

MEDICINES' CONTRIBUTION TO POPULATION, PARTICIPATION AND PRODUCTIVITY

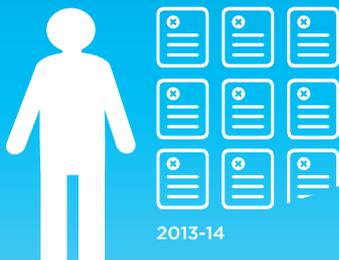
Every Australian family is touched by medicines

Medicines and vaccines are critical components of Australia's health system. Medicines and vaccines help keep Australians out of hospital, treat, cure and prevent disease and play a vital role in ensuring the Australian population remain healthy, participating and productive. When Australians get sick, they expect to have access to the latest medical discoveries from around the world. Supporting the Australian medicines industry also means supporting Australian researchers and scientists in discovering new medical breakthroughs and developing advanced manufacturing techniques.

PEOPLE

209.8 million scripts = 8.9 average scripts per person

+ Australians enjoy a life expectancy of 82 years: medicines are beneficial to the health, participation and productivity of the nation.



RESEARCH

Largest R&D industry

9% of total business expenditure¹

681 new clinical trials in 2013.²



R&D

INDUSTRY

\$23.4 billion in economic activity³ (2012-13)

\$3.4 billion exports⁴

14,200 highly skilled jobs.⁵



¹ Source: Department of Industry, Canberra, 2014, *Australian Pharmaceuticals Industry Data Card 2014*

² Sources: Therapeutic Goods Administration, Canberra, 2014, *Half Yearly Performance Report, Jul-Dec 2013*. Department of Industry, Canberra, 2011, *Clinically Competitive: Boosting the Business of Clinical Trials in Australia*

³ Source: Department of Industry, Canberra, 2014, *Australian Pharmaceuticals Industry Data Card 2014*

⁴ Source: Australian Bureau of Statistics, Canberra, 2014, Catalogue 5368.0, *International Trade in Goods and Services*

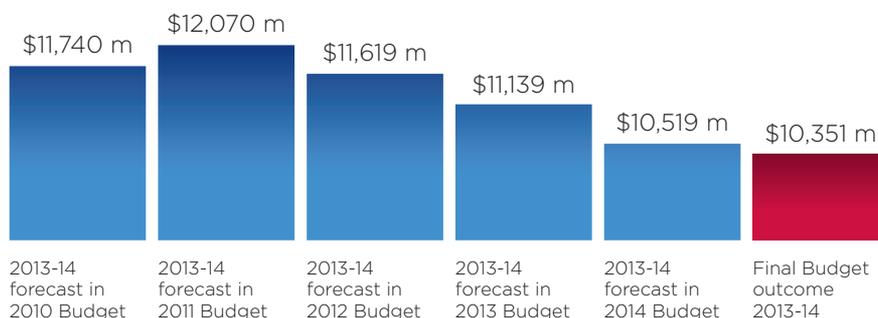
⁵ Source: IBIS World, Melbourne, 2014, *Pharmaceutical Product Manufacturing in Australia: Market Research Report*

The PBS is sustainable, cost effective and continues to deliver savings

Industry has worked closely with governments to reform PBS expenditure to ensure sustainability. This partnership has delivered:

- \$20 billion to 2018 of locked-in savings
- PBS growth remaining flat over the forward estimates.

2013-14 Government expenditure on pharmaceuticals and services was revised down in every budget from 2011 to 2014 (\$m)⁶



MOST COST EFFECTIVE. Every medicine provided to Australian patients through the PBS has been rigorously assessed to be the most cost effective form of government expenditure.

PRICES STAY DOWN. PBS pricing policy means that unlike other areas of the health care budget, real cost of pharmaceuticals declines over time with no CPI increase and rapid price reductions from price disclosure.

PRICE SIGNAL. Australian patients pay a contribution to receiving their medicines through the PBS.

But currently we are not playing to our strengths

Current policy settings are not optimised to maintain world leading patient access and a vibrant medicines sector. The PBS was first designed in the 1940s — a very different time for medicines.

PEOPLE

There is growing uncertainty whether innovative medicines will be recommended by the PBAC. This means the PBS may no longer provide universal access regardless of your health condition.

RESEARCH

Declining clinical research studies. There has been a 20% reduction in clinical trials since 2007.⁷

INDUSTRY

Decline in jobs. Since 2009, approximately 5,000 jobs have been lost across various subsectors within the pharmaceutical industry in Australia.⁸

Medicines remain the leading export, but fell by 13.5% to \$3.4 billion in 2013-14.

2015 Intergenerational Report

The 2015 Intergenerational Report acknowledges the strong role played by medicines in helping to provide longer, healthier lives for all Australians. This not only benefits individual Australians but helps address critical economic issues raised in the Report, including increasing workforce participation and worker productivity. The Report estimates that pharmaceutical spending per person is projected to grow at less than 1% per annum to 2027-28 (in today's dollars) and it confirms that PBS expenditure fell in the year to 2012-13.⁹

To play to our strengths, our proposed solutions are:

- 1 That Government affirms a commitment to delivering a sustainable PBS whilst recognising the importance of predictability to the industry.
- 2 No new unilateral PBS savings measures in the 2015-16 Budget.
- 3 Stimulate competitiveness in Australian pharmaceutical innovation through support for medicines research, clinical trial reform and Intellectual Property harmonisation.

⁶ Source: *Final Budget Outcomes 2007-08 - 2013-14*

⁷ Sources: Therapeutic Goods Administration, Canberra, 2014, *Half Yearly Performance Report*, Jul-Dec 2013. Department of Industry, Canberra, 2011, *Clinically Competitive: Boosting the Business of Clinical Trials in Australia*

⁸ Source: Department of Industry, Canberra, 2014, *Australian Industry Report*

⁹ Source: 2015 Intergenerational Report Australia in 2055 http://www.treasury.gov.au/-/media/Treasury/Publications%20and%20Media/Publications/2015/2015%20Intergenerational%20Report/Downloads/PDF/2015_IQR.ashx