



## Medicines Partnership of Australia

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### **PBS spending growth is well below Government's own target**

On all the evidence, PBS growth is running at a completely acceptable rate, and continues to provide huge health benefits for the nation.

For the PBS to be able to continue to provide Australians with access to subsidised medicines, both new and existing, while growing at less than the rate of inflation is an extraordinary achievement.

As the medicines industry moves through a time of significant change, pricing and policy predictability will be paramount for the sector.

The latest analysis of the PBS expenditure undertaken by the Medicines Partnership of Australia using Medicare Australia data shows that growth in government expenditure on the PBS in 2011 was 2.4 per cent.

Low growth is likely to continue as another major round of PBS reform price reductions on more than 200 medicines is due to take effect on 1 April 2012.

Given the inflation rate in 2011 was 3.1 per cent, it suggests that Government spending on the PBS in 2011 actually *fell* in real terms.

This growth rate is below the Government's own growth target of 2 per cent growth in real terms.

The current lack of real growth shows that PBS expenditure is being well contained. The 10-year average growth trend in the PBS in the last decade (2000-2010) was one of the lowest since the 1970s.

The Department of Health and Ageing Annual Report 2010-11 showed that in the year to June 2011, PBS expenditure grew by 5.7 per cent. The current growth rate of 2.4 per cent (year to December 2011) reaffirms that the long-term downward trend is continuing.

Over the last decade, PBS expenditure as a proportion of GDP has remained steady at between 0.6 per cent and 0.65 per cent.

The Australian Government's 2010 Intergenerational Report predicted that PBS expenditure would be 0.7 per cent of GDP through to 2020. Already, actual expenditure in 2009-10 and 2010-11 have both come in a whole percentage point below those forecasts.

The PBS actually represents the most cost-effective element of health expenditure, and should not be subjected to further savings measures which could threaten the best subsidised medicines scheme in the world.

While the medicines sector is under pressure, it achieved exports of \$3.7 billion in 2011 – more than the car industry and wine industry. However, exports fell from \$4 billion in 2010, showing that while the industry is holding its own in the face of ongoing economic challenges, a predictable policy environment has never been more important.

*The Medicines Partnership of Australia is: The Pharmacy Guild, Medicines Australia, the Generic Medicines Industry Association, the Australian Self-Medication Industry, the Pharmaceutical Society of Australia and the National Pharmaceutical Services Association.*

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