



Medicines Partnership of Australia

DMS: 516189

The Hon A. J. Abbott MP
Prime Minister
PO Box 6022
Parliament House
CANBERRA ACT 2600

Dear Prime Minister

We are writing as the members of the Medicines Partnership of Australia in relation to recent public calls for further cuts to be made to Pharmaceutical Benefits Scheme spending. These calls have come from the Productivity Commission, the Grattan Institute, and in a report in *The Australian* on 27 November in relation to the National Commission of Audit.

The common theme of these reports is that PBS spending is not good value, and must be curtailed or reduced. The prevailing view seems to be that PBS expenditure is rising rapidly, is out of control and must be constrained. This is a proposition which does not stand up to scrutiny when one analyses the current levels and trends in PBS spending.

The May Budget of the previous Government told the story. Amid collapsing Commonwealth revenues, the PBS provided significant savings. The forward estimates forecasts of aggregate Commonwealth spending on the PBS actually were significantly downgraded. There were similar downgrades in the 2012 Budget and the August 2013 Economic Statement.

The Budget confirmed the significant impact that PBS price reforms are having on PBS expenditure, delivering the Government an additional \$2.5 billion saving over four years. The Commonwealth's savings from Price Disclosure were scheduled to increase from \$296 million in 2013-14 to \$1.1 billion a year in 2016-17. That was before the Labor Government's Economic Statement of 2 August which produced a further \$835 million in savings by accelerating the Price Disclosure process.

The real rate of growth in pharmaceutical benefits expenditure is only 2% a year according to the Budget papers over the forward estimates period. This is significantly lower than the overall health system and other major health expenditure drivers such as the Medical Benefits Schedule and public hospitals.

A few months after the Budget the Health Department's Annual Report revealed that PBS expenditure actually declined by more than \$350 million in 2012-13.

It is now the case that expenditure on pharmaceuticals as a percentage of GDP is expected to decline every year between 2012-13 and 2016-17. This is proof that the pharmaceutical and pharmacy sectors are doing their bit to maintain the affordability of the PBS.

As the members of the Medicines Partnership of Australia - which represents the wider medicines manufacturing, distribution and community pharmacy sectors as well as the pharmacy profession - we believe that it is important that high-level government decision makers are made fully aware of these salient facts.

We would be happy to meet with you to provide further information on these issues at any time.

Yours sincerely



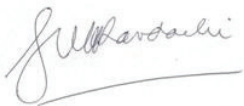
Martin Cross
Chairman
Medicines Australia



Mark Crotty
Chairman
Generic Medicines
Industry Association



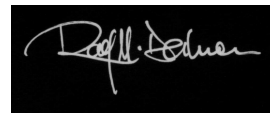
George Tambassis
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Patrick Davies
President
National Pharmaceutical
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Ralf Dahmen
Immediate Past President
Australian Self-Medication
Industry

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