

## **Appendix I: Public Hospital Pharmaceutical Reforms**

### **PBS and hospitals**

The PBS was initially developed to enable affordable medicines for patients in the community setting. Over time, there has been an evolution of the PBS to respond to the provision of medicines in the hospital/acute care setting. The PBS has been responsive to this change, and established programs under Section 100 of the *National Health Act (1953)* to facilitate payment of medicines under PBS arrangements for patients in hospital care, but there is a limit to this change.

### **Public Hospital Pharmaceutical Reforms**

In 1998, as a component of the negotiation of the Australian Health Care Agreements, the Australian Government proposed a package of Public Hospital Pharmaceutical Reforms (the Reforms) aimed at improving patient care and reducing cost shifting incentives.

The Reforms allow public hospitals to prescribe and dispense PBS medications, including EFC medicines, to outpatients and patients upon discharge. Prescribing of a range of chemotherapy PBS medications is also available for day-admitted and non-admitted patients.

Under the Reforms, eligible patients are able to receive up to one month's supply of PBS medicines. Prior to the Reforms, most patients discharged from public hospitals were given between 2 to 7 days of medication which was not subsidised through the PBS and required an immediate visit to their community GP upon discharge to obtain further prescriptions for medication.

The Reform agreements enable public hospitals to access pharmaceutical agents subsidised by the Australian Government under two schemes:

- the Pharmaceutical Benefits Scheme (PBS) access program for non-admitted patients or patients upon discharge from hospital; and
- the Efficient Funding of Chemotherapy Medicines (EFC) for day-admitted or non-admitted chemotherapy patients.

PBS funding for participating hospitals is intended to only cover the medicine cost and a small administrative fee. Public hospitals dispensing EFC medicines receive a \$41.33 preparation. EFC Dispensing of non-EFC medicines does not attract professional fees and mark-up such as those included in community pharmacy remuneration. Savings from these changes allowed the Australian Government to extend the offer to certain cancer chemotherapy medicines previously unavailable in the public hospital sector.

<b>Component of PBS reimbursement</b>	<b>Community Pharmacy</b>	<b>Public Hospital</b>	<b>Private Hospital</b>
Drug ex-manufacturer price	Agreed between manufacturer and Health Minister	Agreed between manufacturer and Health Minister	Agreed between manufacturer and Health Minister
Retail Mark-up	Tiered based on medicine cost	Nil.	1.4% of medicine cost
Wholesale/distribution fee	\$24.79		\$24.79
Diluent fee	\$4.91		\$4.91
Preparation fee	\$41.33	\$41.33	\$41.33
Dispensing Fee	\$6.63		\$6.63
<b>Total fee</b>	<b>\$77.66</b>	<b>\$41.33</b>	<b>\$77.66</b>

Patients pay a co-payment as they would at a community pharmacy and current PBS joint safety net arrangements apply.

### **State and territory arrangements under the Reforms**

The Australian Government has individual agreements with each state and territory government that govern these arrangements:

<b>State / Territory</b>	<b>Date of Agreement</b>
VIC	September 2001 – amendment July 2003
QLD	August 2002
WA	2002
NT	January 2007
SA	August 2008
TAS	December 2010

Note: NSW and ACT do not participate in the Reforms.

The Reforms were varied via an exchange of letters in late 2011 to include the revised arrangements for access to chemotherapy medicines to coincide with the implementation of the Efficient Funding of Chemotherapy measure. The inclusion of the new chemotherapy measure means that only patients receiving treatment at a participating reform hospital can access these medicines funded under the PBS.

### **Non-participation of NSW and ACT in the Reforms**

The ACT and NSW do not participate in the Reforms and therefore patients receiving care at public hospitals in the ACT and NSW cannot access PBS funded medicines under these arrangements. However, access to the PBS Highly Specialised Drugs Program is available under Section 100 which is separate to the Reforms.

The ACT and NSW do not participate in the Reforms. As such, hospitals in NSW and the ACT are not eligible to receive chemotherapy medicines under the PBS. In practice, however, some hospitals have developed alternative methods to access chemotherapy medicines under PBS arrangements. These practices, identified during bilateral discussions with stakeholders, include public hospitals classifying patients (public or private) as

'privately referred non-admitted' patients and public hospitals undertaking in-house chemotherapy compounding for private outpatients.

**Alternative arrangements**

Some hospitals have developed alternative methods to access chemotherapy medicines under PBS arrangements. These practices include public hospitals classifying patients (public or private) as 'privately referred non-admitted' patients and public hospitals undertaking in-house chemotherapy compounding for private outpatients.