

# Pharmaceutical Benefits Scheme

The Pharmaceutical Benefits Scheme (PBS) gives all Australian residents and eligible overseas visitors access to prescription medicines in a way that is affordable, reliable and timely. Through the PBS, the Australian Government subsidises the cost of prescription medicines, making them more affordable for all Australians.

DoHA is responsible for program policy development and the overall management of the PBS, including the Schedule of Pharmaceutical Benefits, and the Department of Veterans' Affairs (DVA) is responsible for the overall policy for the Repatriation Pharmaceutical Benefits Scheme (RPBS). In the following report, unless otherwise noted, 'PBS' indicates both the PBS and the RPBS.

## Our responsibilities

We are responsible for the operation of the PBS and the RPBS, which involves:

- administering safety net arrangements
- approving authority prescriptions
- approving pharmacists (and certain doctors) to supply PBS medicines
- approving private hospitals (and participating public hospitals) to supply PBS medicines to their eligible patients.

We make payments under section 100 of the *National Health Act 1953* to:

- colostomy and ileostomy associations for ostomy supplies
- drug companies, for the supply of in-vitro fertilisation hormones, fertility drugs and botulinum toxin
- fund medications under the Highly Specialised Drugs Program.

We make payments to pharmaceutical companies, under section 85 of the National Health Act, for the supply of complex medications such as Adalimumab and Etanercept for the treatment of adults

with rheumatoid arthritis. We also make payments under a program separate from the PBS to fund the use of Herceptin for the treatment of patients with metastatic breast cancer.

## Beneficiaries

There are two types of PBS beneficiaries—general patients, who pay up to \$28.60 for prescription medication, and concession patients who pay up to \$4.60 for prescription medication. These figures are adjusted annually in line with the CPI and do not cover surcharges for more expensive alternative brands or medicines.

To receive subsidised medicines through the PBS, each patient must provide their Medicare number or DVA file number to the pharmacist at the time the medicine is supplied. This ensures subsidised medicines are provided only to those who are eligible to receive them.

In addition, concession beneficiaries must provide their concession card number to the

pharmacist at the time of supply to receive a further subsidy. Concession beneficiaries hold a Health Care Card, Pensioner Concession Card or Commonwealth Seniors Health Card issued by Centrelink. The DVA also issues Pension Concession Cards and Commonwealth Seniors Health Care cards.

## PBS safety net

The PBS safety net helps protect individuals and families who spend a lot of money on prescription medicines by setting a threshold amount for people to spend on PBS medicines in a calendar year.

The 2005 safety net threshold is \$874.90 for general patients

and \$239.20 for people holding concession cards from Centrelink or the DVA. Once a patient reaches the relevant threshold of expenditure they can apply for a safety net card and their PBS medicines will be cheaper or free for the rest of the calendar year. However there may be a surcharge on some brands of medicine and this surcharge does not count towards reaching the threshold.

To qualify for the PBS safety net, people need to keep records of all PBS medicines supplied to them or their families. They can ask their pharmacist for a prescription record form and hand this form in whenever they have a prescription filled or, if they have a preferred pharmacist, they

can ask the pharmacist to keep a record on their computer.

## Key business results

We processed 185.3 million services, representing \$6.1 billion in benefits paid under the PBS and the RPBS, collectively called the PBS.

## PBS Online

PBS Online was developed in response to pharmacies' requests for better and faster ways to claim PBS benefits. From 20 September 2004 to 20 December 2004, 66 pharmacies and four software vendors participated in the pilot of PBS Online.

## PBS expenditure 2003–04 and 2004–05

|                          | 2003–04       | 2004–05       | % Change |
|--------------------------|---------------|---------------|----------|
| Total amount paid        | \$5.8 billion | \$6.1 billion | +3.6%    |
| Total services processed | 180.7 million | 185.3 million | +2.5%    |
| Comprises:               |               |               |          |
| PBS benefits             | \$5.3 billion | \$5.7 billion | +5.9%    |
| RPBS benefits            | \$460 million | \$475 million | +3.3%    |
| Stoma appliances         | \$44 million  | \$49 million  | +11.3%   |

An independent evaluation at the conclusion of the pilot identified a number of successes and also a number of areas requiring further enhancement by both the HIC and the software vendors.

The three main areas identified as requiring further enhancement by both the HIC and software vendors were the reconciliation process, the HIC's support and system stability. The HIC and the software vendors have worked together to address these issues to ensure the PBS Online product meets the needs of pharmacies. Solutions implemented to date include:

- additional functionality in both the HIC and dispensing software systems to assist with reconciliation
- further training of staff
- new support arrangements, including around-the-clock technical support for PBS Online pharmacies
- major changes to improve the stability of HIC systems.

The HIC plans to roll out PBS Online to interested pharmacies from early 2005–06.

The HIC developed and implemented a communication strategy to promote PBS Online to pharmacies and to provide communication resources for participating pharmacies during the 2004 pilot period. We conducted the following activities:

- developing and distributing a PBS Online brochure and a PBS Online welcome pack for pilot pharmacies. Items in the pack included:
  - a welcome letter to the pilot pharmacies
  - an information sheet
  - a frequently asked questions list
  - a contact guide.
- participating in pharmacy fairs across Australia
- including articles in *Bulletin Board* (the HIC's quarterly publication for pharmacists)
- distributing media releases targeting information technology and pharmaceutical trade publications.

After independent testing and evaluation of these activities, a communication strategy has been developed for all pharmacies that register for PBS Online in the broader rollout.

## Education and communication

The *How to save money on medicines* brochure is a key communication tool to inform consumers about the PBS safety net, less expensive brands of medicines, and ways of using medicines wisely. This information is available from Medicare offices and our website as well as from pharmacies and some doctors' surgeries.

## Concessional entitlement validation

As discussed in last year's annual report, the Australian Government announced new requirements to validate entitlements to concessions in the 2003–04 Budget and the HIC has been working with stakeholders to implement the necessary changes to systems and processes.

During 2004–05 the HIC developed and implemented a communication strategy to engage pharmacists in the concessional entitlement validation project. The strategy was developed in consultation with Centrelink, the DVA and

DoHA. Several pharmacists also provided input. The communication activities included:

- a mail-out to online pharmacies in October 2004. The mail-out reminded pharmacies of the requirement to check customers' entitlement cards before providing subsidised PBS medicines. It also included information on how to check online the entitlement status of their customers.
- a mail out to non-online pharmacies in April 2005. This mail-out reminded pharmacies of the requirement to check customers' entitlement cards before providing subsidised PBS medicines. It also included information on how to check the entitlement status of their customers.
- an article in the December 2004 edition of *Bulletin Board*.

## Claim processing system

In addition to the development of PBS Online, the HIC has also

implemented a new PBS claims processing system to replace the existing system. The new system will be used by PBS processing staff Australia-wide to process PBS Online, Claims Transmission System (CTS) and paper based (manual) claims and will provide improved functionality for the assessment of PBS claims. The implementation of this system is being undertaken in a controlled manner to reduce impact on both HIC staff and pharmacies. The rollout of the new claims system to all PBS processing staff will occur during the 2005–06 financial year.

## Approval of authority prescriptions

Authority medications are limited to use for specific conditions and medical practitioners must obtain prior approval from the HIC before issuing any PBS authority prescriptions. Of the 1,529 PBS items listed, 863 are restricted to use for a particular condition or purpose. Of these 863 items,

375 are subject to criteria set by the Pharmaceutical Benefits Advisory Committee, which limits medical practitioners to supply by authority prescription.

Medical practitioners may also write an authority prescription if they need an increased supply to treat an individual patient.

In 2004–05, 6.3 million authority prescriptions were approved, with 5.4 million of these being handled by telephone through our 1800 service which operates 24 hours a day, seven days a week.

## Approval to supply PBS medicines

Section 90 of the *National Health Act 1953* enables us to grant approval to a pharmacist to supply PBS medicines. We received 317 applications for new or relocated pharmacies. These were referred to the Australian Community Pharmacy Authority which recommended 267 pharmacies for approval. Of the remainder, 29 were not recommended and 21 were withdrawn.

We granted approval to:

- 841 community pharmacies to supply PBS medicines to the community under s. 90 of the National Health Act (including 624 change of ownership and 217 relocations/new approvals)
- 23 medical practitioners to supply PBS medicines to rural/remote communities under section 92 of the Act
- 57 hospital authorities to supply PBS medicines to hospital patients under section 94 of the

Act (7 private hospital and 50 public hospitals participating in the pharmaceutical reforms).

This brings the total number of approvals at 30 June 2005 to:

- 4,891 section 90 approved community pharmacies
- 85 section 92 approved medical practitioners
- 145 section 94 approved hospitals (36 private hospitals and 109 public hospitals participating in the pharmaceutical reforms).

## Third Community Pharmacy Agreement

### Responsibilities

The Third Community Pharmacy Agreement between the Australian Government and the Pharmacy Guild of Australia has been in place since 1 July 2000. Under the agreement we are responsible for making the various payments described below.

### Payment types covered by the Third Community Pharmacy Agreement

| Payment type   | Description  |
|--|--|
| Aboriginal Health Services—Pharmacy Support Payment        | A financial incentive for pharmacy proprietors to provide support services to Aboriginal health services in rural and remote locations in Australia  |
| Barcode Reader Costs Reimbursement                         | A financial incentive, available for a limited time, that allows approved pharmacies to claim reimbursement for the costs incurred in installing barcode readers to facilitate the correct dispensing of prescribed medication |
| Broadbanding for Health/Pharmacy—Disaster Recovery Payment | A financial incentive, available for a limited time, that is payable to pharmacies to assist them in upgrading their personal computer systems to facilitate the satisfactory use of broadbanding                              |
| Home Medicines Review                                      | Designed to allow patients' medication regimes to be reviewed on the request of the patient, medical practitioner or carer   |

### Payment types covered by the Third Community Pharmacy Agreement (cont.)

| Payment type  | Description   |
|---|---|
| Home Medicines Review—<br>Rural Loading Payment                             | Designed to reimburse pharmacies in rural and remote areas of Australia for travel costs incurred when conducting home medicines reviews  |
| Improved Monitoring of<br>Entitlement Medicare Number<br>Allowance Payments | Improved Monitoring of Entitlement Medicare Number Allowance Payments   |
| Medicines Information to<br>Consumers Participation<br>Allowance            | An ongoing payment, made every two months, to pharmacies that provide consumer medicine information   |
| Quality Care Pharmacy Program   | Payments for approved activities to embody the professional practice standards of the Pharmaceutical Society of Australia and to encourage community pharmacies to achieve and maintain accreditation |
| Rural Pharmacy Maintenance<br>Allowance                                     | A financial incentive to encourage pharmacy proprietors to remain in rural and (designated) remote locations in Australia   |
| Start-up Allowance  | A payment, staggered over two years, to encourage the establishment of new pharmacies in rural or remote locations  |
| Succession Allowance  | A payment, staggered over two years, to encourage pharmacists who want to purchase an existing pharmacy in an identified area of need   |
| Training Incentive Payment for<br>Pharmacy Assistants                       | A financial incentive, available for a limited time, to encourage pharmacy assistants to undertake the Certificate III in Community Pharmacy  |

### Payments

Pharmacies can apply for payments under the Third Community Pharmacy Agreement via our website at [www.hic.gov.au](http://www.hic.gov.au). Our payments under the Third Community Pharmacy Agreement initiatives totalled \$46 million in 2004–05.

## Payments made under the Third Community Pharmacy Agreement 2004–05

|   | Number of payments | Total amount paid   |
|---|--------------------|---------------------|
| Barcode Reader Costs Reimbursement                                    | 1,825              | \$2,964,890         |
| Home Medicines Review   | 7,087              | \$3,614,460         |
| Home Medicines Review—Rural Loading Payment                           | 112                | \$11,880            |
| Improved Monitoring of Entitlement Medicare Number Allowance Payments | 15,749             | \$8,423,058         |
| Medicines Information to Consumers Participation Allowance            | 22,497             | \$15,138,977        |
| Quality Care Pharmacy Program   | 1,095              | \$3,102,000         |
| Rural Pharmacy Maintenance Allowance                                  | 9,092              | \$12,255,448        |
| Start-up Allowance and Succession Allowance                           | 33                 | \$490,000           |
| Training Incentive Payment for Pharmacy Assistants                    | 16                 | \$13,650            |
| <b>Total</b>  | <b>57,473</b>      | <b>\$46,014,363</b> |

### Indigenous people's access to the PBS

During 2004–05, the HIC continued to administer the PBS arrangements that make prescription medicines accessible in remote Indigenous and Torres Strait Islander communities.

We continued to pay pharmacists for the bulk supply of PBS medicines to remote

Indigenous and Torres Strait Islander communities via the Aboriginal and Torres Strait Islander Health Services (ATSIHS).

These arrangements are enabled under s. 100 of the *National Health Act 1953* and currently make prescription medicines accessible and affordable to patients receiving treatment at over 166 remote area Aboriginal health services,

across the Northern Territory, Queensland, South Australia and Western Australia.

Program expenditure for 2004–05 totalled \$24.2 million.

### Pharmaceutical reforms in public hospitals

Under the Australian Health Care Agreements, the Australian Government, states

and territories are reforming the supply of pharmaceuticals to patients in public hospitals. Key features of the reform proposal are to extend the PBS to admitted patients on discharge and to outpatients, and to provide access to chemotherapy drugs for day patients of public hospitals.

Participating hospitals are required to adopt the Australian Pharmaceutical Advisory Council guidelines on the continuum of pharmaceutical care between the hospital and the community.

The pharmaceutical reforms are being gradually implemented across the states of Queensland, Victoria and Western Australia. Doctors in approved public hospitals in those states can prescribe

PBS items to non-admitted patients (outpatients) and admitted patients on discharge. The medication may be supplied from the approved public hospital pharmacy or from an approved community pharmacy.

DVA beneficiaries are included in the pharmaceutical reforms, and the same rules apply to RPBS benefits.

The Australian Government will continue to liaise with other states and territories, seeking agreement to implement the reforms.

At 30 June 2005, we had approved 108 public hospitals under these arrangements—54 in Queensland, 49 in Victoria and 5 in Western Australia—and paid benefits of more than \$66 million.

## Repatriation Pharmaceutical Benefits Scheme processing

A project was undertaken to upgrade the DVA RPBS authority processing system. This system is used by the Veterans' Affairs Pharmaceutical Approvals Centre to process requests for prior approval to prescribe certain medications to entitled people. Phases 1 and 2 of the project were implemented during 2004–05 and delivered functionality to extend the recording of compliance information and improve system usability.