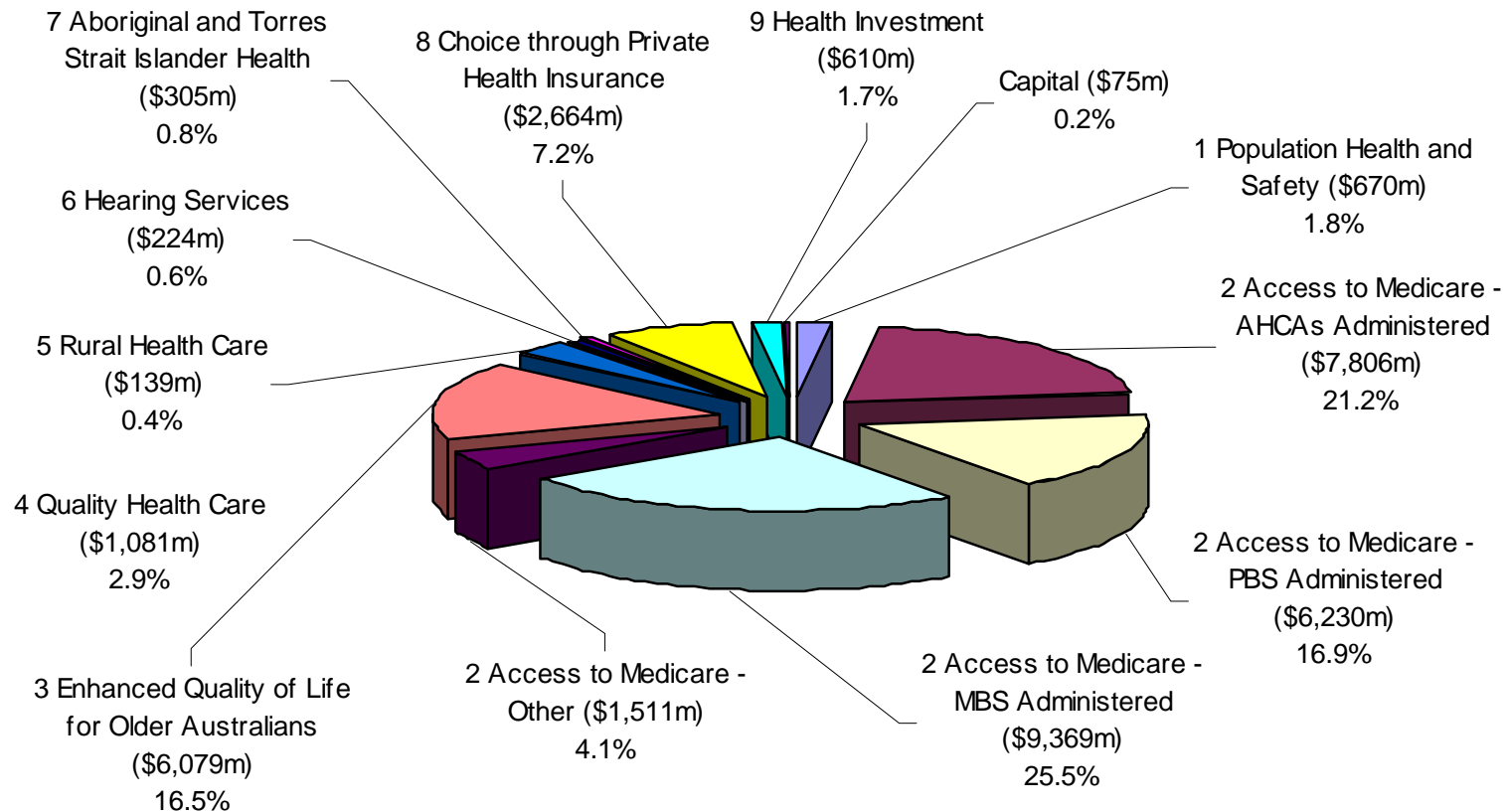




How Sustainable is the PBS?

Professor Lloyd Sansom AO
Chair, PBAC

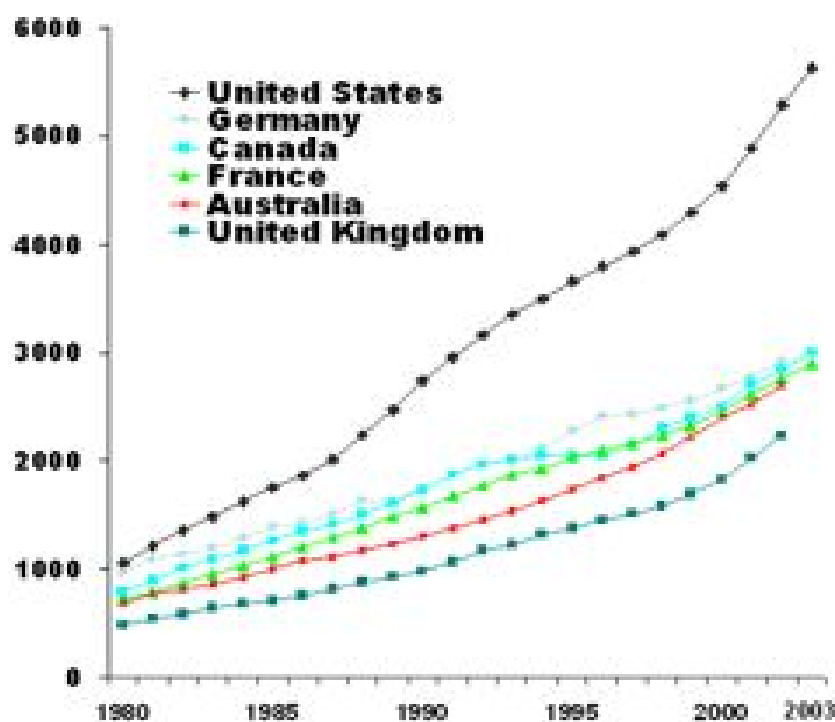
Health and Ageing Portfolio Appropriations by Outcome 2004-05



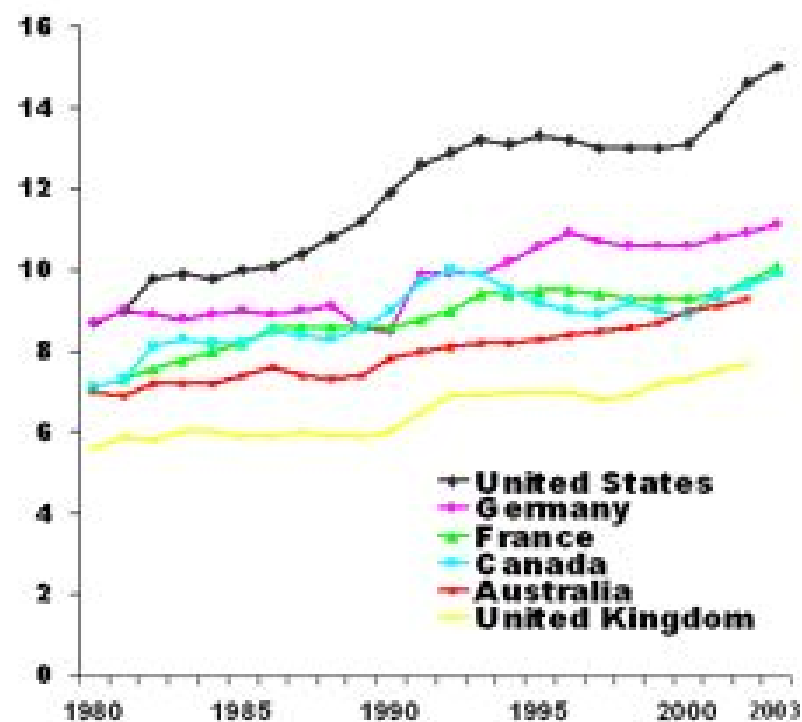
Total Administered, Departmental and Capital Appropriations 2004-05: \$36,762 million.

Figure 1. International Comparison of Spending on Health, 1980–2003

Average spending on health per capita (\$US PPP*)



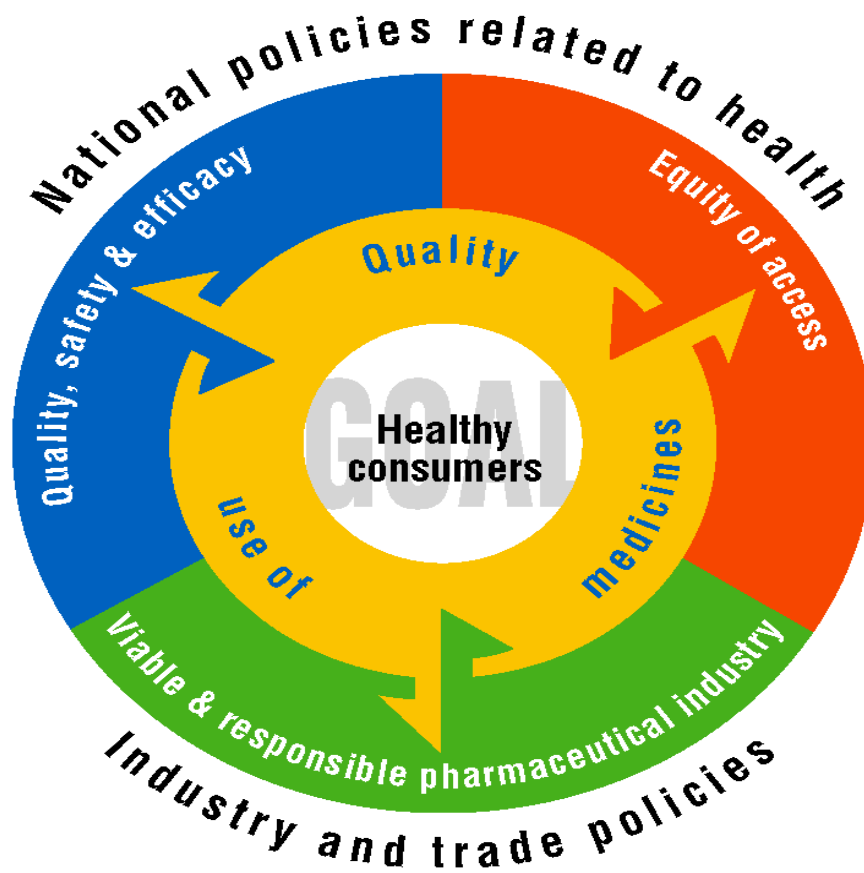
Total expenditures on health as percentage of GDP



* PPP = Purchasing power parity — an estimate of the exchange rate required to equalize the purchasing power of different currencies, given the prices of goods and services in the countries concerned.

Source: Organisation for Economic Co-operation and Development (OECD) Health Data, 2004.

QUM and the National Medicines Policy





National medicines policy

- **In attempting to balance health needs and responsible fiscal discipline, the partners need to address the following issues**



Access to medicines

- **financing and supply arrangements for medicines optimise health outcomes and represent value for money**
- **all partners take adequate responsibility for achieving value for money**



Access to medicines

- **access to necessary medicines occurs at a cost the individual and the community as a whole can afford, particularly in the context of pressures such as the development of new high cost drugs and Australia's ageing population**



Access to Medicines

- **financing arrangements for medicines avoid incentives for cost-shifting between levels of government or other funders, or other perverse incentives**



SUBSIDY OPTIONS

- Fund all registered pharmaceuticals at the price requested
- Fund drugs at price requested but total drug budget capped
- Fund drugs at price requested but total cost of drug/drug class capped
- Fund registered drugs at a percent of requested price eg 50%



SUBSIDY OPTIONS

- Fund only one drug of a class at a price accepted by tender
- Evaluate cost versus benefit in an uncapped system

WHICH OPTION PROVIDES BEST EQUITY AND RECOGNITION OF OPPORTUNITY COST IN HEALTH CARE?



"THE PRICE TAG ON PROGRESS"

- 'AS A SOCIETY, WE ARE RELUCTANT TO SYSTEMATICALLY DENY ACCESS TO EXPENSIVE TREATMENTS THAT EXTEND LIFE BY A FEW WEEKS, BUT THE MORALITY OF REFUSING TO MAKE DELIBERATED CHOICES IS ITSELF QUESTIONABLE"

D Schrag, N Engl J Med July 2004



SUSTAINABILITY

- The PBS will be sustainable for as long as the Australian people want it to be sustainable
- We should not be talking about sustainability but rather ensuring the Australian people get value for the money they expend on pharmaceuticals

HEALTH EXPENDITURE ESTIMATES (\$b) 03-04

	AUST GOV	STATE &LOCAL	OUT OF POCKET	OTHER PRIVATE	TOTAL
HOSPITALS	11.3	10.0	0.7	4.4	26.4
RES AGED HIGH CARE	3.7	0.2	1.0	0	5.0
PBS	5.6	0	1.0	0	6.7
TOTAL	35.7	17.7	15.9	11.7	78.6
% OF TOTAL	45.4%	22.6%	20.3%	11.7%	100%

HEALTH AND AGEING SPENDING AS PROPORTION OF GDP AND TOTAL NATIONAL BUDGET

ISSUE	STATISTIC	FIGURE IN 95-96
PROPORTION OF NATIONAL BUDGET 05-06	19.0%	13.7%
TOTAL HEALTH SECTOR AS PROPORTION OF GDP	9.7%	8.4%
AUST GOV SPENDING ON HEALTH AS PROPORTION OF GDP	4.3%	3.3%
STATE GOV SPENDING AS PROPORTION OF GDP	2.2%	1.8%



PBS SUMMARY –YEAR ENDING 30 JUNE 2005

- Increase to Gov expenditure over the previous 12 months was 6.13%
- Total PBS prescription volumes increased by 2.7% to a total of 170million
- Patient copayments contributed 16.4% of total
- Majority of costs was for concessional cardholders -79.6% of total
- Average dispensed price increased from \$35.84 to \$37.20

TOP 10 DRUGS BY GOVERNMENT EXPENDITURE (\$M)

Atorvastatin	427
Simvastatin	390
Omeprazole	193
Salmeterol/fluticasone	185
Olanzapine	150
Esomeprazole	157
Clopidogrel	140
Pravastatin	126
Alendronic Acid	108
Pantoprazole	114



IMPACT OF A NEW DRUG ON THE TOTAL PBS BUDGET

- Total PBS account is \$6.4 billion
- 1% of the total is \$64million
- A drug which costs the PBS \$100million/year will increase the total PBS by almost 2% in the absence of cost offsets
- New drugs costing a total of \$400million/year will result in an increase in the PBS of >6%, a figure greater than the growth of the economy
- Such scenarios will be more common with the new agents



CHANGE IN TOTAL COST 04-05

\$M (% change)

■ Alimentary Tract	72	+8.4%
■ Blood and Blood forming agents	28	+15.5%
■ Cardiovascular system	139	+7.4%
■ Antineoplastic/Immunomodulating	73	+17.9%
■ Nervous system	84	+7.9%
■ Respiratory system	22	+5.2%
■ Anti-infectives	10	+3.5%
■ Muscular-Skeletal	-39	-9.1%
<i>OVERALL</i>	<i>407</i>	<i>+6.9%</i>

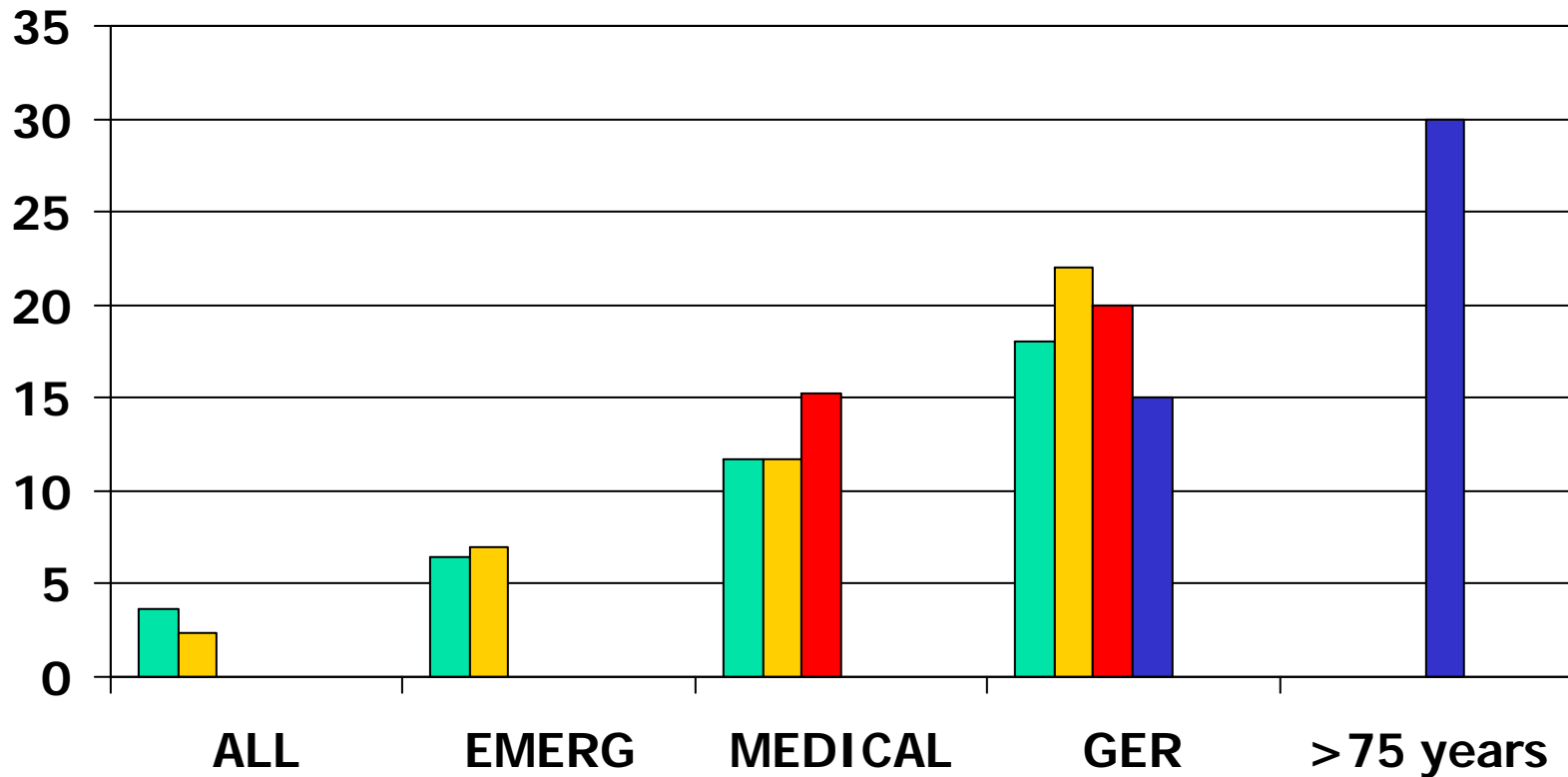


POPULATION DATA

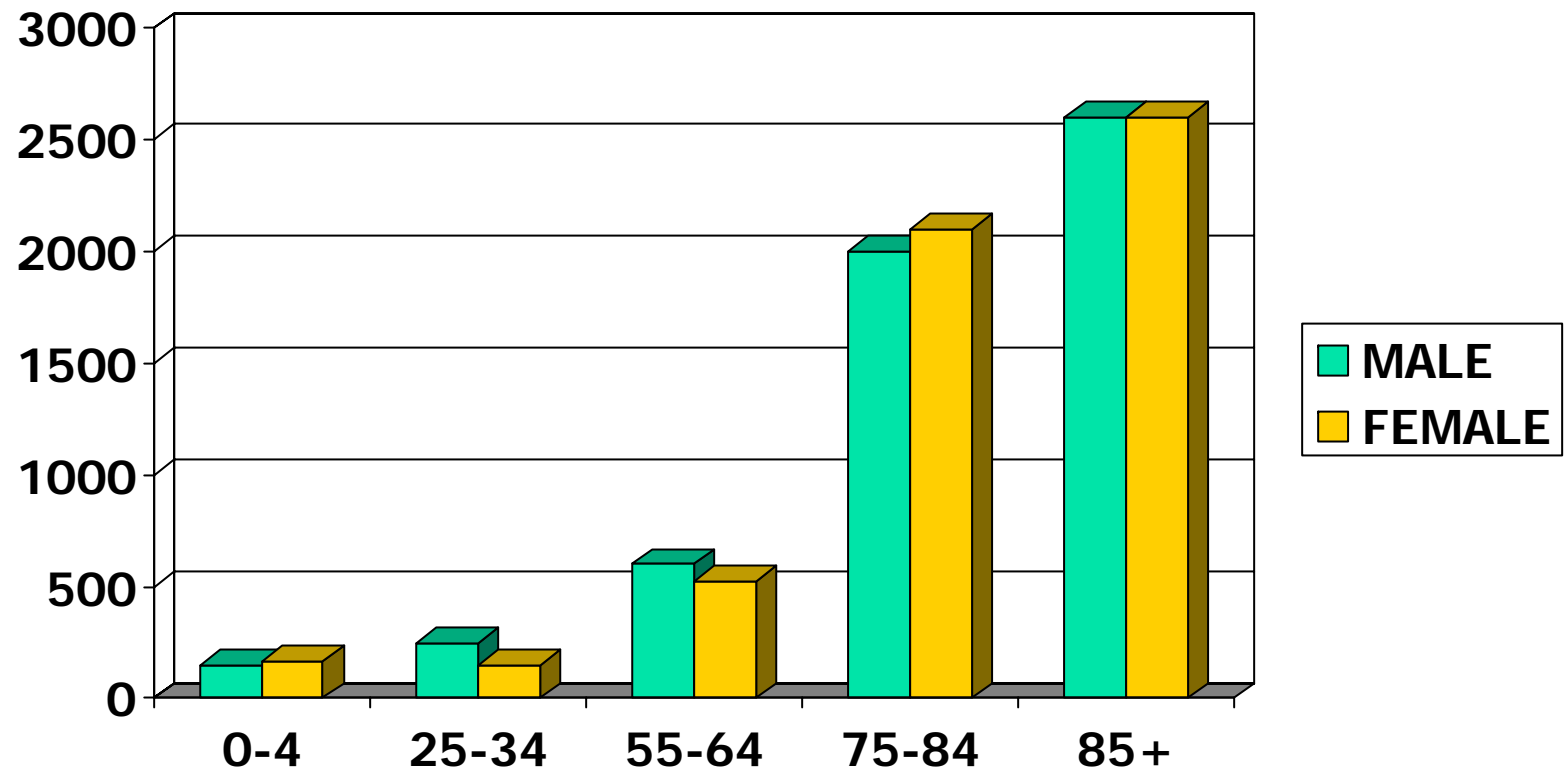
- 9.2% OF AUSTRALIA'S POPULATION IS OVER 70 YEARS OF AGE AND REPRESENTS 1.825MILLION PEOPLE.
- 190,000 AUSTRALIANS ARE IN PERMANENT RESIDENTIAL CARE AND 35,000 ARE IN RESIDENTIAL RESPITE CARE
- 700,000 PEOPLE ARE RECEIVING HOME AND COMMUNITY SUPPORT(INCLUDING 485,000 AGED 70+)

PERCENT OF ADMISSIONS AS A RESULT OF PROBLEMS WITH MEDICINES

S&Q COUNCIL 2002



ADRs ASSOCIATED WITH HOSPITALISATIONS PER 100,000 POPULATION (SAFETY & QUALITY COUNCIL 2002)





HEALTH CARE IN 2020+ A HYPOTHETICAL SCENARIO?

- ELECTRONIC HEALTH RECORDS LINKED INTO A NATIONAL REPOSITORY
- INTEGRATED PRESCRIBING DECISION SUPPORT
- GREATER USE OF THE INTERNET FOR INFORMATION



HEALTH CARE IN 2020+ A HYPOTHETICAL SCENARIO?

- UNDERSTANDING OF THE MOLECULAR BASIS OF MOST DISEASES
- USE OF PHARMACOGENOMICS AND BIOINFORMATICS ROUTINE PRACTICE
- TARGETTING BY SPECIFICALLY DESIGNED DRUGS



HEALTH CARE IN 2020+ A HYPOTHETICAL SCENARIO?

- SINGLE NATIONAL FUNDER OF HEALTH CARE
- GREATER USE OF NON-MEDICAL HEALTH PROFESSIONALS FOR ONGOING MANAGEMENT OF PATIENTS eg NURSE PRACTITIONERS, CLINICAL PHARMACISTS
- USE OF STATE OF THE ART TECHNOLOGY (eg GENE CHIPS) FOR MONITORING OUTCOMES



HEALTH CARE IN 2020+ A HYPOTHETICAL SCENARIO?

- GREATER DEGREE OF PATIENT RESPONSIBILITY FOR HEALTH.
- SELF-MEDICATION FOR CHRONIC ILLNESSES INCREASING
- SHORTER HOSPITAL STAYS WITH A GREATER NEED FOR CONTINUITY OF CARE AND OUTREACH SERVICES



CHANGING HEALTH DEMANDS 2020+

- AGEING AND HIGHER NUMBER OF PATIENTS INCLUDING THOSE WITH MALIGNANCIES, NEUROLOGICAL DEFICETS(dementia), MOBILITY PROBLEMS DUE TO OSTEOARTHRITIS AND VESTIBULAR DEFECTS ETC
- INCREASED NUMBER OF DIABETIC PATIENTS



CHANGING HEALTH DEMANDS 2020+

- A GREATER DEBATE ABOUT QUALITY RATHER THAN QUANTITY OF LIFE
- INCREASED NUMBER OF PEOPLE REMAINING AT HOME BUT WITH RISK OF SOCIAL ISOLATION
- SOCIAL/FISCAL RESTRUCTURING WILL BE NEEDED TO MAINTAIN THE HEALTH SYSTEM



CHANGING HEALTH DEMANDS 2020+

- Disease state management will be an integral component of health care delivery and issues with medical work force will determine that such management will only be achieved through a team approach
- Greater emphasis on primary care



TRANSPARENCY-A CORE ELEMENT FOR SUSTAINABILITY

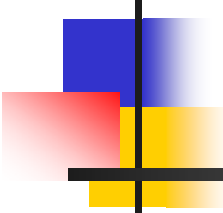
PRINCIPLES

- All stakeholders need to be informed about PBAC recommendations
- Currently only limited information made available
- Details of PBAC recommendations to be made available in a timely manner



THE FUTURE

- The demand side will need to be controlled by quality use of medicines and preventative health programs
- The supply side will be moderated by ensuring cost effectiveness remains the criterion for subsidy



“Equity requires investment,
Sustainability requires
management”

(John Montgomery 2002)

Increasing financial inputs without a management strategy to address the key cost drivers will not allow us to sustain the quality of health services into the future.



HAVE WE GOT IT RIGHT?

- The system is sound and the framework is appropriate
- To maintain the system and continue to provide equity of access will require greater responsibility by all stakeholders
- The funding of health outcomes and not simply the purchase of goods will need to be maintained as the underlying principle



HAVE WE GOT IT RIGHT?

- The debate around this question has to be taken to a new level
- The debate will be facilitated by increased transparency and a greater understanding of the fundamental requirements of a public subsidy system



HAVE WE GOT IT RIGHT?

“We cannot change the direction of the wind, but we can adjust our sails to ensure that we go in the direction that we want”