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Would automating the PBS Safety Net help to address consumers' out of pocket costs?



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Why do we have a PBS safety net?

Our Pharmaceutical Benefits Scheme (PBS) subsidises prescription medicines for all Australians. However high the actual price of a medicine, consumers pay a maximum of \$5.90 per prescription if they have a health care card, and up to \$36.10 otherwise.¹ Even with PBS subsidies, out of pocket charges can be a financial burden to consumers – particularly those with one or more chronic illnesses.²

Consider a person with three commonly co-occurring conditions: acute coronary syndrome (a form of heart disease), asthma and osteoarthritis.³ The management of these three conditions typically requires eight different medicines,⁴ at a cost of approximately \$46 each month with a health care card

or \$211 per month without.⁵ The ongoing burden of these out of pocket costs can be high and is compounded when chronic illness affects multiple family members.⁶

How does the safety net scheme work?

Consumers become eligible for the safety net once their out of pocket spending on PBS medicines, as an individual or family, reaches a specified threshold. The safety net thresholds increase annually but are currently set at \$354 for people with a health care card and \$1,390 otherwise.⁷ Once these thresholds are reached, people with a health care card are entitled to free PBS medicines for the rest of the calendar year and those without a health care card are entitled to pay \$5.90 per script for this period.⁸ The abovementioned person's monthly PBS costs would fall by \$46 a month with

a health care card, or by \$165 without. Clearly, the safety net provides financial relief for chronically ill consumers. The problem with the current safety net arrangements is that consumers don't necessarily receive the safety net discounts they are entitled to.

A hole in the safety net?

Under the current system, the onus is on the consumer to monitor their PBS spending and entitlements.⁹ Consumers need to obtain a PBS recording card from a pharmacy and use this to track their PBS spending. The consumer needs to determine when they reach the annually-changing threshold and then apply for a safety net card.¹⁰ This safety net card then needs to be presented at the pharmacy each time a script is filled to receive the safety net discount.¹¹ This can be a complex process to navigate, particularly for those who are already dealing with chronic illness.



Consumers entitled to safety net discounts do not get them unless they know what records to keep and how to apply for the safety net, or unless they have a pharmacist who does these things on their behalf. The individuals and families most likely to be missing out on their safety net entitlements are those with the greatest health problems, without a regular pharmacy, and who have scripts collected by multiple individuals (such as carers or other family members). These arrangements particularly disadvantage consumers who are not well-informed about the PBS.

Consumer feedback on PBS entitlements

The University of Western Australia (UWA) School of Population Health has a joint Consumer and Community Participation Program with the Telethon Institute for Child Health Research. This Program has established extensive consumer and community links with people who have a keen interest in the quality use of medicines. A community forum about medicines costs was held in September 2011 and was attended by 61 consumers with a diverse range of experiences and health conditions. The forum was jointly organised and facilitated by the Consumer Advocate at the UWA School of Population Health, the Health Consumers Council of WA, and myself. The aim of the forum was to gain feedback from the community about their experiences of managing the costs of prescription medicines and ideas for health system changes that would help them to manage.¹²

Feedback from the consumers was that they found the costs of their medicines difficult to bear. As a result many were engaging in potentially harmful cost-management strategies including pill splitting, substituting prescription medicines with cheaper over the counter medicines, and cutting back on non-health spending such as food and social activities.¹³ Some consumers were aware of the PBS safety net and noted their reliance on the subsidies to afford their medicines in the later part of the calendar year. However, the majority of consumers were not well aware of the rules governing the PBS, or the programs and policies already in place to ease the cost burden of their medicines.

As a medicines researcher, this community feedback was extremely valuable. I do not use multiple medicines and have not needed to go through the process of applying for a safety net card. Before the forum, my suggestions for policy makers focussed on avoiding future increases in consumer out of pocket charges. One of the key policy recommendations emerging from this community forum was that consumers be given greater information about their existing PBS entitlements and improved access to them.¹⁴

Automating the PBS safety net

Our parallel health subsidy system – the Medicare Benefits Schedule (MBS) – already has a fully automated safety net system.¹⁵ Consumers do not need to keep track of their spending on Medicare services or apply for the

Medicare safety net. Instead, they simply find they have a smaller gap (or no gap) to pay their health care provider once the Medicare safety net threshold has been reached. This arrangement ensures that no one misses out on their entitlements.

The Commonwealth Government collects information about all PBS medicines dispensed in the community, including the Medicare number of the individuals they were prescribed to and how much the consumer paid. This information is used to monitor community health service use and needs, but it could simultaneously be put to use monitoring consumers' out of pocket spending on PBS medicines. Automation of the PBS safety net, as already occurs for the MBS safety net, would ensure that all eligible consumers receive their full PBS entitlements.

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- 6 Kemp et al Op. cit.
- 7 Department of Health and Ageing Op. cit.
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- 10 Ibid.
- 11 Ibid.
- 12 Kemp A. 2011 *Report from Health Issues Group Community Forum on prescription medicines costs*. Health Consumers' Council of WA and The University of Western Australia, Perth.
- 13 Ibid.
- 14 Ibid.
- 15 Department of Human Services 2012 'Medicare safety net', online at <http://www.humanservices.gov.au/customer/services/medicare/medicare-safety-net>. Accessed 20 July 2012.