

SIMPLIFIED PRICE DISCLOSURE (SPD)

Frequently Asked Questions

Updated June 2014

What is Price Disclosure?

Price disclosure is a routine part of maintaining PBS listings for medicines where more than one brand has been listed. The objective of the policy is to ensure that PBS prices for these brands more closely reflect the prices in the market. Where discounting is occurring as a result of competition, price disclosure progressively reduces the price of PBS medicines and ensures better value for money.

In order for this to occur, the Government requires pharmaceutical companies (Responsible Persons under the legislation) to provide information relating to the sales of brands subject to price disclosure. This information is then used to determine the PBS price.

Simplified Price Disclosure (SPD) builds on the changes to price disclosure policy made in 2010 under Expanded and Accelerated Price Disclosure (EAPD).

Why are changes to price disclosure arrangements needed?

Price disclosure arrangements are complex and, in the past, cycles have taken at least 18 months to complete. This has meant that the Government and consumers could be paying higher than market prices for some medicines for that period. SPD streamlines price disclosure processes and allows PBS prices to be adjusted to market prices more quickly.

When does SPD commence?

The first price reduction under SPD will occur on 1 October 2014.

What are the main features of the new SPD arrangements?

- Three price disclosure cycles merge into one cycle which contains all price disclosure medicines and accepts all new entrants.
- Price disclosure cycles are reduced from 18 months to 12 months.
- Data collection is reduced from 12 months to six months per cycle. That is, the weighted average disclosed price (WADP) is calculated on the basis of one six month batch of data, rather than two.
- The new 12 month price disclosure cycle operates with a six month data collection period and six months for calculating and publishing new prices and any dispute resolution.
- The two price disclosure price reduction days are 1 April and 1 October.

What are the requirements for pharmaceutical companies?

Companies are required to submit sales data every six months (although the first submission can be for less than six months).

Data collection periods run from 1 April to 30 September and 1 October to 31 March each year. The deadlines for submitting data are six weeks after 31 March and 30 September, on 12 May and 11 November each year.

What are the transitional arrangements for cycles moving to SPD?

Under SPD, there is only one type of cycle, similar to there being one 'main cycle'. There are no supplementary cycles starting, or folding into that cycle, at odd times.

Most drug/manners of administration (drug/MoAs) subject to expanded and accelerated price disclosure move to the first SPD cycle with a reduction day of 1 October 2014 (316 drug/MoAs). The remaining six drugs: amlodipine with valsartan, amlodipine with valsartan and hydrochlorothiazide, imiquimod, nevirapine, riluzole and ziprasidone, move from expanded and accelerated price disclosure to the next cycle, with a reduction day of 1 April 2015. Following this, all existing drug/MoAs subject to price disclosure will continue their data collection periods with potential price reduction days every six months thereafter.¹

SPD arrangements do not apply to the 2014 supplementary disclosure cycle A, which contains the six drug/MoAs mentioned above. The reduction day of 1 August 2014 for this cycle still applies.

Diagrams illustrating how SPD cycles will work are [here](#).

How are price reductions calculated under SPD?

Pharmaceutical companies submit sales revenue, sales volume, and the value of incentives (such as bonus stock) for each of their brands of pharmaceutical items that are subject to price disclosure. An external service provider collates submitted data and performs calculations for submission to the Minister's delegate.

Using this data, a disclosed price (the price at which the manufacturer is actually selling the medicine) is calculated for each brand of pharmaceutical item (capped at the average approved ex-manufacturer price (Average AEMP) over the data collection period for the medicine). A weighted average disclosed price (WADP) is then calculated based on the difference between the Average AEMP over the data collection period (weighted by time), and the disclosed prices (weighted by volume), across all brands of the medicine and MoA. An explanation of the method and an example SPD calculation can be found on the [PBS Price Disclosure \(SPD\) web page](#).

¹ If a drug/MoA was new to price disclosure on 1 February 2014 – 1 April 2014, it will have a reduction day of 1 April 2015.

¹ If a drug/MoA was new to price disclosure on 1 May 2014 or 1 June 2014, it will have a reduction day of 1 October 2015.

The 10 per cent rule ensures that the PBS price for a brand is not reduced unless the WADP is at least 10 per cent less than the PBS price on the day after the end of the data collection period (relevant day).

All price disclosure calculations undergo an independent third party quality assurance checking process.

What is the data collection period for a drug/manner of administration (MoA) new to price disclosure?

If a drug/MoA is new to price disclosure, a minimum of six months of data is required for calculations. This could require a longer data collection period for the first cycle.

For example:

If the drug/MoA is new to price disclosure on 1 August 2014, the first data collection period is 1 August 2014 to 31 March 2015 (8 months). Subsequent six month data collection periods run from 1 April 2015 to 30 September 2015, then continue from 1 October 2015.

If the drug/MoA is new to price disclosure on 1 December 2014, the first data collection period is 1 December 2014 to 30 September 2015 (10 months). Subsequent six month periods continue from 1 October 2015.

What is the data collection period for a new brand if the drug/MoA is already subject to price disclosure?

If a drug/MoA is already subject to price disclosure, and a new brand is listed, the new brand joins the disclosure cycle already underway for the same drug/MoA (related brands).

The first data collection period for the new brand will be six months or less, depending on the date of PBS listing of the new brand and the end of the data collection period of the related brands. The data collection period ends on either 31 March or 30 September.

For example:

If the new brand is listed on the PBS on 1 July 2014, and the data collection period for a related brand ends on 30 September 2014, the first data collection for the new brand is 1 July 2014 to 30 September 2014 (3 months). Subsequent six month data collection periods will run from 1 October 2014 to 31 March 2015, then continue from 1 April 2015.

If a new brand is listed on the PBS on 1 September 2014, and the data collection period for a related brand with a drug/MOA new to price disclosure is 1 August 2014 to 31 March 2015 (8 months), the first data collection period for the new brand will be 1 September 2014 to 31 March 2015 (7 months). Subsequent six month periods continue from 1 April 2015.

Use of Collected Data

The first month of data for a brand is excluded from the calculations. The calculation proceeds even where some brands contribute less than six months of data. This is unchanged from previous price disclosure arrangements for new brands.

When will price reductions occur?

The regular SPD reduction days are 1 April and 1 October. Price disclosure reduction days had previously been 1 April, 1 August and 1 December, so 1 October is new. However, the Regulations for SPD also provide for 1 December and 1 August to be price disclosure reduction days in any year, in case it is necessary and appropriate to use either of these days as a reduction day.

What information is provided regarding price disclosure outcomes and when?

The publication of price disclosure outcomes will continue to occur before the end of the month, three months before the reduction day for a cycle. For example, mid to late December for 1 April reductions the following year. The publication will include the percentage reduction, resulting WADP, the approved ex-manufacturer price on the relevant day, and the 10% test percentage. If there has been no change in the approved ex-manufacturer price since the relevant day, the 10% test percentage will also be the percentage difference between the current price at the time of publication of price disclosure outcomes, and the new price on reduction day.

Further information about SPD

Further information about SPD can be found here <http://www.pbs.gov.au/info/industry/pricing/price-disclosure-spd>, or by emailing pricedisclosure@health.gov.au, or calling the price disclosure inquiry line on (02) 6289 2303.

Fact sheets 1 and 2 set out how each drug/MoA in the October 2014 and April 2015 cycles are transitioned into SPD.