

1990

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

SOCIAL WELFARE LEGISLATION (PHARMACEUTICAL BENEFITS)
AMENDMENT BILL 1990

EXPLANATORY MEMORANDUM

(Circulated by authority of the Honourable Mr Peter Staples MP,
Minister for Aged, Family and Health Services.)



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SOCIAL WELFARE LEGISLATION (PHARMACEUTICAL BENEFITS)
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GENERAL OUTLINE

The purpose of this Bill is to give effect, in part, to the Government's decisions about structural reform of the Pharmaceutical Benefits Scheme.

Consistent with the universality of the Scheme, all Australian residents will continue to receive pharmaceutical benefits. However, this Bill seeks to ensure those with the greatest capacity to pay continue to make a fair contribution.

Persons in the general patient category will from 1 November 1990 pay up to \$15.00 for each prescription. A two stage calendar year Safety Net, requiring payment at the general contribution rate to an aggregated total of no more than \$300 after which payments of \$2.50 for each prescription are required until a further limit of \$50 is reached. Prescriptions for the remainder of that calendar year will then be provided free of charge.

The Bill seeks to reallocate Commonwealth subsidies through introduction of a charge of \$2.50 for those pensioners who currently receive prescriptions free under the Pharmaceutical Benefits Scheme, with a protective Safety Net and a corresponding increase in pension payments of \$2.50 for single pensioners and \$1.25 for married pensioners (\$2.50 joint maximum) from 1 November 1990.

These provisions do not apply to people who currently receive free benefits through the Repatriation Pharmaceutical Benefits Scheme.

The Bill is designed to ensure that these pensioners continue to have access to all pharmaceuticals they require while providing incentives for more thoughtful drug use.

To protect pensioners and persons receiving concessional benefits and their families who are high volume drug users, the Government has agreed to introduce a Concessional Safety Net Scheme for pensioners and concessional beneficiaries which will provide free pharmaceutical benefits after the aggregate co-payment threshold of \$130 is reached in a calendar year. However, during the interim period 1 November 1990 to 31 December 1991 pensioners will need to reach a threshold of \$150 before becoming eligible for pharmaceutical benefit prescriptions free of charge.

2.

The co-payment of \$2.50 currently applying to persons in the concessional category remains unchanged.

FINANCIAL IMPACT STATEMENT

In the part year 1990/1991 it is expected that savings of \$31.37m will result from the introduction of a higher general patient charge and new Safety Nets. This will increase to \$245m in a full year.

With respect to the new charges for pensioners, in the part year 1990/1991, it is not expected that savings will be achieved. Savings on the PBS in this year will amount to \$157.7m but offset costs of \$170m will be made to increase pensions. However, overall Government savings will be in the order \$64.1m in 1991/92. This will be made up of \$335.0m savings to the PBS and costs to pensions of \$270.9m. Savings will then increase in each subsequent year and in 1993/94 will reach \$185.3m.

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NOTES ON CLAUSES

Clause 1 : Short Title

This clause provides that the amendment Act may be cited as the Social Welfare Legislation (Pharmaceutical Benefits) Amendment Act 1990.

This provision is to commence on Royal Assent.

Clause 2 : Commencement

This clause provides that each provision of the Act commences on the day shown at the foot of the provisions.

This provision is to commence on Royal Assent.

Clause 3 : Principal Act

This clause provides that the "Principal Act" for Part 2 of this Act means the National Health Act 1953.

This provision is to commence on Royal Assent.

Clause 4 : Interpretation

This clause amends subsection 84 of the Principal Act by linking the elements of the definition of "concessional beneficiary" and adds to the definition of concessional beneficiary that class of person defined in section 4 of the Principal Act as a "pensioner".

The clause also amends the definition of "relevant entitlement period" by including the new period of 1 November 1990 to 31 December 1991.

The definition of "pensioner benefit prescription" is removed by the clause as the definition is no longer relevant.

The clause inserts a definition for "general patient".

These provisions are to commence on 1 November 1990.

Clause 5 : Eligibility for pharmaceutical benefits entitlement cards

Sub-clause (a) amends section 84C of the Principal Act by inserting a saving clause to allow the current provisions of the Principal Act to continue until 31 December 1990.

This provision is to commence on 1 November 1990.

Sub-clause (b) inserts a new provision to provide an entitlement to the general patient (who has qualified under section 87 of the Principal Act to receive pharmaceutical benefits at the \$2.50 rate) to receive an entitlement card if the charges incurred by a general patient and dependants are approaching \$50, and the supply of one further prescription would take those charges over \$50, then the person is eligible for an entitlement card.

This provision is to commence on 1 January 1991.

Sub-clause (c) adds a new provision 84C(1A)(a) to the Principal Act which provides that, for the period 1 November 1990 to 31 December 1991, a pensioner is eligible to be issued with an entitlement card if the amounts charged for pharmaceutical benefits are not less than \$150.00. This provision allows that if the pensioner was a general patient for some of that period the transferred value, if any, is to be added to the amount charged as a pensioner to count towards the \$150 limit.

Sub-clause (c) also adds similar provision 84C(1A)(b) which allows for the aggregate of amounts charged to include the amounts charged to the pensioner's dependants, both as a pensioner and, if applicable, as a general patient who has become a pensioner in that period.

Sub-clause (c) further adds a new provision 84C(1B) to the Principal Act to effect similar provisions for persons who are concessional beneficiaries, but not pensioners, to entitle such persons to an entitlement card when charged not less than \$130 in the calendar year commencing on 1 January 1991. Provision is again made to allow persons transferring to the concessional category to add a transferred value to those prescriptions supplied in the relevant period.

Sub-clause (c) adds a new provision 84C(1C) to the Principal Act to effect similar provisions for persons who are concessional beneficiaries including pensioners in the entitlement period commencing on or after 1 January 1992 to an entitlement card if charged not less than \$130 for pharmaceutical benefits in that period. Again transfer provisions are provided to allow persons who become concessional beneficiaries in that period to add the transfer value of pharmaceutical benefits towards the \$130 limit.

5.

Sub-clause (d) removes subparagraphs 84C(4)(b)(i) and (ii) from the Principal Act which are now not relevant, as pensioners and their dependants are now to be treated in the same way as concessional beneficiaries for the purposes of the Principal Act.

Sub-clause (e) amends paragraph 84C(4)(c) of the Principal Act by substituting \$15.00 in place of \$11.00 twice.

These provisions are to commence on 1 November 1990.

Clause 6 : Modification of amounts paid

Clause 6 inserts in a new provision section 84CA to the Principal Act that provides for the transferred value of amounts to be worked out by multiplying \$2.50 by the number of pharmaceutical benefit supplies during the relevant entitlement period when the person was a general patient.

This provision is to commence on 1 November 1990.

Clause 7 : Pharmaceutical benefits prescription record forms

Clause 7 removes paragraphs 84D(4)(a) and (b) from the Principal Act as they are now not relevant as pensioners and their dependants are now to be treated in the same way as concessional beneficiaries for the purposes of the Principal Act.

This provision is to commence on 1 November 1990.

Clause 8 : Limited charges for pharmaceutical benefits

Sub-clause 8(a) amends section 87 of the Principal Act by substituting \$15.00 in place of \$11.00 thus increasing the amount that an approved pharmacist can charge a general patient for a pharmaceutical benefit.

This provision is to commence on 1 November 1990.

Clause 8(b) adds new paragraphs 87(2)(b), (c), (d) and (e) which allow for a general patient who has during an entitlement period been charged \$300 for pharmaceutical benefits prescriptions to be charged \$2.50 for subsequent pharmaceutical benefit supplies (up to a maximum of a further \$50). Where the charges incurred by a general patient and dependants are approaching \$300, and the supply of one further prescription would take those charges over \$300, then the charge for that prescription will be \$2.50.

This provision is to commence on 1 January 1991.

Sub-clauses 8(c) and (d) amend the Principal Act by omitting paragraphs (3A)(a) and (b) and (3B)(a) and (b) which are now not relevant as pensioners and their dependants are now to be treated in the same way as concessional beneficiaries for the purposes of the Principal Act.

Sub-clause 8(e) amends the Principal Act by removing words that are now redundant.

These provisions are to commence on 1 November 1990.

Clause 9 : Tribunal must give effect to certain agreements

Clause 9 adds a new subsection 98BAA(1) to the Principal Act to require the Pharmaceutical Benefits Remuneration Tribunal to give effect to agreements between the Minister and the Pharmacy Guild of Australia or such other pharmacists' organisation which represents a majority of approved pharmacists as to the manner of ascertaining the Commonwealth price of pharmaceutical benefits.

Clause 9 adds a new subsection 98BAA(2) to the Principal Act to require the Tribunal to terminate any inquiry, whether completed or not, where such an agreement is in force.

Clause 9 adds subsection 98BAA(3) to the Principal Act to remove the need for the Tribunal to hold inquiries while the agreement is in force unless the agreement so requires.

This provision is to commence on Royal Assent.

Clause 10 : Payment for supply of benefits

Sub-clause 10(a) omits redundant words from paragraph 99(2)(a) of the Principal Act.

Sub-clause 10(b) amends paragraphs 99(2A)(a), (aa) and (b) of the Principal Act by substituting \$15.00 for \$11.00.

This provision is to commence on 1 November 1990.

Clause 11 : Division 4A Indexation

Clause 11 adds a new Division 4A to the Principal Act to allow for the indexation of all co-payments and Safety Net limits.

New section 99F provides for the interpretation of the concessional and general charges and safety nets contained in the Bill. The section also defines the 'index number' to be used as the All Groups Consumer Price Index number that is the weighted average of the 8 capital cities and is published by the Australian Statistician in respect of that quarter.

New section 99G provides for the method of indexation. The provision allows for the rounding down to the nearest ten cents.

These provisions are to commence 1 February 1991

Clause 12 : Principal Act

Clause 12 provides that in this Part, Principal Act means the Social Security Act 1947.

Clause 13 : PART XVIA PHARMACEUTICAL SUPPLEMENT

Clause 13 inserts a new part XVIA into the Principal Act as from 1 November 1990.

New subsection 151A provides for the definitions relevant to Part XVIA.

'card pensioner' is to be defined to mean anyone who falls within paragraphs (a), (aa) or (ab) of the definition of 'pensioner' in subsection 4 (1) of the National Health Act 1953.

'pharmaceutical supplement' means the supplement payable under this Part.

'supplement period' means the period from 1 November 1990 to 19 March 1991 inclusive.

New section 151B provides for the qualification provisions for pharmaceutical supplement. Only card pensioners are eligible for pharmaceutical supplement.

New section 151C provides that persons are only qualified for pharmaceutical supplement during the supplement period.

New section 151D provides for the rate of pharmaceutical supplement. This is to be \$2.50 for an unmarried card pensioner, or \$1.25 for a married card pensioner. However, married persons separated due to ill health will get \$2.50 each if they are both card pensioners; if only one is a card pensioner, then that person will get \$2.50.

New subsection 151E provides for the payment of pharmaceutical supplement. The supplement is to be payable on the date the person would normally get his or her pension, benefit or allowance paid.

This provision is to commence on 1 November 1990.

Clause 14 : Principal Act

Clause 14 provides that in this Part, Principal Act means the Veterans' Entitlement Act 1986.

Clause 15 : PART VIIA - PHARMACEUTICAL SUPPLEMENT

Clause 15 inserts a new Part VIIA into the Principal Act as from 1 November 1990.

New subsection 118A provides for the definitions relevant to Part VIIA.

'card pensioner' is to be defined to mean anyone who falls within paragraphs (b) or (ba) of the definition of 'pensioner' in subsection 4(1) of the National Health Act 1953. This includes a service pensioner other than a person who is a prescribed person for the purposes of section 82 of the Principal Act and a person who is eligible for treatment under Part V of the Principal Act by virtue of subsection 86(1), (2) or (3).

'pharmaceutical supplement' means the supplement payable under this Part.

'supplement period' means the period from 1 November 1990 to 19 March 1991 inclusive.

New section 118B provides for the qualification provisions for pharmaceutical supplement. Only card pensioners are eligible for pharmaceutical supplement.

New section 118C provides that persons are qualified for pharmaceutical supplement during the supplement period only.

New subsections 118D(1) and (2) provides for the rate of pharmaceutical supplement. Payment would be made at the rate of \$5.00 per fortnight except where a service pensioner is in receipt of pension at the rate specified in paragraph 47(1)(b) of the Principal Act.

New subsection 118E provides for the payment of pharmaceutical supplement. For a person who is in receipt of a pension under the Principal Act payment will be made on each pension payday during the supplement period on which the person is eligible. For a person who is not in receipt of a pension under the Principal Act, but is eligible to receive the pharmaceutical supplement, payment will be made on such days as the Secretary considers appropriate.

This provision is to commence on 1 November 1990.



