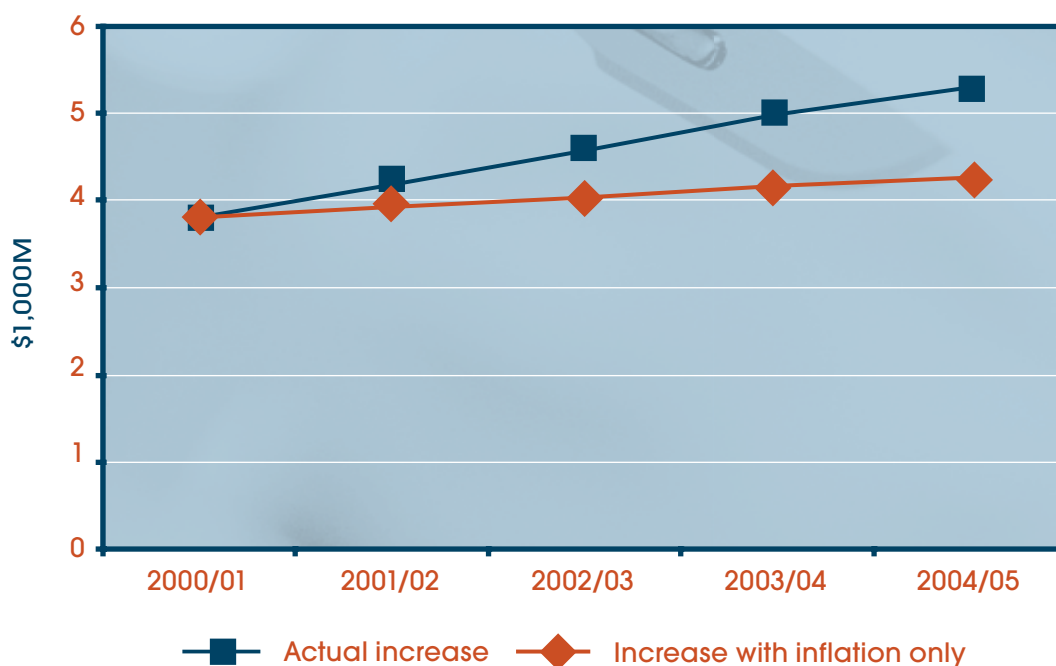


## 5: Medicines

The Australian Government subsidises certain medicines through the Pharmaceutical Benefits Scheme (PBS). Other medicines are also available by prescription but are not subsidised by the PBS. Still other medicines, called over the counter medicines, are available from pharmacies and other outlets without prescription.

In 2005/06 the Australian Government paid more than \$6 billion towards the cost of medicines on the PBS. The cost of the PBS has been rising steadily for many years, and has been increasing faster than inflation (see figure 15).

**Figure 15: Annual total spending by Australian Government on PBS versus inflation (\$1,000M)**

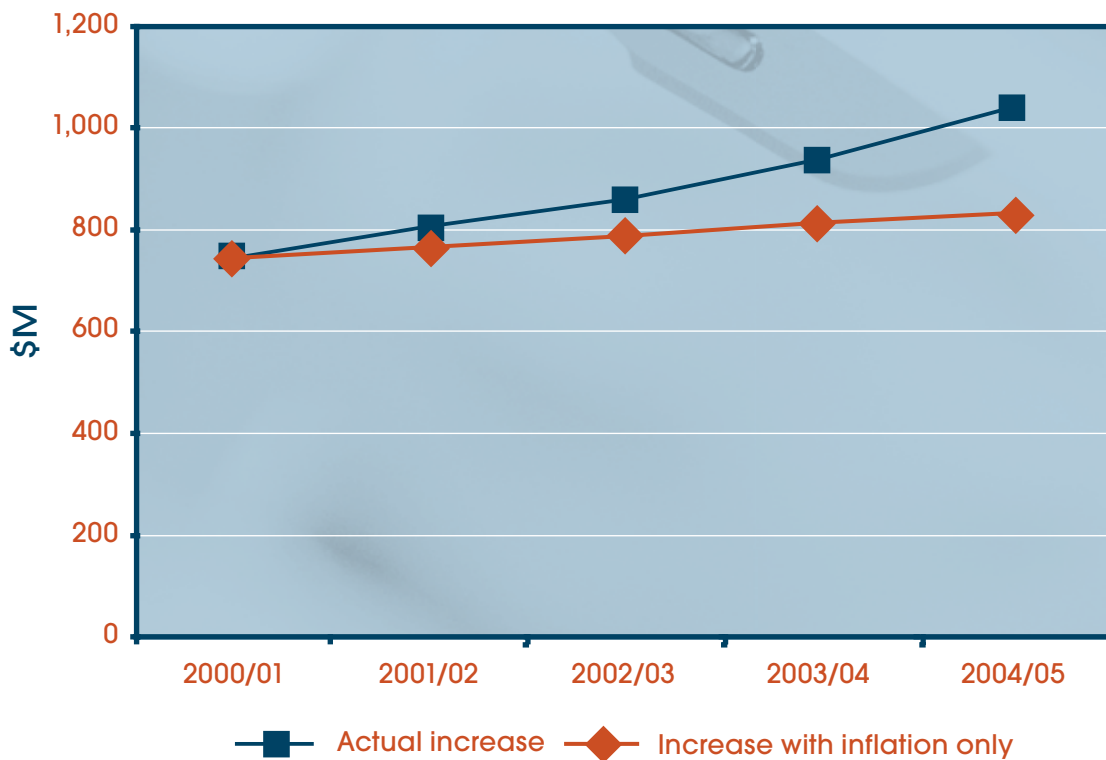


The reasons for this include:

- new drugs are, in general, far more expensive than existing ones
- doctors tend to prescribe new drugs instead of existing ones
- new drugs are being developed for conditions which had no drug treatment before
- the number of prescriptions written per person has increased gradually until the past year (see figure 18).

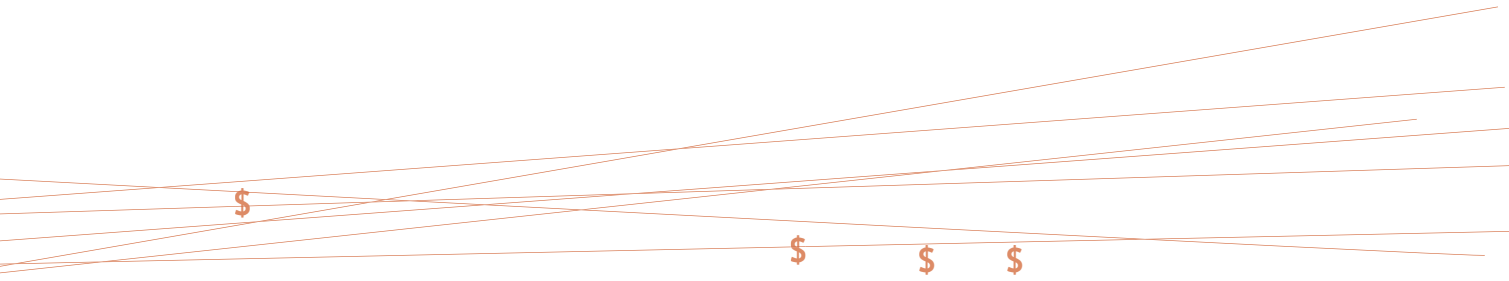
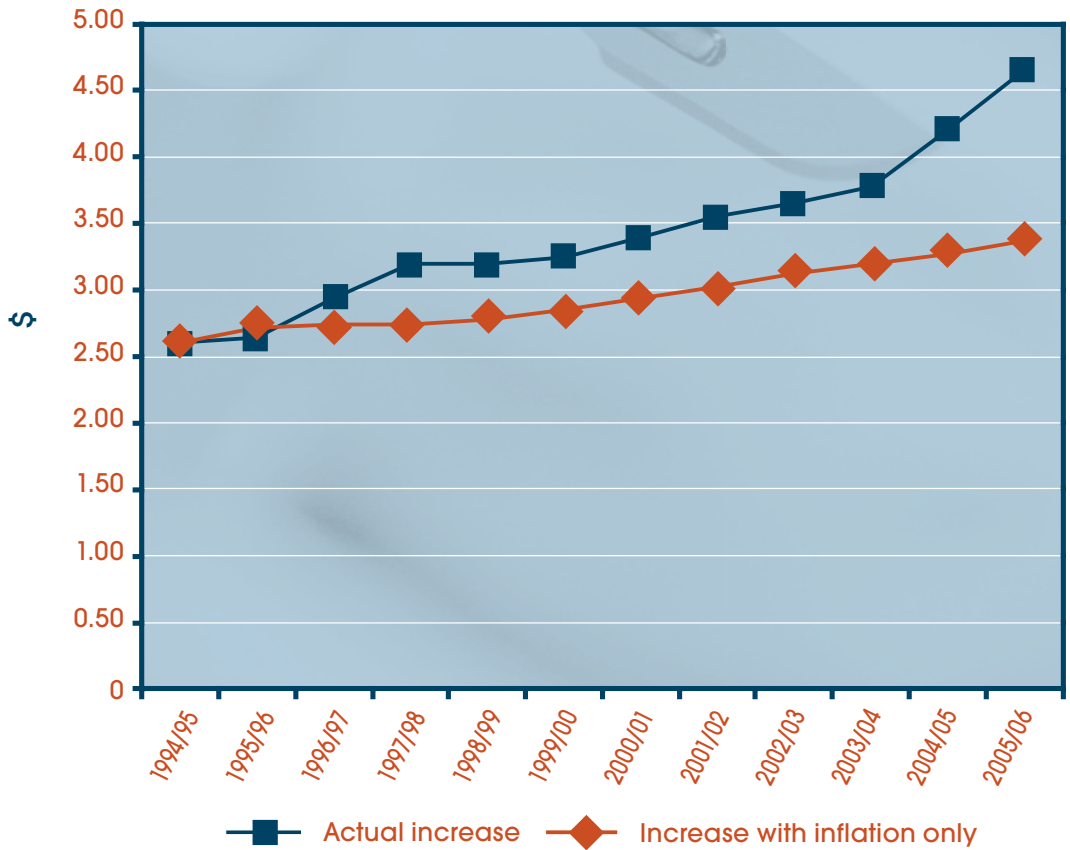
The costs for individuals are rising, too (see figure 16). This is mainly because the Australian Government has gradually increased the amount people are expected to pay per prescription (see figure 17).

**Figure 16: Average annual total spending by individuals on PBS medicines (\$M)**



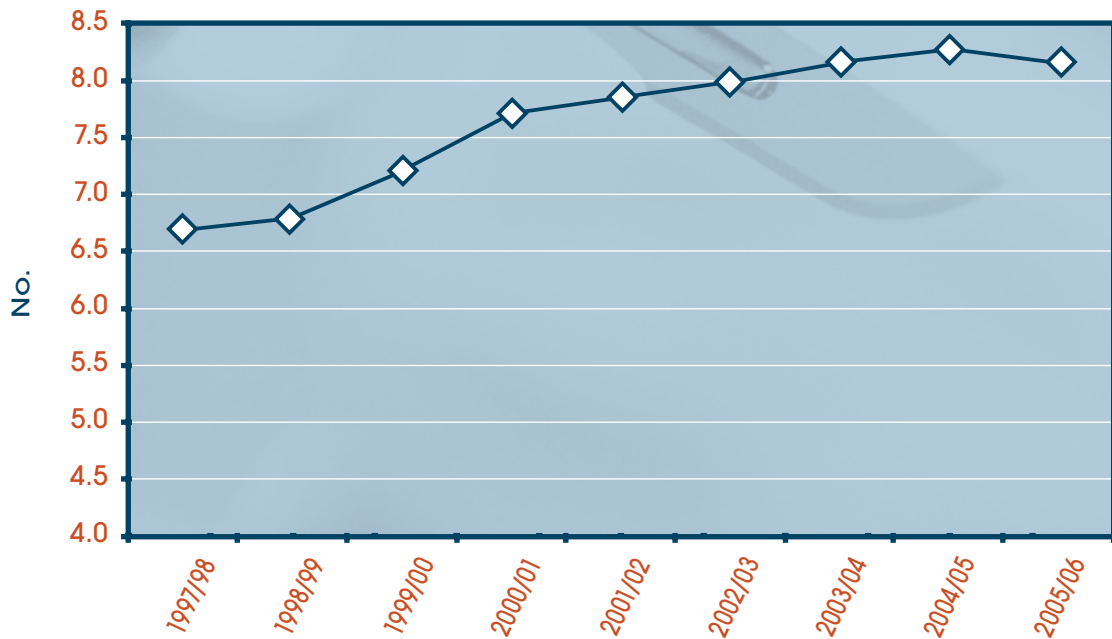
The Australian Government has gradually increased the payment per prescription made by people holding a concession card. It cost \$2.60 to fill a script in 1994/95 – now it costs \$4.90. The cost is rising faster than inflation.

**Figure 17: Average concessional payment for individuals per item versus inflation (\$)**



This rise in out-of-pocket costs, which is similar to the rise for people who do not pay concessional prices for medicines, may have contributed to the recent decline in the number of scripts being filled at pharmacies (see figure 18). There may be other reasons as well.

**Figure 18: Average number of PBS prescriptions per person**



The Australian Government has recently introduced a series of changes to PBS pricing mechanisms which will reduce the cost of the PBS to the government. It is not clear whether or not these savings will be passed on to consumers.

### Summary

The cost of the Pharmaceutical Benefits Scheme is rising rapidly. The rising costs are being shared by the Australian Government, by state and territory governments and by individuals.

The number of scripts being filled has fallen in the past year. This may be due partly to the Australian Government's decision to increase out-of-pocket costs for people getting prescribed medicines.