



## The affordability crisis in patient access to medicines – why we need a new mid-tier co-payment

### Increases in co-pay and safety net putting medicines out of reach

Australia’s universal medicine access system, the Pharmaceutical Benefits Scheme (PBS) is an increasingly blunt instrument.

When it comes to patient co-payments for over 50 per cent of items on the PBS, it does not differentiate between families earning \$70,000 per year and \$500,000 per year.

As a result, Australian patients pay one of the highest co-payments for subsidised medicines in the world, fourth in the OECD after the US, Canada and Switzerland.<sup>i</sup>

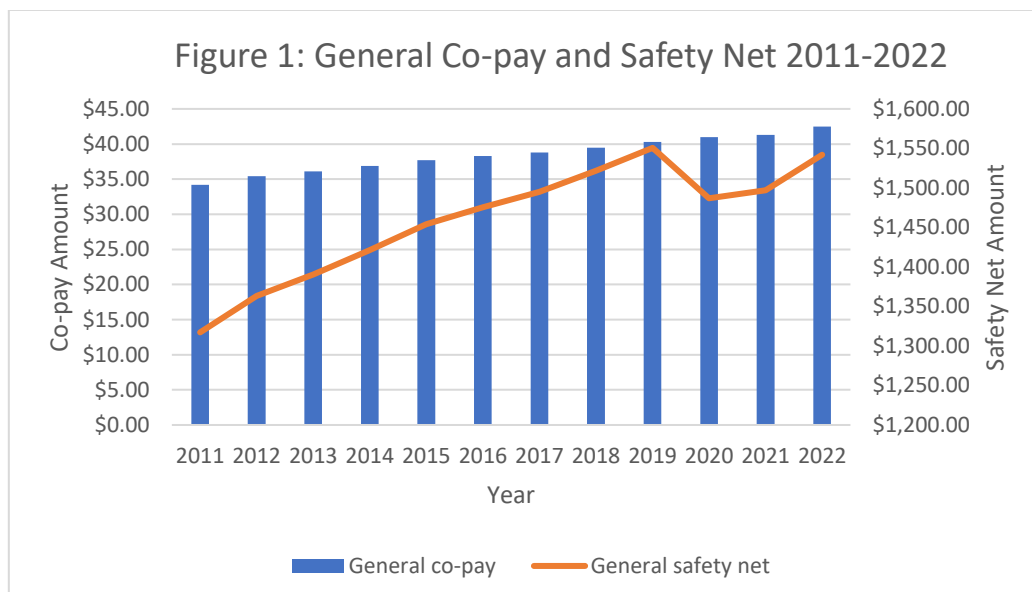
On 1 January 2022, the Government increased the price a family with a combined annual income over \$61,100 pay for their medicines by \$1.20 to \$42.50 per script.<sup>ii iii</sup>

That’s an increase of 2.9% in medicine costs - higher than the private health insurance premium increase of 2.7%.<sup>iv</sup>

The PBS general safety net was also raised to \$1542.10. This has effectively wiped out the federal government’s 2019 election commitment to reduce these thresholds (\$1550.70).

Since 2013 the general co-pay and safety net have increased by 17.7% and 10.9% respectively (see Figure1).<sup>v</sup> At this rate the general co-pay will be \$50 per script by 2025.

Medicine affordability in Australia is clearly under threat for low-income earners.



## Low-cost medicines prices to spike

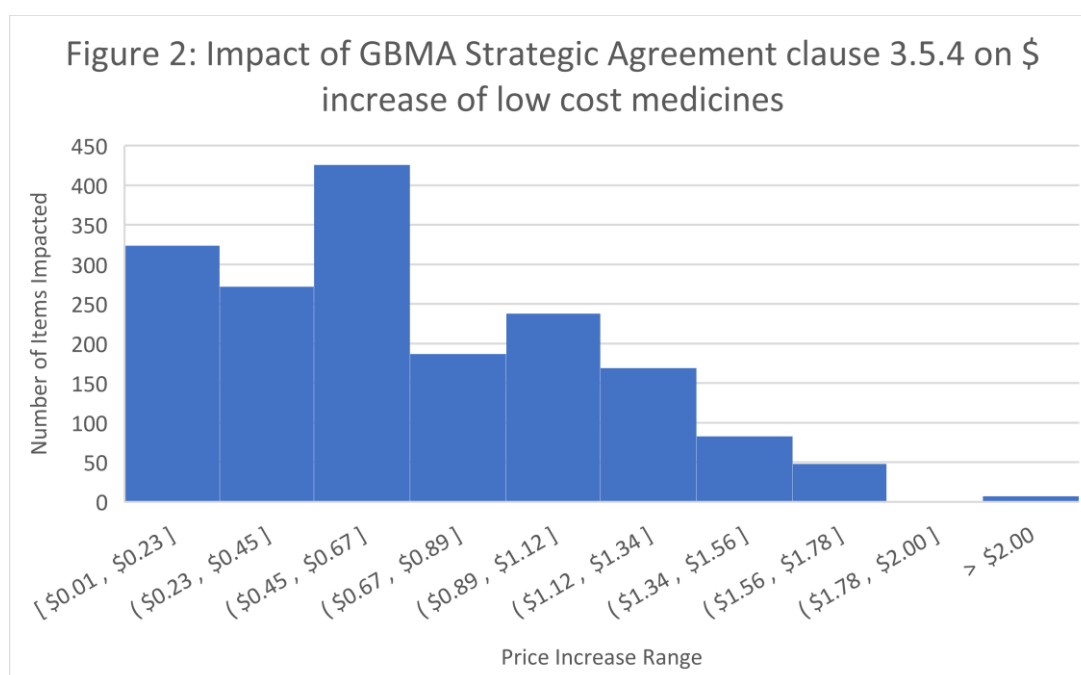
Nearly 1-in-3 of the 307.2 million scripts dispensed on the PBS in 2020-21 were fully paid for by consumers.<sup>vi vii</sup>

As part of its the *National Health (PBS Enhancements) Legislation 2021*, the Government committed to increase the cost of 1,754 low-cost medicines. That's 18% of all PBS listed medicines with an increase in price of up to \$2.07 per script (Figure 2).<sup>viii ix</sup>

The price increases resulting from the Government's agreement with the Generic Biosimilars Medicine Association (GBMA) range from >1% to 481%, with a median increase of 20%. These include many treatments for chronic diseases including infection, diabetes, cardiovascular disease, and mental health.

The introduction of competition into the PBS was supposed to make medicines cheaper for consumers, not more expensive.

These increased costs will be passed directly onto patients and families further impacting affordability.<sup>x</sup>



## Individuals and families can no longer afford their medicines

In Australia 40.4% of people aged between 15-44 suffer from chronic conditions, with 11.6% suffering multimorbidity. Within the lowest social economic areas, 49.6% have at least one chronic condition, with 24.2% suffering from multiple morbidities.<sup>xi</sup>

This increases to 60% of people aged between 45 and 64 suffering from a chronic condition and 30.1% suffering multimorbidity.<sup>xii</sup>

This means individuals, couples and especially families are often managing multiple chronic diseases and unable to meet the daily costs of medicines. Safety nets take too long to kick in and so patients are having to go without their medicines.

If you are just above the healthcare card threshold of \$61,100 p.a. or even on the average yearly wage of ~\$93,444, after tax your take home pay is around \$50,000 to \$70,000 respectively.<sup>xiii xiv</sup>

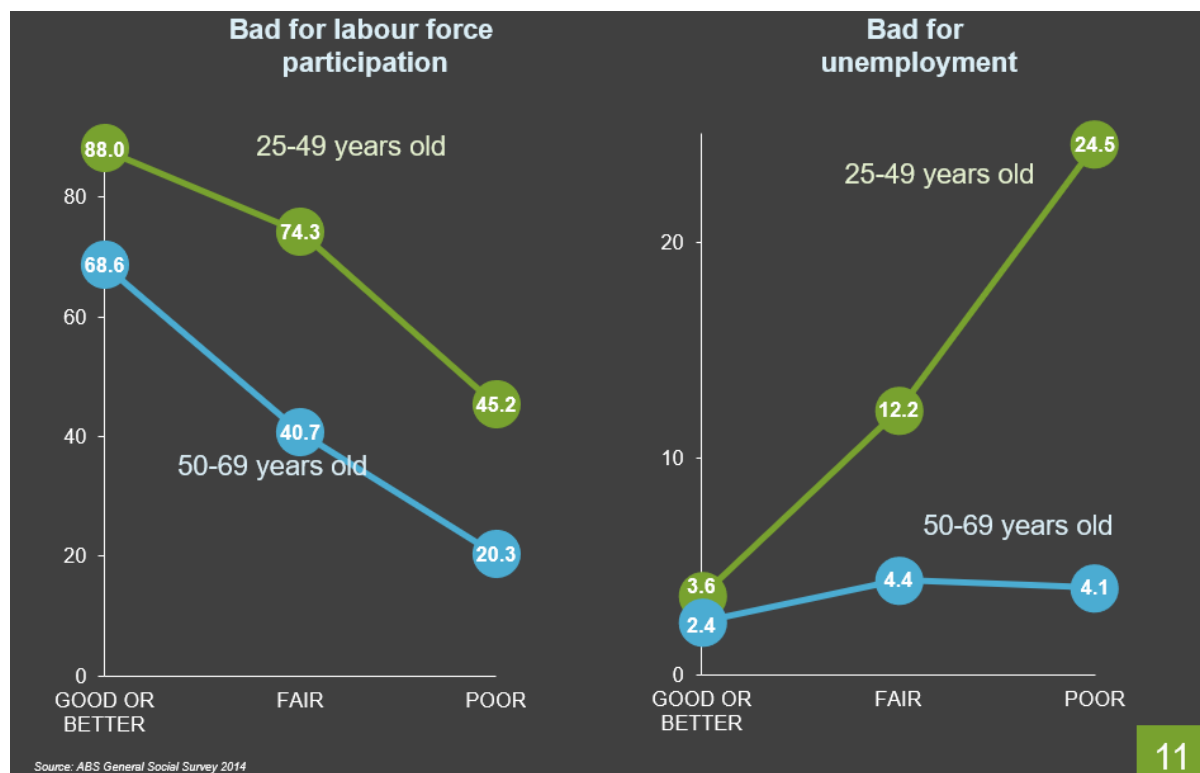
From this you must pay your rent or mortgage, pay the gas and electricity, insure and fuel your car, meet education expenses for your kids, and feed them too.

If you have several family members with a chronic disease and you are using one of the 50% of medicines on the PBS priced at the general co-payment, you are trying to find \$127.50 to \$160 per month to maintain a healthy family. And that's before any out-of-pocket costs for the GP or specialist visits.

This prices many medicines out of the reach of individuals and families each month. Waiting for a safety net to kick in in October to December is too late – families need their medicines affordable each month, and that is increasingly out of reach for many.

This costs patients and their families in terms of their health and economic productivity. The Productivity Commission has highlighted how poor health results in lower participation and higher unemployment (see Figure 3). Research has also shown that medication non-adherence places a significant additional cost burden on the healthcare system.<sup>xv</sup>

**Figure 3: Poor health – lower participation and higher unemployment** <sup>xvi</sup>



## What needs to happen

Medicine compliance is good for patients and good for the health system, and affordability is the single most important consideration, as without affordability the patient doesn't have their medicine to take.

1. *Better Access Australia is calling for the introduction of a new tier of co-payment aligned to the financial thresholds for a family of two adults and three children under Family Tax Benefit - Part A (currently ~\$136,000).<sup>xvii</sup> The co-payment for these patients should be reduced from \$42.50 to \$20.00 resulting in 6987 medicines (71%) on the PBS being cheaper for low-income patients.<sup>xviii</sup>*

This would make medicines affordable for those struggling to meet the increasing out of pocket costs for healthcare in Australia, whilst also maintaining the higher co-payment for those most able to pay.

The dramatic increase in both the concessional and general co-payments (and general safety net) reflect the impact of the significantly higher than forecast inflation, which has wiped out the Morrison Government's 2019 Cheaper Medicines election commitment.<sup>xix</sup>

2. *A freeze on indexation for five (5) years would afford all families and individuals some protection from the inflationary period Australia is entering. Time-limiting the freeze allows Government to evaluate the measure once the Australian economy is stable.*
3. *The PBS safety net needs to be automated just as the MBS safety net is.*

Too many patients miss out on the safety net protections under the current manual recording system via pharmacy who are paid \$10.65 per safety net card.

The Australian National Audit Office found that in 2007 the government had "capacity to identify patients .. eligible for the Safety Net but they [had not] sought to register, potentially through a lack of information...[T]hese patients paid between \$6.1M and \$10.8M more than they would have, if they had been registered for the Safety Net."<sup>xx</sup>

Recommendation 5 suggested automating the PBS safety net. It was rejected based on the cost.<sup>xxi</sup> Successive governments have taken no action on this basis. This is wrong. Automating the safety net which is already linked to a Medicare number would be largely offset by eliminating the \$10.65 safety net card establishment fee.

4. *Introducing a new co-payment tier does not mean competition in pricing of medicines should stop or be stymied.*

Better Access Australia supports the retention of laws and policies enabling the discounting of medicines priced irrespective of whether they are priced above or below the full concessional, general or new mid-tier co-payment amount. The \$1 discount is a starting point not an end point and further flexibility in the amount of the discount is also supported.

# Better health, disability and social services. Better Access Australia.

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- <sup>i</sup> BioPharmaDispatch , *Pharmacy Guild alarm over higher out of pocket costs*, 29 Nov 2021
- <sup>ii</sup> Services, Australia [Income test for low income health care card](#)
- <sup>iii</sup> [Pharmaceutical Benefits Scheme \(PBS\) | Fees & Patient Contributions](#)
- <sup>iv</sup> The Hon Greg Hunt MP, [Delivering Australia's Lowest private health care premium change in 21 years](#), 23 Dec 2021
- <sup>v</sup> *ibid*
- <sup>vi</sup> [Pharmaceutical Benefits Scheme \(PBS\) Expenditure Report 2020-21](#)
- <sup>vii</sup> [Pharmaceutical Benefits Scheme \(PBS\) Under Co-payment data 2020-21](#)
- <sup>viii</sup> Australian Government Department of Health, [GBMA Strategic Agreement with Australian Government 2022-27](#), signed September 2021
- <sup>ix</sup> The Hon Greg Hunt MP, [Second Reading Speech National Health PBS Enhancements Bill](#), 2021
- <sup>x</sup> [Pharmaceutical Benefits Scheme \(PBS\) | Ex-manufacturer price](#)
- <sup>xi</sup> [Chronic conditions and multimorbidity - Australian Institute of Health and Welfare \(aihw.gov.au\)](#)
- <sup>xii</sup> *ibid*
- <sup>xiii</sup> Australian Bureau of Statistics, [Average Weekly Earnings 2021](#)
- <sup>xiv</sup> Australian Taxation Office, [Individual Income Tax Rates 2021-22](#)
- <sup>xv</sup> [Economic impact of medication non-adherence by disease groups: a systematic review - PubMed \(nih.gov\)](#)
- <sup>xvi</sup> [Reaping Broader Economic Benefits from an Effective Healthcare System: a visual lens - Speeches and Presentations - Productivity Commission \(pc.gov.au\)](#)
- <sup>xvii</sup> Services Australia, [Income test for Family Tax Benefit Part A](#)
- <sup>xviii</sup> Better Access Australia, *Analysis of 1 February PBS Schedule, non-EFC medicines, based on Dispensed Price Maximum Quantity*
- <sup>xix</sup> [Cheaper Medicine for over 500,000 patients | Prime Minister of Australia \(pm.gov.au\)](#)
- <sup>xx</sup> Australian National Audit Office, [Medicare Australia's administration of the Pharmaceutical Benefits Scheme](#) Canberra 2010, para 47
- <sup>xxi</sup> *ibid*, page 25