

# PUBLIC RELEASE OF 2019 ELECTION COMMITMENT COSTING

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| **Name of proposal costed: Pharmaceutical Benefits Scheme – increasing the safety net** | |
| **Costing Identifier:** | COA033 |
| **Summary of costing:** | This costing outlines the impact of lowering the Pharmaceutical Benefits Scheme (PBS) Safety Net threshold from 1 January 2020 by the equivalent of 12 full-priced scripts for concession cardholders and the equivalent of approximately two full-priced scripts for non-concession cardholders (general patients). |
| **Ongoing or Terminating (including date)(a)** | Ongoing |
| **Person making the request:** | Prime Minister |
| **Date costing request received:** | 9 May 2019 |
| **Date of public release of policy:** | 2 May 2019 |
| **Date costing completed:** | 15 May 2019 |
| **Additional information requested (including date):** | Not applicable |
| **Additional information received (including date):** | Not applicable |

1. Ongoing policies continue indefinitely (until a decision is made to cease or alter the program).

Terminating measures end on a date set out in the initial policy and a further decision is required to continue the program beyond this date.

## Financial implications (outturn prices)(b)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Impact on | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
| Underlying Cash Balance ($m) | 0.0 | -6.0 | -104.3 | -107.5 | -111.0 |
| Fiscal Balance ($m) | 0.0 | -6.4 | -109.8 | -107.7 | -111.2 |

1. A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in revenue or a decrease in expenses or net capital investment in cash terms.

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| **Where relevant, state that the proposal has been costed as a defined or specified amount.**  Not applicable. |
| **Where relevant, include separate identification of revenue and expense components.** |

The table below provides the separate identification of the impacts on the Department of Health and Department of Veterans’ Affairs.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Impact on | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| Health – Underlying Cash Balance ($m) | 0.0 | -5.8 | -101.2 | -104.4 | -108.0 |
| Department of Veterans’ Affairs – Underlying Cash Balance ($m) | 0.0 | -0.2 | -3.1 | -3.1 | -3.0 |
| **Total – Underlying Cash Balance ($m)** | **0.0** | **-6.0** | **-104.3** | **-107.5** | **-111.0** |
| Health – Fiscal Balance ($m) | 0.0 | -6.2 | -106.5 | -104.6 | -108.2 |
| Department of Veterans’ Affairs – Fiscal Balance ($m) | 0.0 | -0.2 | -3.3 | -3.1 | -3.0 |
| **Total - Fiscal Balance ($m)** | **0.0** | **-6.4** | **-109.8** | **-107.7** | **-111.2** |

**Where appropriate, include a range for the costing or sensitivity analysis.**

Not applicable.

**Qualifications to the costing (including reasons for the costing not being comprehensive).**

Not applicable.

**Where relevant, explain effects of departmental expenses.**

Consistent with the costing request, it is assumed that the Department of Health will absorb any associated departmental operating or capital expenses.

**Where relevant, explain the reason for any significant differences between the assumptions specified in a party costing request and those used in a Treasury or Finance costing.**

The costing reflects the current script volume estimates.

**Other comments (including reasons for significant differences between the estimated impact on the fiscal and underlying cash balances)*.***

Not applicable.

**Where relevant, include an explanation of the medium term implications of the proposal(c).**

Not applicable.

1. Information on the medium term implications will be provided if the cost of the policy is expected to be significantly different beyond the forward estimates period.

## Background information

### Costing methodology used:

The costing is based on analysis of PBS historical data to predict future consumption rates based on a patient’s safety net status, and applying the impact of lowered safety net thresholds.

### Policy parameters

### The costing assumes, consistent with the costing request, the policy would start from 1 January 2020, to reduce the general safety net from $1,586.40 threshold to $1,486.80 (approximately 38 to 36 scripts at the maximum co-contribution rate of $41.30) and to reduce the concessional safety net from $396.00 threshold to $316.80 (60 to 48 scripts at the maximum co-contribution rate of $6.60).

### A patient’s co-payment and safety net threshold will continue to be indexed in line with the Consumer Price Index on 1 January each year.

### Statistical data used

### The costing is based on the 2017-18 PBS transactional data.

**Behavioural assumptions used (as appropriate)**

A patient’s uptake of medicines once reaching the safety net is consistent with behavior under the existing threshold.