

Improvements to Price Disclosure – Combination Items

What will the measure do?

The measure will ensure that price disclosure reductions from discounts on component ingredient drugs are applied consistently to the price of combination items containing those component drugs.

The measure will amend the current pricing policy for multi-ingredient and multi-component medicines ('combination items') listed as formulary 2 (F2) medicines on the Pharmaceutical Benefits Scheme (PBS).

The process of flowing on F2 component medicine price reductions to F2 combination items will commence on 1 April 2016.

There can be significant price differences between component medicines and combination items containing the component medicines, in some cases more than 80% different. This is due to an existing 'loophole' in the price disclosure framework. Accordingly, this change will address the loophole by ensuring appropriate price reductions are applied to combination items on the PBS.

There are 34 combination items out of 95 that are listed on the PBS that have significant price differentials between the component medicines and combination items containing the component medicines. This means that currently the Government and consumers are paying more than the sum of the individual ingredients for combination items. It is estimated government has paid over \$200 million more through this loophole.

What is the impact?

This measure will result in savings for both the Government and consumers through reduction in prices paid for PBS-listed medicines, with over \$600 million being saved over five years.

There will be some savings to patients.

While there are some individual pharmaceutical companies that will be impacted by this measure, it is supported by all stakeholders including the Pharmacy Guild, Medicines Australia, the Generic Medicines Industry Association, and consumers.