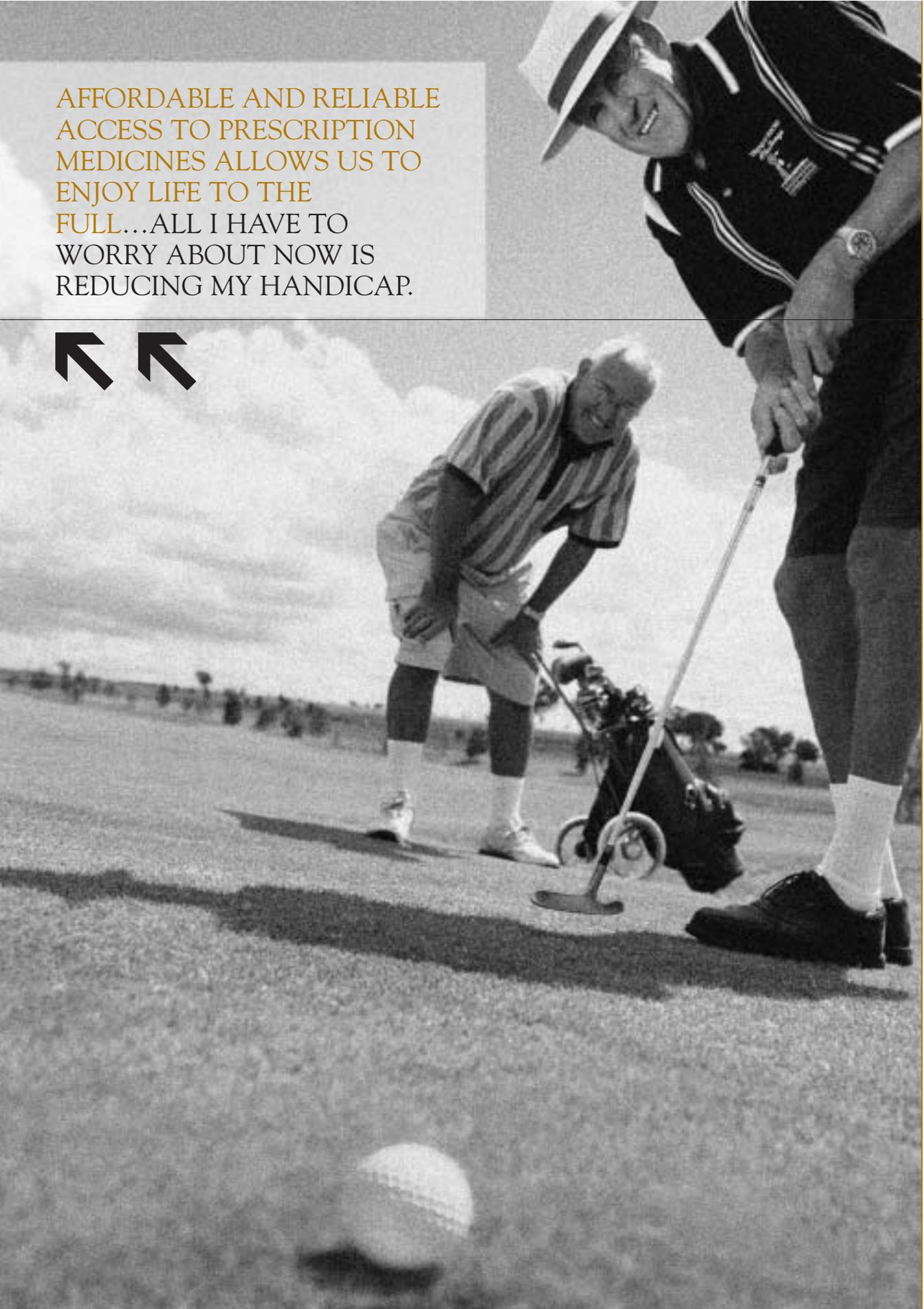


AFFORDABLE AND RELIABLE
ACCESS TO PRESCRIPTION
MEDICINES ALLOWS US TO
ENJOY LIFE TO THE
FULL...ALL I HAVE TO
WORRY ABOUT NOW IS
REDUCING MY HANDICAP.





05

→ PHARMACEUTICAL BENEFITS SCHEME

Key business results

In 2002–03, HIC processed 174 million services, representing \$5.1 billion in benefits paid under the Pharmaceutical Benefits Scheme (PBS) and Repatriation Pharmaceutical Benefits Scheme (RPBS) collectively called the PBS.

At a glance

PBS expenditure 2001–02 and 2002–03

At 30 June	2001–02	2002–03	% change
Total benefit expenditure (after allowing for movement in outstanding claims)	\$4,706.4 million	\$5,211.6 million	10.7% increase
Comprises:			
PBS benefits	\$4,333.1 million	\$4,783.9 million	10.4% increase
RPBS benefits	\$373.3 million	\$427.7 million	14.5% increase
Stoma appliances	\$37.6 million	\$40.5 million	7.7% increase

Overview

The PBS ensures all Australian residents and eligible overseas visitors are provided with affordable, reliable and timely access to prescription medicines. Most medicines available on prescription are subsidised by the Australian Government under the PBS.

The Department of Health and Ageing is responsible for program policy development and overall management of the PBS, including the *Schedule of Pharmaceutical Benefits*, and the Department of Veterans' Affairs is responsible for the overall policy for the RPBS.

PBS beneficiaries

There are two types of PBS beneficiaries — general patients, who pay up to \$23.10* for prescription medication, and concession patients, who pay up to \$3.70* for prescription medication. All patients, general and concession, must provide their Medicare number (or Department of Veterans' Affairs file number) to the pharmacist at the time the PBS (or RPBS) medicine is supplied. This ensures subsidised medicines are provided only to those who are eligible to receive them.

Concession beneficiaries must also provide their concession card number to the pharmacist at the time of supply. Concession beneficiaries hold either a Health care card, Pensioner concession card or Commonwealth seniors health card issued by Centrelink. The Department of Veterans' Affairs also issues Pensioner concession cards and Commonwealth seniors health cards.

*These figures are adjusted annually in line with CPI and do not cover surcharges for more expensive alternative brands/medicines.

PBS Safety Net

The PBS Safety Net helps protect people and their families who spend large amounts of money on prescription medicines. It sets a threshold amount that a person or family would pay for PBS prescription medicines in a calendar year. The 2003 Safety Net threshold* for concession card holders was \$192.40 and \$708.40 for general patients. Once the relevant threshold is reached, and a Safety Net card obtained, PBS medicines are cheaper or free for the rest of the calendar year.

To qualify for the PBS Safety Net a person needs to keep a record of all PBS medicines supplied to them and their family. They can ask their pharmacist for a prescription record form and hand this form in whenever they have a prescription filled or, if they have a regular pharmacist, they can ask them to keep a record on their computer. Pharmacists are able to provide more information about how the Safety Net works.

Further information on the PBS Safety Net can also be found at www.hic.gov.au

*Safety Net amounts change each calendar year.

HIC's responsibilities

HIC is responsible for the operation of the PBS and the RPBS. This involves:

- processing pharmacists' claims using the claims transmission system (CTS), which uses electronic data provided by pharmacists from their pharmacy computers;
- administrating Safety Net arrangements to help with the cost of PBS medicines for families and individuals;
- approving authority prescriptions for medicines limited to specific circumstances;
- approving pharmacists to supply PBS medicines;
- approving doctors to supply PBS medicines where there are limited pharmacy services;
- approving private hospitals to supply PBS medicines to their patients; and
- approving participating public hospitals to supply PBS to eligible patients under the pharmaceutical reform measures.

Processing claims and payment to approved pharmacists

HIC makes payments to approved pharmacists for:

- cost of medicine (Commonwealth price to pharmacists);
- mark-up (depending on cost of medicine — see *Explanation of Current Pricing* booklet);
- dispensing fee;
- PBS Safety Net recording fee; and
- other fees as required (e.g. Dangerous drug fee — Schedule 8 medicines).

HIC also makes payments under section 100 of the National Health Act to:

- Colostomy and Ileostomy Associations for ostomy supplies;
- drug companies for the supply of in-vitro fertilisation hormones, fertility drugs and botulinum toxin; and
- remote Aboriginal and Torres Strait Islander communities.

PBS claims lodged on computer disk must be paid on or before the seventeenth day after receipt by HIC. Claims submitted for manual keying by HIC must be paid on or by the thirtieth day after the data is keyed.

Approving authority prescriptions

Under the authority prescription approval arrangements, medical practitioners are required to obtain prior approval from HIC for all PBS authority prescriptions before an approved pharmacist can make a supply. As at 30 June 2003, of the 1,451 PBS items listed, 778 are restricted to use for a particular condition or purpose. Of these 778 items, 288 are subject to criteria set by the Pharmaceutical Benefits Advisory Committee that limits supply to a PBS authority prescription.

Authority prescriptions are also required where an increased supply is needed in the treatment of an individual patient. During 2002–03, 4.76 million authority prescriptions were approved, with 4.49 million of these being handled by telephone through HIC's 1800 service which operates 24 hours a day, seven days a week.

Internet ordering of repeat authorisation stationery

Pharmacists can now order repeat authorisation forms via the internet at www.norcross.com.au. The process is secure and orders are confirmed online and promptly delivered, enabling pharmacies to store less stock.

Approving pharmacists to supply PBS medicines

The authority to supply PBS medicines is defined under section 90 of the National Health Act. Provisions under section 92 of the Act also give approval for doctors to dispense in rural areas where a pharmacist is not available.

During 2002–03, HIC received 368 applications for new or relocated pharmacies. These were referred to the Australian Community Pharmacy Authority, which recommended 281 pharmacies for approval with a further nine being deferred. Of the remainder, 55 were not recommended and the rest were withdrawn. HIC also processed 584 pharmacy applications for approval relating to changes in ownership in 2002–03.

Approval was granted to 14 medical practitioners to supply pharmaceutical benefits under section 92 of the National Health Act.

Third Community Pharmacy Agreement

The Third Community Pharmacy Agreement between the Australian Government and the Pharmacy Guild of Australia was implemented on 1 July 2000. Under the Agreement, HIC is responsible for making payments for:

- **Highly Specialised Drug Program** — remuneration for pharmacies supplying highly specialised drugs to private hospitals;
- **Rural Pharmacy Maintenance Allowance** — a financial incentive for pharmacy proprietors to remain in rural and (designated) remote locations in Australia;
- **Start-up Allowance** — a staggered payment, over two years, to encourage the establishment of new pharmacies in rural/remote locations where there is a need for a community pharmacy. Eligibility for the allowance is stipulated in the Third Community Pharmacy Agreement;
- **Succession Allowance** — a staggered payment, over two years, to pharmacists wishing to purchase an existing pharmacy in an identified area of need. Eligibility depends on the degree of remoteness according to agreed categories as defined under the Pharmacy Accessibility/Remoteness Index of Australia (PHARIA);

- **Quality Care Pharmacy Program** — embodies the professional practice standards of the Pharmaceutical Society and encourages community pharmacies to achieve and maintain accreditation. Financial incentives are paid as appropriate once Quality care pharmacy program milestones are achieved; and
- **Improved Monitoring of Entitlement Medicare Number Allowance Payments** — a continuing payment to all approved pharmacies for residual administration costs associated with recording Medicare numbers on PBS prescriptions. During 2002–03, two payments were made totalling \$10 million to all approved pharmacies. The first payment was made in January and the second in March.

Applications for the Rural Pharmacy Maintenance Allowance, Start-up Allowance and Succession Allowance are available at www.hic.gov.au

Payments under the Third Community Pharmacy Agreement

HIC payments under the Third Community Pharmacy Agreement initiatives totalled \$30 million (and an additional \$10 million for Improved Monitoring of Entitlement payments) in 2002–03.

Payments made under the Third Community Pharmacy Agreement 2002–03

Type of payment	Number of payments	Total amount paid
Medicines Information to Consumers Incentive Allowance	4,301	\$4.3 million
Medicines Information to Consumers Participation Allowance	6,420	\$4.1 million
Quality Care Pharmacy Program	1,145	\$7.2 million
Rural Pharmacy Maintenance Allowance	9,181	\$10.5 million
Start-up and Succession Allowance	18	\$610,125
Home Medicine Review Services	3,735	\$2.9 million

The Medicines Information to Consumers Incentive Allowance was paid to pharmacies that had undertaken to provide consumer medication information to customers. The incentive was to encourage pharmacists to register for the Medicines Information to Consumers program before 31 December 2002. It involved payment of \$1,000 to 4,301 participating pharmacies; with payments being made in December 2002, January 2003, and February 2003. The total payment was \$4.3 million.

The Medicines Information to Consumers Participation Allowance is an ongoing payment, made every two months to pharmacies providing consumer medication information. It is paid at the rate of ten cents for every claimable PBS or RPBS prescription dispensed. To date a total of 6,420 payments have been made, totalling \$4.1 million.

The Medicines Information to Consumers program provides a framework for pharmacists to use Consumer Medicine Information when informing patients about their medicines. The provision of Consumer Medicine Information does not replace counselling by pharmacists nor does it in anyway reduce the pharmacists' duty to counsel patients about medicines.

Payments made to 1,145 approved community pharmacies under the Quality Care Pharmacy Program totalled \$7.2 million.

The Rural Pharmacy Maintenance Allowance was implemented in January 2001. In 2002–03, the total amount paid was \$10.5 million, to about 705 community pharmacies. Start-up and Succession Allowance payments totalling \$610,125 were made to 18 community pharmacies.

The Home Medicine Review Services program is designed to allow patients' medication regimes to be reviewed upon request of the patient, medical practitioner or carer. The review is conducted in the patient's home and is undertaken by an accredited pharmacist upon referral of a medical practitioner. The outcome is discussed by the medical practitioner and pharmacist, followed by the development of a medication management plan. Payments for 3,735 Home Medicine Review Services totalled \$2.9 million.

Indigenous and Torres Strait Islander Access to the PBS

HIC continued to administer the Australian Government PBS arrangements that make PBS medicines accessible in remote Indigenous and Torres Strait Islander communities.

Herceptin

In December 2001, the Australian Government agreed to fund Herceptin (trastuzumab), a new drug used in the treatment of metastatic breast cancer. This program is administered by HIC as a separate program to the PBS, with Herceptin supplied to the prescriber on a monthly basis after patient eligibility has been determined.

Since its inception, over 700 eligible patients have been approved for Herceptin use with total benefits paid exceeding \$23 million.

Australian Health Care Agreements — pharmaceutical reform measures for public hospitals

Under the Australian Health Care Agreements, the Government, States and Territories are reforming the supply of pharmaceuticals to patients in public hospitals. Key features of the reform proposal are to extend the PBS to admitted patients on discharge and outpatients and to provide access to chemotherapy drugs for day patients of public hospitals. Participating hospitals will be required to adopt the Australian Pharmaceutical Advisory Council guidelines on continuum of pharmaceutical care between the hospital and the community.

The Australian Government has made offers to all States and Territories and discussions are now proceeding on a bilateral basis. The pharmaceutical reforms are operating across Victorian public hospitals and are being implemented in a staged process with Queensland. The Western Australian Government has agreed to the reforms, with the first Western Australian hospitals expected to participate from October 2003. It is expected other States will also participate.

HIC has worked closely with the Australian and State Governments to implement these reforms. At 30 June 2003, HIC approved 31 Victorian and four Queensland public hospitals under these arrangements and paid benefits in excess of \$18 million.

A second phase will enable hospital pharmacists, on behalf of oncologists, to obtain electronic approval for chemotherapy authority prescriptions for day admitted patients. This facility builds on the Authority Notification System and will use Public Key Infrastructure (PKI) technology to safeguard the privacy of hospital patients. Paperless claiming is a feature of these arrangements, which commenced in three hospitals in December/January 2002–03.

Management of risks to the PBS

In its 2002 Budget, the Australian Government announced a series of budget measures aimed at ensuring sustainability of the PBS. HIC was assigned responsibility for a number of these measures and is implementing them over a four-year program.

Restricted PBS medicines

The prescribing of drugs outside pharmaceutical benefits listing restrictions has been identified as a major risk to sustainability of the PBS. HIC has developed and implemented strategies aimed at promoting understanding and observance of the restrictions required when prescribing on the PBS. In 2002–03, this activity focused on three specific drug groups: proton pump inhibitors, lipid lowering agents and Cox-2s.

Strategies adopted included:

- revision of prescribing instructions to ensure there is a clear understanding of the restricted use of the pharmaceutical where obtaining a pharmaceutical benefit;
- general feedback and education to all prescribers of the targeted medications on prescribing requirements; and
- targeted feedback and counselling to particular prescribers.

Authority PBS medicines

This project aims to enhance the PBS authorities process. It involves reviewing and, as necessary, revising the wording of authority medication restrictions listed in the PBS Schedule to more accurately reflect the intent of the listing restriction. The process is conducted in conjunction with the Pharmaceutical Benefits Advisory Committee. During 2002–03, approximately 40 per cent of authority items in the Schedule were reviewed.

Additionally, HIC is developing an electronic authority system which will provide prescribers with an alternative to the existing manual authority approval process. The first release of this channel to prescribers is planned for 1 August 2003.

Prescription Shopping project

Through a range of strategies, the project aims to:

- educate persons who may be obtaining PBS medicines in excess of therapeutic need;
- identify persons who may be obtaining medicines in excess of therapeutic need; and
- intervene with these persons or their prescribers.

Unlike the Doctor Shopping program, which it replaced and which was limited to three drug groups, the Prescription Shopping project will examine all PBS medicines being used in excess of therapeutic needs.

PBS Risk project

The project aims to identify and intervene in higher risk areas of PBS claiming. During 2002–03 initiatives included:

- an audit of pharmacy claims which identified and recovered from pharmacies receiving two or more payments for the one prescribed supply of a PBS item;
- market research and a community awareness campaign in relation to the PBS Safety Net program; and
- availability of high cost drugs on the PBS identified as a high risk factor in relation to the program's sustainability. HIC is undertaking detailed data analysis to reduce the risk associated with these drugs.

Overseas Drug Diversion project

This replaces HIC's Prescription Drug Smuggling (PDS) project. Its purpose is to develop and implement a range of initiatives to reduce the amount of PBS medicines being illegally exported or carried out of Australia.

The Overseas Drug Diversion project involves conducting, with the assistance of the Australian Customs Service, a series of interventions at sea, air and land ports to detect and seize prescription drugs illegally leaving Australia.

An HIC help line provides advice to consumers and practitioners on requirements when carrying prescription drugs overseas.

Overseas Drug Diversion information line calls received in 2001–02 and 2002–03

	2001–02	2002–03
PDS Help Line calls received	2,203	2,494

Source based audits

Comprehensive post payment audits are regularly conducted to ensure compliance with claiming and payment regulations and to determine if HIC functions are being carried out in line with legislation.

To support the post payment audit process for PBS, source based audits are also conducted to determine high-risk areas within the PBS. They identify incorrect payment in claims and indicate the steps necessary to improve integrity.

During 2002–03, the source based audit program randomly reviewed 94,625 PBS-funded medicine supply events nationally. The audit program identified incorrect payments, and also benign paperwork errors that are technically non-compliant with PBS rules but do not result in any adverse consequences.

Examples of incorrect payments included instances where the pharmacist had generated more repeats than prescribed, and supply made on a prescription more than 12 months old. Examples of benign paperwork errors include instances where the patient address was shown as a post office box, instead of a street address as required by PBS regulations.

Suspension or revocation of PBS approvals

Section 133 of the National Health Act permits the Minister for Health and Ageing or the Secretary to the Department of Health and Ageing to suspend or revoke the approval of a pharmacist to supply pharmaceutical benefits under the PBS following a charge or conviction for offences related to PBS.

In 2002–03, action under section 133 of the Act was considered in respect of certain PBS approvals involving four pharmacists. Two matters relating to convictions resulted in the pharmacists in question ceasing to operate their pharmacies.

Education and promotion

The PBS education program targets pharmacists, medical practitioners and consumers, as well as special case users such as those who use prescription medicines in excess of therapeutic need, those who stockpile PBS medicines, and exporters of prescription drugs.

Community

As a member of the PBS Communication Working Group—made up of representatives from HIC and the Department of Health and Ageing—HIC played an active role in ensuring delivery of consistent messages around PBS communications and the 2003 PBS awareness campaign.

A suite of information products were produced to educate consumers about *Saving Money on Medicines*.

The *Good Health TV* network and HIC's *Your Health Matters* featured information about various aspects of the PBS, including creating awareness about the availability of generic medicines and Safety Net co-payments.

HIC purchased a sponsorship package from the Pharmaceutical Society of Australia, which includes placing an article in each edition of the Society's monthly magazine, *inPHARMAtion*, for one year.

A number of promotional activities also took place, including PBS Safety Net advertisements and communication materials, developed in conjunction with the Department of Health and Ageing, to promote generic brand medicines.

Pharmacists

Information and presentations on the PBS were provided at conferences, training venues and information sessions for pharmacists, pharmacy assistants and other medical practitioners.

Building strategic relationships with pharmacists to support PBS online services also formed a large part of communication activities in 2002–03. These focused on the benefits of HIC's improved claiming solutions.

HIC's *Bulletin Board* continued to be a key means of communication with pharmacists.

In addition, the annual PBS Safety Net kit for pharmacists was distributed and articles and media releases were written for professional publications and newspapers.

Updated education booklets and fliers for pharmacists included:

- *Reference guide for approved providers of PBS and RPBS medicines;*
- *Pharmaceutical Benefits Scheme Explanation of Current Pricing—2003;*
- *Use of the Pharmaceutical Benefits Scheme in Private Hospitals and Nursing Homes—A Guide for Staff; and*
- *Pharmaceutical Benefits Entitlement Cards.*

HIC supports the Pharmaceutical Society of Australia by assisting with the development of pharmacy assistant training materials.

Medical practitioners

Communication to medical practitioners on pharmaceutical matters continued through HIC's newsletter, *Forum*, the reference publication, *Mediguide*, articles and media releases, new medical practitioner sessions, talks and presentations, and conference participation.

Information sheets were also produced for medical practitioners on a range of PBS initiatives including Overseas Drug Diversion, PBS Restrictions, Lipid lowering, PBS Risk, Enhancing PBS Authorities and the Prescription Shopping project.

Customer research

Ninety-eight per cent of pharmacists surveyed indicated strong support for the overall policy of the PBS and 79 per cent said they are satisfied with HIC's PBS claims administration service.

Pharmacists continued to support the requirement for consumers to show a Medicare card to receive a PBS medicine subsidy and the associated communication work undertaken by HIC and the Pharmacy Guild of Australia. Also well received were HIC's phone enquiry lines for PBS enquiries, with 85 per cent of pharmacists describing the service as prompt, polite and efficient.

