

PBS Pricing Fact Sheet – Anniversary Price Reductions

Background

Anniversary price reductions to F1 medicines were first introduced as part of the 2015 Access and Sustainability package of changes to the PBS. This measure introduced a one-off 5% statutory price reduction to drugs that had been listed on F1 for five years.

The amendments to the *National Health Act 1953* (the Act), introduced as part of the 2017 Medicines package, that commenced on 21 February 2018:

- introduced new anniversary price reductions to F1 medicines to be applied on the tenth and fifteenth anniversary of a drug being listed on the Pharmaceutical Benefits Scheme (PBS);
- extended the five year 5% anniversary reductions, which were to cease in 2020, out to 2022; and
- introduced discretion that could be exercised by the Minister to reduce or not apply anniversary price reductions.

A detailed explanation of anniversary price reductions and the 21 February 2018 amendments to the Act can be found in the Explanatory Memorandum to the [National Health Amendment \(Pharmaceutical Benefits-Budget and other Measures\) Bill 2017](#).

Price Reductions and Key Dates

The percentage reductions that are applied on different anniversaries are outlined in the table below.

Anniversary	Percentage reduction
5 Year	5%
10 Year	10%
15 Year	5%

Anniversary reductions are applied on specific days of the year. The schedule of anniversary reduction days out to 2022 is set out in the tables below.

Five Year Anniversary

Date Drug Listed on PBS	Reduction day
On or before 1 April 2011	1 April 2016
Between 2 April 2011 and 1 April 2012	1 April 2017
Between 2 April 2012 and 1 April 2013	1 April 2018
Between 2 April 2013 and 1 April 2014	1 April 2019

Between 2 April 2014 and 1 April 2015	1 April 2020
Between 2 April 2015 and 1 April 2016	1 April 2021
Between 2 April 2016 and 1 April 2017	1 April 2022

Ten Year Anniversary

Date Drug Listed on PBS	Reduction day
On or before 1 June 2008	1 June 2018
Between 2 June 2008 and 1 April 2009	1 April 2019
Between 2 April 2009 and 1 April 2010	1 April 2020
Between 2 April 2010 and 1 April 2011	1 April 2021

Fifteen Year Anniversary

Date Drug Listed on PBS	Reduction day
On or before 1 June 2003	1 June 2018
Between 2 June 2003 and 1 April 2004	1 April 2019
Between 2 April 2004 and 1 April 2005	1 April 2020
Between 2 April 2005 and 1 April 2006	1 April 2021

Application of Anniversary Price Reductions

Once a F1 drug has been identified as being listed on the PBS for five, ten or fifteen years, the applicable price reduction will apply to the approved ex-manufacturer price (AEMP) for all PBS brands of pharmaceutical items containing the F1 drug, including all manners or administration (MoA). Even if there are new or amended indications or items for the F1 drug, the anniversary is based on the date the drug became a PBS listed drug. Flow-on of reductions to the component F1 drugs in a combination drugs is discussed separately below.

Anniversary price reductions are applied by force of the Act so no new price agreement (PB11a) is required. There are no 'exempt item' exemptions from anniversary price reductions.

- **Example of how the SPR will apply at brand level**
Drug X is due to take its 10 year anniversary 10% SPR on 1 April 2019.

On the reduction day, there are three listed brands of pharmaceutical items containing **drug X**:

Drug	Form	MoA	Brand name
drug X	Powder for injection 350 mg	Injection	Xinject
drug X	Powder for injection 700 mg	Injection	Xinject
drug X	Tablet 250 mg	Oral	Xtab

- For each of these brands of pharmaceutical items, the AEMP will be reduced by 10% on the reduction day.
- If a new pharmaceutical item (eg, different strength or formulation) containing **drug X** were to list after the reduction day (e.g. 1 May 2016), it would be required to list at a price consistent with the reduced prices of the existing listings.

The Department will publish a list of affected F1 drugs on the PBS website, with indicative new prices, by mid December for each following April reduction day.

Flow-on of anniversary price reductions to single brand combination items

The anniversary price reduction will be flowed on to combination items where the F1 drug is a component of the combination drugs list (CDL) drug in the item. For example:

Component drug Z is on F1 and a combination item has drug Z+A, which is a drug on the CDL. It is not necessary for the combination drug Z+A to have been listed for five years to take the flow-on reduction. The Formulary Allocations List, including those drugs on the CDL, can be found on the [Formulary Allocations Page](#).

The process for flowing anniversary reductions to combination items is similar to that for flow on reductions for the first new brand and price disclosure reductions. Under section 99ACC the Act, the price agreement for any combination items that contain a F1 component drug taking an anniversary price reduction will cease to exist on the day the component drug takes its reduction (for example 1 April 2019). It is usual for companies to agree a new price to come into effect when the previous price ceases. In deciding what to agree as the price for the combination item that contains a component drug taking a reduction, the Minister is required to take into account the reduced price of the F1 component drug on the reduction day and, as of 1 October 2018, the price and quantity of each non-listed component drug as if the non-listed component had been listed on the PBS and had been subject to the applicable SPR on the same day as the listed component (see s99ACC(4B)).

However, if there is advice from the PBAC under section 101(4AC) of the Act (that the combination item provides a significant improvement in compliance, efficacy or reduction in toxicity over alternative therapies), the pricing delegate may choose not to flow on all or some of the component drug reduction. See s99ACC(4) and (4A)).

A responsible person for a combination item affected by an anniversary price reduction will receive written notification from the Department advising of the SPR, the resultant price for their brand of pharmaceutical item, and seeking that a

PB11a form be submitted for a new price agreement. This notification will be provided to responsible persons by mid-January each year for the April reduction day. Companies may confirm likely application of a flow-on reduction by checking whether their combination item contains an F1 component drug that is to take the anniversary price reduction. As mentioned above, confirmation of the list of F1 drugs taking reductions will be published by mid-December each year for the following April reduction day. The PB11a for a flow-on reduction to a combination item will generally be due 10 business days after the date of the combination flow-on advice letter.

Example timeline - F1 Drug with New Indication & Combination Flow-on – April 2016 reduction

Drug Z lists on PBS and allocated to F1 formulary	1 January 2019
A new indication is listed on the PBS for a new or existing brand of pharmaceutical item containing drug Z	1 November 2015
List of F1 drugs subject to five per cent SPR on 1 April 2016 (and their indicative prices) published to PBS website (will include drug Z)	Mid-December 2018
10 year anniversary of drug Z being a PBS listed drug	1 January 2019
Letters sent to responsible persons for combination items with drug Z+A on the CDL (which has the F1 component drug Z affected by the five per cent SPR) re new price	By mid-January 2019
PB11a (request for new price agreement) due from responsible persons with affected combination items	10 business days after the date of the combination flow-on advice letter
10% anniversary price reduction for drug Z (including new indication) and flow-on reduction day for single brand combination items (with drug Z+A)	1 April 2019 (drug Z been listed for at least 10 years)