

Improvements to Price Disclosure – Remove Originator

What will the measure do?

The measure will deliver improved value for the taxpayer from price disclosure arrangements, particularly for those medicines which have been listed under the Pharmaceutical Benefits Scheme (PBS) formulary 2 (F2) for three years or more. It will remove the originator brand as part of the calculation of the weighted average disclosed price for medicines.

As originator brands can continue to occupy a large market share and usually do not discount (or discount modestly), excluding their data will allow the PBS prices of medicines to drop more quickly than is currently the case. The originator brand will remain available on the PBS but will only be subsidised up to the level of the Generic Weighted Average Disclosed Price.

This change will commence on 1 October 2015 with the first price disclosure reduction under the new policy able to occur from 1 October 2016.

The implementation of this change includes safeguards to enable policy to be applied in such a way as to maintain the sustainability of the PBS without compromising patient access to certain low-volume medicines.

What is the impact?

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

The limitation of this measure to medicines which have been in F2 for three years or more ensures that new generic medicines have an opportunity to build their market share and not be dissuaded from entering the market during that period. Evidence shows generics achieve 50 per cent market penetration by year three.

Removing the originator brand from the price disclosure calculation directly supports the intention of the policy, being to ensure a fair price is paid by the Commonwealth for all PBS medicines. This measure therefore builds on current price disclosure policy and will not increase red tape for industry.