

PBS Price Disclosure – Description of steps – Method for price reductions from 1 October 2014

Method for determining weighted average disclosed price of listed brand of pharmaceutical item

Legislative basis:

National Health Act 1953 (the Act)

National Health (Pharmaceutical Benefits) Regulations 1960 (the Regulations – referenced as R), as amended by *National Health (Pharmaceutical Benefits) Amendment (Price Disclosure) Regulation 2014*, effective 3 June 2014

Definitions and abbreviations:

av. AEMP - average approved ex-manufacturer price for brand (see regulation 37J)

data collection period - (see regulation 37C)

final day - last day of the data collection period (see subregulation 5(1))

MoA - manner of administration (see section 84AB and subsection 85(5) of the Act)

PQ - pricing quantity (see subsection 84AK(1) of the Act)

relevant day - day after last day of data collection period, ie. first day of next period (see subsection 99ADB(1) of the Act)

rounding [*] - amounts if not whole cents are rounded to the nearest cent, 0.5 cents upwards (see section 84AI of the Act)

WADP - weighted average disclosed price (see subsections 99ADB(1) and (4) of the Act and regulation 37S)

10% test for price reductions (see paragraph 99ADH(1)(c), subsections 99ADB(1) and (3A) of the Act)

Legislative reference

Step 1 - Net revenue for brand

R 37G

Work out the net revenue (revenue minus incentives) for the listed brand of the pharmaceutical item for the data collection period (other than initial month). Pack size information is required for all supplies.

Step 2 - Adjusted volume for brand

R 37H

Work out the adjusted volume of the brand expressed as the number of packs and calculated as if the pack size equals the pricing quantity (PQ) on the final day.

Step 3 - Average approved ex-manufacturer price (av.AEMP) for brand of the pharmaceutical item

R 37J

Sum the approved ex-manufacturer price (AEMP) on each price sampling day for the data collection period, adjusted if necessary, to reflect the PQ on the final day. Divide by the number of months in the period. [* round]

Step 4 - Disclosed price for brand

R 37K

Divide the net revenue (step 1) by the adjusted volume (step 2). [*] If more than av.AEMP, adjust to av.AEMP.

Step 5 - Price percentage difference of brand

R 37L

Subtract the disclosed price (step 4) from the av.AEMP (step 3). Divide that amount by av.AEMP (step 3). Express result as a percentage to 2 decimal places.

Step 6 - Repeat steps 1 to 5 for each brand of the same pharmaceutical item

R 37M

Calculate steps 1 to 5 for each other brand which has been a listed brand during the data collection period. If brand has delisted, use the PQ of a listed brand on final day (used in step 2), or the PQ of last listed brand.

Step 7 - Total adjusted volumes of brands of the same pharmaceutical item

R 37N

Add the adjusted volumes for each brand.

Step 8 - Weighted average percentage difference for the pharmaceutical item

R 37P

Sum the adjusted volume (step 2) multiplied by the price percentage difference (step 5) for each brand. Divide that amount by the total adjusted volume of the brands (step 7). Express result as percentage to 2 decimal places.

Step 9 - Repeat steps 1 to 8 for each pharmaceutical item with related brands (eg. different forms)

R 37Q

Step 10 - Weighted average percentage difference for all related brands with drug/manner of administration

R 37R

- Multiply the total adjusted volume (step 7) by the av.AEMP (step 3) for each pharmaceutical item. Sum the results.
- Multiply the total adjusted volume (step 7) by the av.AEMP (step 3) for each pharmaceutical item and by the weighted average percentage difference (step 8) for each pharmaceutical item. Sum the results.
- Divide (b) by (a). Express result as a percentage to 2 decimal places.

Step 11 - Weighted average disclosed price for each related listed brand of drug/manner of administration

R 37S

Reduce the av.AEMP (step 3) for the brand by the weighted average percentage difference for all related brands (step 10). Adjust the WADP (step 11), if necessary, to the PQ on the relevant day (first day of next data collection period).

10% Test - Compare WADP for brand (adjusted to same PQ) with AEMP on relevant day

s 99ADH(1)(c)

Subtract the WADP (step 11) from the AEMP on relevant day and express as a percentage of the AEMP. If the difference is 10% or more, a price reduction will occur on the next price reduction day unless the price on the reduction day is already the same or lower. This may occur if a lower price comes into force between the relevant day and the reduction day. If the difference is less than 10%, there is no price disclosure reduction.