

Three years on: Impact to hospital pharmacy revenue from cuts to PBS margins in hospitals

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BACKGROUND

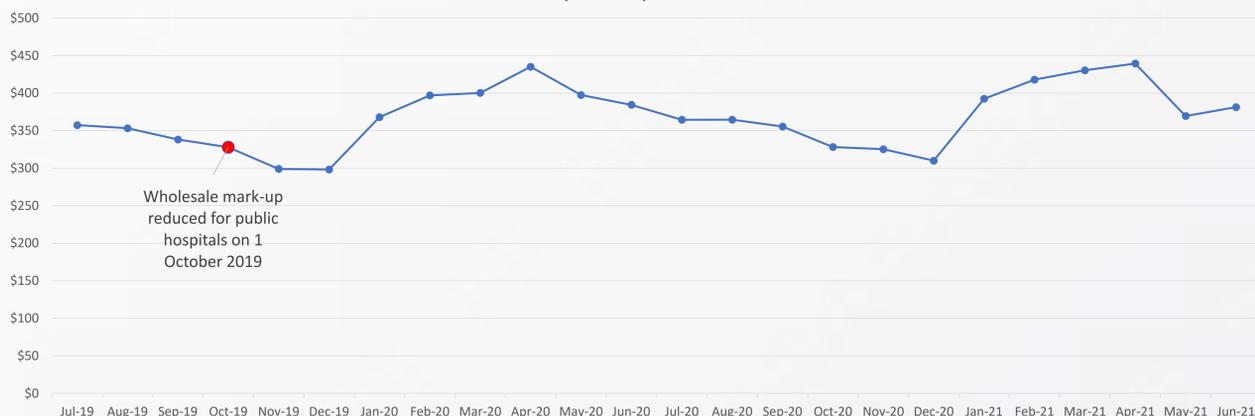
- ❖ The Federal Budget 2019 had a surprise \$44 million cut to hospital pharmacy remuneration for the supply of Section 85 Pharmaceutical Benefits Scheme (PBS) medicines, which featured in Budget papers without prior warning or consultation with the hospital pharmacy sector.
- ❖ Coming into effect in October 2019, the wholesale mark-up for Section 85 PBS medicines supplied by public and private hospital pharmacies reduced from 11.1% of the ex-manufacturer price (uncapped) to 7.52% and capped at \$69.94, which is what is paid to community pharmacies.
- ❖ Community pharmacies are also paid separate dispensing fees and administrative, handling and infrastructure (AHI) fees for each dispensing of Section 85 PBS medicines.
- ❖ Public hospital pharmacies are not remunerated with dispensing fees or AHI fees.
- ❖ The accompanying news item on the PBS website stated these changes “will ensure parity of wholesale mark-up rates across the range of PBS dispensing environments”
- ❖ Precipitating these changes were the listing of high-cost Hepatitis C medicines which at the time had an ex-manufacturer price exceeding \$20,000 per dispensing event.

METHOD

To attempt to examine the impact of the reduction in wholesale mark-up to hospital pharmacies, monthly PBS data from Services Australia was obtained for the period of July 2019 to June 2021, showing the total amount of monthly disbursed funds and number of above co-payment prescriptions for Section 85 PBS medicines dispensed by different pharmacy types.

It was intended according to previous experience with Services Australia timelines, that by the time of this conference, PBS data for FY2021-22 would be available, however this was not materialise.

Public hospitals: Disbursed funds per dispensing of Section 85 PBS medicine prescriptions



Hospitals: Disbursed funds per dispensing of Section 85 PBS medicine prescriptions



RESULTS AND DISCUSSION

- ❖ Remuneration to hospitals in the immediate months after the remuneration cut came into effect on 1 October 2019 showed there was reduced remuneration per Section 85 prescription, with this being potentially most appropriate for comparison pre and post 1 October 2019 due to PBS listings and market conditions being more similar during smaller time windows.
- ❖ For public hospitals, these figures are the sum of the ex-manufacturer price and the wholesale mark-up.
- ❖ While data in 2020 and beyond show on average approximately the same or higher amounts of disbursed funds than the July 2019 – September 2019 figures before the wholesale mark-up for hospitals was reduced, this could be accounted for by changing PBS activity, price changes to PBS medicines, changes to PBS listings such as new, amended or deleted listings.
- ❖ The bulk of these disbursed funds would be paid for the ex-manufacturer price which pharmacies use to cover the cost of medicines procurement.
- ❖ Thus, while the sector reports anecdotally various accounts of reduced remuneration for PBS medicines dispensed due to reduced wholesale mark-up, PBS data from Services Australia does not give the full picture as it does not differentiate the components of disbursed funds.

LIMITATIONS OF SERVICES AUSTRALIA'S PBS DATA

- ❖ PBS remuneration figures from Services Australia shows the total amount paid to each pharmacy type for each month for each PBS Schedule.

- ❖ Whilst data was obtained for Section 85 PBS medicines, the data reported remuneration figures that represented not just the wholesale mark-up, but also the ex-manufacturer price and all the other fees paid to pharmacies.
- ❖ According to the *Review of Pharmacy Remuneration and Regulation – Discussion Paper*, it was estimated that during the Sixth Community Pharmacy Agreement, the wholesale mark-up proportion of expenditure on supply chain remuneration was 11%, with the bulk of it (84%) accounted by dispensing and AHI fees and the remainder by the Premium Free Dispensing Incentive.

CONCLUSION

Obtaining PBS remuneration data which separates the different components of disbursed funds to pharmacies by Services Australia would provide another perspective to the data presented in this poster that would be more specific to wholesale markups.

Reduced remuneration has an impact on hospital pharmacy departments to fund vital pharmacy services that support quality and safe PBS medicines use, especially as no dispensing fees are provided to public hospitals.

Since these changes in 2019, further changes to PBS pricing policies in strategic agreements with the pharmaceutical sector that came into effect in 2022, have negatively impacted hospital pharmacy remuneration and increased the cost of procurement. The quantifiable impacts of these on hospital pharmacies warrant further research.