



**AFTINET**  
Australian Fair Trade  
& Investment Network Ltd

Level 3, Suite 3B, 110 Kippax St  
Surry Hills, NSW, 2010  
Phone: 02 9212 7242  
Fax: 02 9211 1407  
Email: [campaign@aftinet.org.au](mailto:campaign@aftinet.org.au)  
ACN 097 603 131  
ABN 83 659 681 462  
[www.aftinet.org.au](http://www.aftinet.org.au)

**Media Release**

**May 29, 2007**

## **PBS changes could mean higher prices for new drugs**

Dr Patricia Ranald of the Australian Fair Trade and Investment Network said today:

“New legislation on the Pharmaceutical Benefits Scheme (PBS) will be debated in the House of Representatives tomorrow, with claims of savings for the government of \$580 million over four years. These savings are due to lower wholesale prices paid by the government for generic versions of some common medicines with expired patents.

But hidden behind these trumpeted savings is an important change to the pricing of new medicines that are patented, which will mean that pharmaceutical companies can charge very high prices for them. The PBS has in the past kept the wholesale prices of medicines low by comparing the cost of new medicines with the cost of existing medicines with the same health outcomes, known as reference pricing. Prices in Australia are three to ten times lower than in the US because of this policy. Pharmaceutical companies and the US government argued that reference pricing was a violation of their intellectual property rights when the AUSFTA was negotiated, and have lobbied for changes both in public through the media and through the joint US-Australia Medicines Working Group set up under the AUSFTA.

The legislation introduces a new category of medicines known as F1, which will not be subject to reference pricing, and for which the government will pay much higher prices. The government calculates that the reductions in price for generic medicines will outweigh the higher prices for new medicines, but this may not be case in future.

Moreover, some of the higher costs of new medicines to the government may be passed on to consumers. Over the last few years, pharmaceutical companies have been allowed to charge “special patient contributions” for PBS medicines on top of the usual PBS subsidized prices paid at the chemist. These can range from a few dollars to hundreds. Health academic Dr Lesley Russell has estimated that extra charges now applied to one in every six PBS medicines. In some cases, doctors can get an exemption from these extra charges for patients if they show that there is a specific medical need for that drug rather than a cheaper one. But not all doctors do this, and there are no figures on how many patients are actually paying the extra charges.

The PBS Bill section 85b (4), states that the Special Patient Contribution will be imposed where the Minister and the drug company have been unable to reach agreement about prices. The patient would have to pay this except “in very special circumstances” where a doctor certifies that other cheaper brands are not suitable. This could undermine the principle of uniform affordable prices for medicines through the PBS. What we do know is that many Australians are missing out on prescription drugs and other health care because of rising costs. A recent international study by the Commonwealth Fund health policy think tank found that 34% of Australians have not filled a prescription, or have not had recommended tests, or failed to see a doctor, because of costs. In the UK that figure is only 13%, and in Canada it is 26% ([www.pharmacydaily.com.au](http://www.pharmacydaily.com.au), May 18, 2007). “

Contact Dr Patricia Ranald 0419 695 841