

# The benefits and costs of new hepatitis C treatments in Australia.

## Information Sheet

### Purpose

Media reports of the cost of new hepatitis C treatments in Australia have largely been low on facts and in some cases big on stigma. This information sheet has been developed to correct misconceptions of the actual cost of the new hepatitis C medicines to the Australian Government and promote a better understanding of the benefits.

### What difference do these medicines make?

The new direct-acting antiviral medicines listed on the Pharmaceutical Benefits Scheme (PBS) from 1 March 2016 onwards, have revolutionised treatment of chronic hepatitis C by increasing the cure rate to close to 100%, while reducing treatment duration and side-effects.

For people living with hepatitis C, these new medicines provide a cure for a debilitating and potentially life-threatening liver disease. They allow people to get on with their work and family life, and just do what they enjoy without the constant fear of an uncertain future. For some people, these ground-breaking new medicines are nothing short of life-saving.

Investing in new, curative, hepatitis C treatment has enormous benefits for our society and is money well spent. Australia can now work towards the elimination of hepatitis C as a public health issue over the next 10-15 years. Without this investment, taxpayers would instead be subsidising healthcare costs associated with an ever growing burden of hepatitis C- related liver disease including cirrhosis, liver cancer, liver transplants and end-stage liver disease.

### What is the cost of the hepatitis C medicines to people living with hepatitis C?

Since 1 March 2016, the game-changing hepatitis C medicines have been available on prescription from a GP or specialist for \$38.80 per script (\$6.30 concessional). Three prescriptions are required to complete a twelve-week course of treatment. All adults with a Medicare card who are living with chronic hepatitis C are eligible to be treated.

### What is the cost of the hepatitis C medicines to the Australian Government?

A lot of misunderstanding surrounds the pricing of these medicines and the real cost to the Australian Government. The three key points to understand are:

- The pharmaceutical 'list price' of the hepatitis C medicines, reported as being around \$1,000 per pill for one medicine, is NOT the actual price being paid by the Australian Government.
- Published PBS spending on the hepatitis C medicines, which is reported to be close to \$2.6 billion in early 2017, is also NOT the actual price being paid by the Australian Government as it does not include the complex rebate system explained on the next page.
- The actual cost of the hepatitis C medicines to the Australian Government is fixed. As outlined in Ministerial media releases, the Australian Government has provided a capped investment of (just) over \$1 billion across a 5-year period which commenced 1 March 2016.

(Continued over page)

# The benefits and costs of new hepatitis C treatments in Australia.

## How does this work in practice?

The Australian Government received expert advice that around 60,000 people were likely to be treated with the new hepatitis C medicines over the first five years. The Australian Government therefore used this figure as the basis of their negotiations with pharmaceutical companies and agreed to provide a capped amount of around \$1billion over 5 years for the expected 60,000 individual treatments.

A risk-sharing agreement was also negotiated with the pharmaceutical companies which divided the \$1billion government funding over the five-year period. Under this agreement, if treatment costs exceed the agreed limit for any single year, prescriptions will continue to be dispensed, but any extra cost will substantially be met by the pharmaceutical companies themselves. It is this aspect of the agreement that provides certainty to the Australian Government that the \$1billion investment will not be exceeded.

The exact details of the risk-sharing agreement, including the agreed annual limit of government funding for each of the five years, have not been published. It is likely that the agreed limit in the first year was higher than subsequent years to accommodate the backlog of people with hepatitis C who were thought to be ready and waiting for the new treatments to be made available on the PBS. However, as the treatment uptake over the first six months was much higher than anticipated the annual limit for the first year may still have been exceeded.

How the money actually moves between the Australian Government and the pharmaceutical companies under risk-sharing agreements is convoluted:

- The Australian Government pays the pharmaceutical companies for the medicines that have been prescribed on a monthly basis out of the PBS budget.
- However, when the agreed annual limit in the risk-sharing arrangement is reached, the pharmaceutical companies are required to return a portion of these payments as a rebate.
- When the rebate is received by the Australian Government it goes to general revenue rather than being credited back to the PBS budget.

This system makes trying to assess how much of the \$1billion investment the Australian Government has actually spent at any point in time next to impossible. However, what everyone needs to remember is:

**The investment by the Australian Government in new hepatitis C therapies is capped at around \$1billion over five years. The deal that was negotiated with the pharmaceutical companies allows all Australians with hepatitis C to access the cures without restriction, which is a wonderful outcome by any measure. We should all be applauding both the Australian Government and the pharmaceutical companies for reaching a deal which now makes the elimination of hepatitis C in Australia a real possibility by 2030.**

## References:

Minister Ley Media Release 20 December 2015 – accessed 27 February 2017

[http://www.health.gov.au/internet/ministers/publishing.nsf/Content/FAE2B65331456243CA257F20006D4C48/\\$File/SL-154.pdf](http://www.health.gov.au/internet/ministers/publishing.nsf/Content/FAE2B65331456243CA257F20006D4C48/$File/SL-154.pdf)

Minister Ley Media Release 1 March 2016 – accessed 27 February 2017

<http://www.health.gov.au/internet/ministers/publishing.nsf/Content/health-mediarel-yr2016-ley014.htm>