**Pharmaceutical Benefits Scheme (PBS) Scorecard**

December 2012

**Figure 1 – PBS growth**

Figure 1 shows Medicare Australia data which shows PBS expenditure growth at 6% per annum in nominal terms in the twelve months to September. This growth has been driven by growth in the volume of prescriptions at 4.8% over the same period. It is highly likely that this growth rate has been heavily skewed by Medicare Australia continuing to process prescriptions in a particular month, in this case the month of September. September 2012 had unusually high monthly expenditure (around $300m higher than September last year) and prescriptions (almost 7 million prescriptions higher than September last year).

**Figure 1: PBS Growth - prescriptions and Government expenditure (Moving Annual Total, MAT)**

Source: Medicare Australia. Excludes expenditure on s100 drugs including highly specialised drugs (HSD) used in public hospitals.
Figure 2 – Consumer medicine prices not keeping pace with inflation or household incomes

Figure 2 uses data from the Australian Bureau of Statistics to look at the growth in the price consumers pay for medicines compared with the growth in overall inflation and household incomes. The data shows that over the last two decades between June 1991 and June 2012, consumer medicine prices have grown by 57%. This might sound large, however, this compares with overall prices in the economy growing by 70% over the same period. This means that the prices consumers pay for their medicines has not kept pace with inflation over the last 20 years.

Interestingly, median household income has grown by 118% over the same period, meaning that over the last 20 years household incomes have grown at more than double the rate of medicine prices. This compares with other areas of household expenditure which have grown at more than the rate of general inflation and household income, such as the prices for utilities and petrol.

Over the same 20 year period the prices consumers pay for medical and hospital services have increased by 191%, or more than three times the rate that medicine prices have grown, and faster than household incomes have grown over the same period. So while certainly consumers may be feeling the pressure of higher prices for health costs, this has not been due to medicine prices.

Source: PBS expenditure-DoHA Annual Reports, Department of Health and Ageing, Various Years.

Are the prescription medicine prices growing faster than the CPI and household incomes in Australia?

*The percentage change in median household income shown above is the change in income from 1991 to 2011 only (latest available estimates)
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Figure 3 – Prescriptions only a small part of average household expenditure

While obviously it will vary household by household, according to ABS data average consumers only spend $5.83 per week of their household budget on prescription medicines. This compares with $6.16 a week on milk, $11.34 a week on cigarettes, $12.17 on mobile phones, $30.50 on fast food and takeaway, $31.97 a week on meals in restaurants and clubs, and $36.66 a week on petrol.

Again, while consumers may be facing cost of living pressures, prescription medicines are not the reason for this. In any event, just as the increase in household spending on mobile phones reflects adoption of new technologies, so too the growth in household spending on medicines reflects the fact that there are more medicines to treat more diseases available today than there were previously.
Medicines Partnership of Australia
PBS growth low and consumers benefit from cheap medicines

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Figure 4 – PBS growth – Department of Health and Ageing data adjusted for inflation

Figure 4 avoids the problems of Medicare Australia (as outlined under figure 1) by utilising the data from the Department of Health and Ageing to measure growth in total government spending on the PBS on an accrual basis, after adjusting for inflation. For example, while PBS expenditure grew by 3.6% in nominal terms in 2011-12, once adjusted for inflation this figure drops to 2.4%, following a similar growth rate in 2010-11 of 2.1%. Once revenue received by the Government back from manufacturers is included in the growth rate, the 2011-12 real growth rate is actually 2.0% compared with 1.6% for 2010-11. This data adjusted for revenue paid back to the Government is only available from 2008-09 onwards.


PBS growth rate adjusted for inflation, DoHA data

![Graph showing PBS growth adjusted for inflation](https://pbs.twimg.com/media/.../par.png)

Medicines Partnership of Australia
Government spending on PBS remains under control

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**Figure 5 – PBS constant as a share of the economy**

Despite the growth in PBS expenditure, as a share of the nation’s spending it remains constant. The PBS currently accounts for 0.62% of Australia’s gross domestic product, and has broadly remained in that range for the last decade. This compares with the most recent forecasts of the 2010 Intergenerational Report which projected the PBS to reach 0.7% by 2014-15. To reach this target, the PBS would have to grow by significantly more than GDP over the next few years.

**PBS as a share of GDP**