

## F1 Medicines Pricing Arrangements

### **What will the measure do?**

The measure will apply a one-off statutory price reduction of five per cent to all brands of pharmaceutical items on the Pharmaceutical Benefits Scheme (PBS) formulary 1 (F1) after they have been listed for at least five years.

The one-off reductions will commence 1 April 2016 and will be applied each April until 1 April 2020 as different medicines on the F1 formulary reach their five year anniversary on the PBS.

This measure is part of a balanced package of pricing reforms being applied across the PBS and impacting drugs on both the F1 and F2 formularies. This measure will help to create the capacity needed to continue to list new and innovative medicines on the PBS as quickly as possible. It will also increase consumer access to affordable PBS medicines, and contribute to the sustainability of the PBS.

### **What is the impact?**

This measure will result in patients and the Government paying less for some PBS medicines.

While this measure will impact on revenue generated by pharmaceutical companies in the innovator sector, it will also build capacity for new investment in medicines which benefit all Australians and deliver a sustainable and affordable PBS.

This measure is part of a balanced approach to ensuring companies in this sector share a part of the burden of PBS savings and contribute to the ongoing cost of new PBS listings without materially threatening their viability. These companies are the ones that most benefit from new listings, so it is reasonable that they contribute directly from the F1 price reductions to maintain the sustainability of the PBS.

It has been estimated that it takes five years for pharmaceutical companies to recoup the research and development costs associated with bringing a new medicine to market. This measure has taken this into account so the reductions apply to only pharmaceutical items on F1 that have been listed for at least five years.