

Worked example for Price Disclosure – Originator removal – Method for price reductions from 1 October 2016

Scenario: Brands of four pharmaceutical items with same drug and manner of administration

Data collection period: 1 October 2015 to 31 March 2016 for a 1 October 2016 reduction day

10mg capsule

Pricing Quantity (PQ) is 60 on each price sampling day for the 6 month period

AEMP on each price sampling day is \$100 for 4 months, then \$95 for next 2 months (February price change) and AEMP on 1 April 2016 (Relevant day) is \$85

Calculation with originator brand		Calculation without originator brand	
Step 1—Net revenue for brand (excluding initial month)	Brand A = \$68,000	Step 1—Net revenue for brand (excluding initial month)	Brand A = \$68,000
Step 2—Adjusted volume for brand	Volume supplied is 800, pack size of 60 = 800	Step 2—Adjusted volume for brand	Volume supplied is 800, pack size of 60 = 800
Step 3—av.AEMP for brand (rounded)	= $(100+100+100+100+95+95)/6 = \98.33	Step 3—av.AEMP for brand (rounded)	= $(100+100+100+100+95+95)/6 = \98.33
Step 4—Disclosed price for brand (step 1/step 2)	= $\$68,000/800 = \85	Step 4—Disclosed price for brand (step 1/step 2)	= $\$68,000/800 = \85
Step 5—Price percentage difference of brand (step 3 - step 4)/step 3 (% to 2 decimal places)	= $(\$98.33-\$85)/\$98.33 = 13.56\%$	Step 5—Price percentage difference of brand (step 3 - step 4)/step 3 (% to 2 decimal places)	= $(\$98.33-\$85)/\$98.33 = 13.56\%$
Step 6—Repeat steps 1 to 5 for each brand of the same pharmaceutical item	Brand BO (Originator brand) Step 1 = \$66,000 Volume supplied is 1,200, pack size of 30 Step 2 Adjust to the PQ on the final day, which is 60 = $(1,200*30)/60 = 600$ Step 3 = $(100+100+100+100+95+95)/6 = \98.33 Step 4 = $\$66,000/600 = \110 As the disclosed price \$110 is greater than \$98.33, adjust to \$98.33. Step 5 = $(\$98.33-\$98.33)/\$98.33 = 0\%$	Step 6—Repeat steps 1 to 5 for each brand of the same pharmaceutical item	Brand BO (Originator brand) No calculation completed for BO
Step 7—Total adjusted volumes of brands of the same pharmaceutical item (PI)	= $800 + 600 = 1,400$	Step 7—Total adjusted volumes of brands of the same pharmaceutical item (PI)	= 800
Step 8—Weighted average percentage difference for the pharmaceutical item (WAPD) (Sum (step 2*step 5) for each brand of PI)/(step7) (% to 2 decimal places)	= $\frac{\text{Brand A } (800*0.1356)+\text{Brand BO } (600*0)}{\text{Total adjusted volume of the brands } (1,400)}$ = 7.75%	Step 8—Weighted average percentage difference for the pharmaceutical item (WAPD) (Sum (step 2*step 5) for each brand of PI)/(step7) (% to 2 decimal places)	= $\frac{\text{Brand A } (800*0.1356)}{\text{Total adjusted volume of the brands}(800)}$ = 13.56%

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Step 9—Repeat steps 1 to 8 for each pharmaceutical item with related brands (e.g., different forms)

20mg tablet

PQ is 50 on each sampling day for the first 2 months, then 100 for the next 4 months

AEMP is \$60 on each sampling day for the first 2 months, then \$120 for the next 4 months and AEMP on 1 April 2016 (Relevant day) is \$110

Calculation with originator brand	
Step 1—Net revenue for brand (excluding initial month)	Brand C = \$35,000
Step 2—Adjusted volume for brand	Volume supplied is 2,000, pack size of 25 Adjust volume to the PQ on the final day, which is 100 = $(2,000 \times 25) / 100 = 500$
Step 3—av.AEMP for brand (rounded)	Adjust AEMP for first 2 months to PQ on the final day, which is 100 = $(60/50) \times 100 = 120$ $(120+120+120+120+120+120)/6 = \120
Step 4—Disclosed price for brand	= $\$35,000 / 500 = \70
Step 5—Price percentage difference of brand (% to 2 decimal places)	= $(\$120 - \$70) / \$120 = 41.67\%$
Step 6—Repeat steps 1 to 5 for each brand of the same pharmaceutical item	Brand DO (Originator brand) Step 1 = \$32,000 Volume supplied is 400, pack size of 100 Step 2 = 400 Step 3 = $(120+120+120+120+120+120)/6$ = \$120 Step 4 = $\$32,000 / 400 = \80 Step 5 = $(\$120 - \$80) / \$120 = 33.33\%$
Step 7— Total adjusted volume for this PI	= $500 + 400 = 900$
Step 8—Weighted average percentage difference for the pharmaceutical item (WAPD) (% to 2 decimal places)	= $\frac{(500 \times 0.4167) + (400 \times 0.3333)}{900}$ = 37.96%

Calculation without originator brand	
Step 1—Net revenue for brand (excluding initial month)	Brand C = \$35,000
Step 2—Adjusted volume for brand	= $(2,000 \times 25) / 100 = 500$
Step 3—av.AEMP for brand (rounded)	$(120+120+120+120+120+120)/6$ = \$120
Step 4—Disclosed price for brand	= $\$35,000 / 500 = \70
Step 5—Price percentage difference of brand (% to 2 decimal places)	= $(\$120 - \$70) / \$120 = 41.67\%$
Step 6—Repeat steps 1 to 5 for each brand of the same pharmaceutical item	Brand DO (Originator brand) No calculation completed for DO
Step 7— Total adjusted volume for this PI	= 500
Step 8—Weighted average percentage difference for the pharmaceutical item (WAPD) (% to 2 decimal places)	= $\frac{(500 \times 0.4167)}{500}$ = 41.67%

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40 mg SR tablet

PQ is 90 on each sampling day for the 6 month period

AEMP is \$150 on each price sampling day for the first 4 months, then \$120 for the next 2 months and AEMP on 1 April 2016 (Relevant day) is \$125

Brand F delists on 1 April 2016

Calculation with originator brand	
Step 1—Net revenue for brand (excluding initial month)	Brand E = \$105,000
Step 2—Adjusted volume for brand	Volume supplied is 1,000, pack size of 90 = 1,000
Step 3—av.AEMP for brand (rounded)	$(150+150+150+150+120+120)/6 = \140
Step 4—Disclosed price for brand	$= \$105,000/1,000 = \105
Step 5—Price percentage difference of brand (% to 2 decimal places)	$= (\$140-\$105)/\$140 = 25\%$
Step 6—Repeat steps 1 to 5 for each brand of the same pharmaceutical item	<p>Brand F</p> <p>Step 1 = \$63,000</p> <p>Volume supplied is 2,100, pack size of 30</p> <p>Step 2 Adjust to the PQ on the final day, which is 90 = $(2,100*30)/90 = 700$</p> <p>Step 3 $= (150+150+150+150+120+120)/6 = \\140</p> <p>Step 4 $= \\$63,000/700 = \\90</p> <p>Step 5 $= (\\$140-\\$90)/\\$140 = 35.71\%$</p> <p>Brand GO (Originator brand)</p> <p>Step 1 = \$99,000</p> <p>Volume supplied is 900, pack size of 90,</p> <p>Step 2 = 900</p> <p>Step 3 $= (150+150+150+150+120+120)/6 = \\140</p> <p>Step 4 $= \\$99,000/900 = \\110</p> <p>Step 5 $= (\\$140-\\$110)/\\$140 = 21.43\%$</p>
Step 7— Total adjusted volume for this PI	$= 1,000 + 700 + 900 = 2,600$
Step 8—Weighted average percentage difference for the pharmaceutical item (WAPD) (% to 2 decimal places)	$= \frac{(1,000*0.25)+(700*0.3571)+(900*0.2143)}{2,600} = 26.65\%$

Calculation without originator brand	
Step 1—Net revenue for brand (excluding initial month)	Brand E = \$105,000
Step 2—Adjusted volume for brand	Volume supplied is 1,000, pack size of 90 = 1,000
Step 3—av.AEMP for brand (rounded)	$(150+150+150+150+120+120)/6 = \140
Step 4—Disclosed price for brand	$= \$105,000/1,000 = \105
Step 5—Price percentage difference of brand (% to 2 decimal places)	$= (\$140-\$105)/\$140 = 25\%$
Step 6—Repeat steps 1 to 5 for each brand of the same pharmaceutical item	<p>Brand F</p> <p>Step 1 = \$63,000</p> <p>Volume supplied is 2,100, pack size of 30</p> <p>Step 2 Adjust to the PQ on the final day, which is 90 = $(2,100*30)/90 = 700$</p> <p>Step 3 $= (150+150+150+150+120+120)/6 = \\140</p> <p>Step 4 $= \\$63,000/700 = \\90</p> <p>Step 5 $= (\\$140-\\$90)/\\$140 = 35.71\%$</p> <p>Brand GO (Originator brand)</p> <p>No calculation completed for GO</p>
Step 7— Total adjusted volume for this PI	$= 1,000 + 700 = 1,700$
Step 8—Weighted average percentage difference for the pharmaceutical item (WAPD) (% to 2 decimal places)	$= \frac{(1,000*0.25)+(700*0.3571)}{1,700} = 29.41\%$

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80 mg SR tablet

PQ is 90 on each sampling day for the 6 month period

AEMP is \$160 on each price sampling day and AEMP on 1 April 2016 (Relevant day) is \$140

Note: where the originator brand is the only brand of a pharmaceutical item, its data will not be removed

Calculation with originator brand	
Step 1—Net revenue for brand (excluding initial month)	Brand HO (Originator brand) = \$75,000
Step 2—Adjusted volume for brand	Volume supplied is 500, pack size of 90 = 500
Step 3—av.AEMP for brand (rounded)	$(160+160+160+160+160+160)/6 = \160
Step 4—Disclosed price for brand	$= \$75,000/500 = \150
Step 5—Price percentage difference of brand (% to 2 decimal places)	$= (\$160-\$150)/\$160 = 6.25\%$
Step 6—Repeat steps 1 to 5 for each brand of the same pharmaceutical item	The 80 mg SR tablet is the only brand of the pharmaceutical item (i.e., single brand of pharmaceutical item).
Step 7— Total adjusted volume for this PI	= 500
Step 8—Weighted average percentage difference for the pharmaceutical item (WAPD) (% to 2 decimal places)	$= \frac{(500*0.0625)}{500}$ = 6.25%

Calculation without originator brand	
Step 1—Net revenue for brand (excluding initial month)	Brand HO (Originator brand) = \$75,000
Step 2—Adjusted volume for brand	Volume supplied is 500, pack size of 90 = 500
Step 3—av.AEMP for brand (rounded)	$(160+160+160+160+160+160)/6 = \160
Step 4—Disclosed price for brand	$= \$75,000/500 = \150
Step 5—Price percentage difference of brand (% to 2 decimal places)	$= (\$160-\$150)/\$160 = 6.25\%$
Step 6—Repeat steps 1 to 5 for each brand of the same pharmaceutical item	The 80 mg SR tablet is the only brand of the pharmaceutical item (i.e., single brand of pharmaceutical item).
Step 7— Total adjusted volume for this PI	= 500
Step 8—Weighted average percentage difference for the pharmaceutical item (WAPD) (% to 2 decimal places)	$= \frac{(500*0.0625)}{500}$ = 6.25%

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Calculation with originator brand		Calculation without originator brand	
<p>Step 10—Weighted average percentage difference for all related brands (for this drug/MOA) a) (step 7)*(step 3) for each PI then add them up b) (step 7)*(step 3)*(step 8) for each PI then add up c) Divide (b) by (a) (% to 2 decimal places)</p>	<p>a) = $(1,400 * \\$98.33) + (900 * \\$120) + (2,600 * \\$140) + (500 * \\$160) = \\$689,662.00$ b) = $(1,400 * \\$98.33 * 0.0775) + (900 * \\$120 * 0.3796) + (2,600 * \\$140 * 0.2665) + (500 * \\$160 * 0.0625) = \\$153,671.61$ c) = $153,671.61 / 689,662 = \mathbf{22.28\% \text{ WAPD}}$</p>	<p>Step 10—Weighted average percentage difference for all related brands (for this drug/MOA) a) = $(800 * \\$98.33) + (500 * \\$120) + (1,700 * \\$140) + (500 * \\$160) = \\$456,664.00$ b) = $(800 * \\$98.33 * 0.1356) + (500 * \\$120 * 0.4167) + (1,700 * \\$140 * 0.2941) + (500 * \\$160 * 0.0625) = \\$110,664.64$ c) = $110,664.64 / 456,664 = \mathbf{24.23\% \text{ WAPD}}$</p>	
<p>Step 11—Weighted average disclosed price (WADP) for related listed brand of drug/MOA (step 3) - (step 10) for each brand. Round to 2 decimals</p>	<p>Brand A/Brand BO = $\\$98.33 - 22.28\% = \\76.42 Brand C/Brand DO = $\\$120 - 22.28\% = \\93.26 Brand E/Brand GO = $\\$140 - 22.28\% = \\108.81 Brand HO = $\\$160 - 22.28\% = \\124.35 Brand F = (Delisted)</p>	<p>Step 11—Weighted average disclosed price (WADP) for related listed brand of drug/MOA Round to 2 decimals</p> <p>Brand A/Brand BO = $\\$98.33 - 24.23\% = \\74.50 Brand C/Brand DO = $\\$120 - 24.23\% = \\90.92 Brand E/Brand GO = $\\$140 - 24.23\% = \\106.08 Brand HO = $\\$160 - 24.23\% = \\121.23 Brand F = (Delisted)</p>	<p>Brand A/Brand BO = $\\$98.33 - 22.28\% = \\76.42 Brand C/Brand DO = $\\$120 - 22.28\% = \\93.26 Brand E/Brand GO = $\\$140 - 22.28\% = \\108.81 Brand HO = $\\$160 - 22.28\% = \\124.35 Brand F = (Delisted)</p>
<p>Step 11 (3) Adjust PQ if necessary</p>	<p>No adjustment for pricing quantities on relevant day required. PQ on final day = PQ on relevant day for each pharmaceutical item.</p>	<p>Step 11 (3) Adjust PQ if necessary</p> <p>No adjustment for pricing quantities on relevant day required. PQ on final day = PQ on relevant day for each pharmaceutical item.</p>	<p>No adjustment for pricing quantities on relevant day required. PQ on final day = PQ on relevant day for each pharmaceutical item.</p>
<p>10% Test for 10 mg capsule PBS AEMP on 1 April 2016 (Relevant day) Test percentage reduction <u>OUTCOME:</u></p>	<p>10 mg capsule: Brand A and Brand BO: = \$85 = $(\\$85 - \\$76.42) / \\$85 = 10.09\%$ Price reduction would occur on next price reduction day 1 October 2016 AEMP \$76.42[#]</p>	<p>10% Test for 10 mg capsule PBS AEMP on 1 April 2016 (Relevant day) Test percentage reduction <u>OUTCOME:</u></p> <p>10 mg capsule: Brand A and Brand BO: = \$85 = $(\\$85 - \\$74.50) / \\$85 = 12.35\%$ Price reduction would occur on next price reduction day 1 October 2016 AEMP \$74.50[#]</p>	<p>10% Test for 10 mg capsule PBS AEMP on 1 April 2016 (Relevant day) Test percentage reduction <u>OUTCOME:</u></p> <p>10 mg capsule: Brand A and Brand BO: = \$85 = $(\\$85 - \\$76.42) / \\$85 = 10.09\%$ Price reduction would occur on next price reduction day 1 October 2016 AEMP \$76.42[#]</p>
<p>10% Test for 20 mg tablet PBS AEMP on 1 April 2016 (Relevant day) Test percentage reduction <u>OUTCOME:</u></p>	<p>20 mg tablet: Brand C and Brand DO: = \$110 = $(\\$110 - \\$93.26) / \\$110 = 15.22\%$ Price reduction would occur on next price reduction day 1 October 2016 AEMP \$93.26[#]</p>	<p>10% Test for 20 mg tablet PBS AEMP on 1 April 2016 (Relevant day) Test percentage reduction <u>OUTCOME:</u></p> <p>20 mg tablet: Brand C and Brand DO: = \$110 = $(\\$110 - \\$90.92) / \\$110 = 17.35\%$ Price reduction would occur on next price reduction day 1 October 2016 AEMP \$90.92[#]</p>	<p>10% Test for 20 mg tablet PBS AEMP on 1 April 2016 (Relevant day) Test percentage reduction <u>OUTCOME:</u></p> <p>20 mg tablet: Brand C and Brand DO: = \$110 = $(\\$110 - \\$93.26) / \\$110 = 15.22\%$ Price reduction would occur on next price reduction day 1 October 2016 AEMP \$93.26[#]</p>
<p>10% Test for 40 mg SR tablet PBS AEMP on 1 April 2016 (Relevant day) Test percentage reduction</p>	<p>Brand F: Delisted 1 April 2016. No price calculated. 40 mg SR tablet: Brand E and Brand GO: = \$125 = $(\\$125 - \\$108.81) / \\$125 = 12.95\%$</p>	<p>10% Test for 40 mg SR tablet PBS AEMP on 1 April 2016 (Relevant day) Test percentage reduction</p> <p>Brand F: Delisted 1 April 2016. No price calculated. 40 mg SR tablet: Brand E and Brand GO: = \$125 = $(\\$125 - \\$106.08) / \\$125 = 15.14\%$</p>	<p>10% Test for 40 mg SR tablet PBS AEMP on 1 April 2016 (Relevant day) Test percentage reduction</p> <p>Brand F: Delisted 1 April 2016. No price calculated. 40 mg SR tablet: Brand E and Brand GO: = \$125 = $(\\$125 - \\$108.81) / \\$125 = 12.95\%$</p>

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OUTCOME:	Price reduction would occur on next price reduction day 1 October 2016 AEMP \$108.81#	OUTCOME:	Price reduction would occur on next price reduction day 1 October 2016 AEMP \$106.08#
10% Test for 80 mg SR tablet PBS AEMP on 1 April 2016 (Relevant day) Test percentage reduction OUTCOME:	80 mg SR tablet: Brand HO: = \$140 = $(\$140 - \$124.35)/\$140 = 11.18\%$ Price reduction would occur on next price reduction day 1 October 2016 AEMP \$124.35#	10% Test for 80 mg SR tablet PBS AEMP on 1 April 2016 (Relevant day) Test percentage reduction OUTCOME:	80 mg SR tablet: Brand HO: = \$140 = $(\$140 - \$121.23)/\$140 = 13.41\%$ Price reduction would occur on next price reduction day 1 October 2016 AEMP \$121.23#

#Unless price change occurs in intervening period or on 1 October 2016 for other reasons.

Note: For the above pharmaceutical items, the originator brand will be removed from calculations with a 1 October 2016 reduction day. Calculations with and without originator brand data will be completed and the lower outcome will be utilised to determine the price. Further details are available on the [2015 Price Disclosure Changes web page](#).