented through ministerial discretion.

The minister has explicitly and based on objective criteria agreed twelve months in advance to exercise his lawful powers to increase the ex-manufacturer price of potentially over one thousand PBS items with a consequent impact on patient out-of-pocket costs.

At the same time, the minister remains completely vague and non-committal on any objective criteria for varying or waiving the new raft of statutory price reductions on other medicines at risk of removal from the PBS.

The minister has said he will get to that once the enabling legislation navigates the parliamentary approval process.

Patients have absolute clarity on higher out-of-pocket costs for some medicines but face uncertainty on the impact of other price reductions.

The law enables the minister to exercise their powers based on their own discretion but this only highlights the importance of parliamentary scrutiny.