



THE HON NICOLA ROXON MP
Minister for Health and Ageing

SPEECH

Medicines Australia 2010 Parliamentary Dinner

16 March 2010

*****CHECK AGAINST DELIVERY*****

- Thank-you Jeff [McMullan – MC];
- Traditional custodians of the land;
- Matilda House, Ngambri-Ngunnawal Elder;
- Dr Jimmy Little, Jimmy Little Foundation;
- Marlene Spencer, Bobby West and Sarah Brown of the Western Desert Renal Dialysis Service, Western Desert Nganampa Walytja Palyantjaku Tjutaku Aboriginal Corporation
- The Hon Warren Snowdon, Minister for Indigenous Health, Rural and Regional Health and Regional Service Delivery;
- Will Delaat, Chairman, Medicines Australia;
- Parliamentary colleagues;
- Medicines Australia members,
- ladies and gentlemen.

Introduction

It is indeed a great pleasure to be a guest at this year's Medicines Australia Parliamentary dinner.

And it's important to acknowledge the great contribution that medicine has made to human health and wellbeing.

In the last few weeks, I have been tempted to hope that the medicines industry will be able to come up with some easy cures for the ills that afflict us:

- perhaps a soothing balm for state premiers, to encourage convivial discussions on health reform;
- a happiness pill that would bring people together and encourage the Senate to pass legislation; or
- a modesty-inducing medicine, that would discourage middle-aged men from donning their speedos for the cameras.

But I fear it is beyond even the powers of the pharmaceutical industry to cure all these woes.

More seriously, the Rudd government was delighted to hear that the pharmaceutical industry has donated one million dollars to the Jimmy Little Foundation to fund two projects that will

improve Indigenous health – one to raise awareness of healthy eating, and the other to fund a mobile dialysis unit.

Your donation highlights how the private sector, in partnership with Government and the community, can contribute to closing the gap in Indigenous health outcomes, compared to those of non-Indigenous Australians.

Part of Medicines Australia's funding will be used by the Western Desert Renal Dialysis Service for a mobile dialysis bus that will enable them to both extend and enhance their current return to country program.

The Australian Government has also been supporting the work of the Western Desert Renal Dialysis Service.

I pleased to advise tonight, as we are joined by friends from the Western Desert renal mob, that from next financial year, the Commonwealth will increase its funding for the important work of the "Purple House" in Alice Springs from \$350,000 annually to \$500,000.

This is a facility which will be well known to many of the parliamentarians here tonight, in particular Minister Snowdon. In addition, we will also be providing \$500,000 per annum to enable the Western Desert Renal Dialysis Service to operate more renal facilities and to increase the level of clinical services at Yuendumu and other communities.

This is a great example of how the combined efforts of the private sector, Government, and the community - because of course the Western Desert Renal Service also does a significant amount of community fund-raising - can work together to make a difference.

On a couple of occasions in the past, when the industry asked me 'how can we help government achieve its health policy agenda?', I singled out Indigenous health, so I am pleased to be able to acknowledge tonight how the industry has responded in such a practical way.

National Health Reform Plan

It is good to be working together with your industry in a time of great change in the health sector.

Two weeks ago, the Prime Minister launched the first instalment of Government's national health reform plan, the biggest reforms to the health system since the introduction of Medicare.

The reforms will see for the first time one level of government – the Commonwealth – becoming the dominant funder of Australia's health and hospitals system.

The Commonwealth will establish a new National Health and Hospitals Network, which is funded nationally and run locally, with a single set of tough national standards to drive better health and hospital services.

The Commonwealth will take majority funding responsibility for the hospital system – funding 60 per cent of all public hospital services – and take full financial and policy responsibility for GP and primary care services.

Having one government as the dominant funder of health and hospital services will help end the blame game.

As one Government – the Commonwealth – will have majority funding responsibility for all parts of the health system (including of course our full responsibility for areas like the PBS), we will have a strong incentive to ensure that people receive the right care, in the most appropriate and efficient way possible.

Just yesterday, we announced another important stage of our reforms: \$632 million to train a record number of doctors to tackle the workforce shortages that afflict the health system across the country.

These workforce investments will deliver an additional 5,500 new or training GPs, 680 medical specialists and 5400 prevocational general practice program training places in the coming decade.

The National Health and Hospitals Network will also help ensure the long term sustainability of the health system and the nation's finances.

On current projections, under a business as usual scenario, the states' health spending would consume their entire budgets by the middle of the century. So doing nothing is clearly not an option.

Our proposed changes to roles and responsibilities will mean that the Commonwealth, with its more stable and efficient revenue base, will be bearing the greater share of health costs into the future.

This will be funded by dedicating a third of GST revenue to health care.

With the Commonwealth doing the heavy lifting and relieving the states of this pressure, the states will be better off by at least \$15 billion over the next decade.

We are serious about making the long term, systemic reform the health system needs to prepare it for the challenges of the future. This also means we are determined to ensure that our precious health dollar is used as efficiently and effectively as possible.

Efficiency – making health dollars go further

That's why, as part of the NHHN, we are accelerating the introduction of Activity Based Funding for hospital services.

This will mean that the Commonwealth will no longer be writing a blank cheque to fund hospital services, crossing our fingers and hoping the funding makes it to the front line. Instead, we will now pay a fair and efficient price for each service, with the price set by an independent umpire.

This reform alone is estimated to generate efficiencies of between \$500 million to \$1.3 billion a year, once fully implemented, which is the equivalent of adding a minimum of 1,350 beds to the system every year.

We have also been examining other fast growing areas of health expenditure. With fast growing health costs and ambitious reforms to fund, we need our house in order too, to ensure every scarce health dollar is well spent.

I'm sure every health sector stakeholder has noticed our fiscal rigour – whether it is pathologists, highly paid specialists, pharmacists or others.

That's why we proposed changes to the Private Health Insurance Rebate – the fastest growing area in all health spending. Means testing for high income earners – allowing ongoing generous support for low and middle income earners, would save nearly \$2 billion over the forward estimates, and nearly \$100 billion to 2049-50.

This measure has now been defeated in the Senate twice. It is very disappointing as this is a sensible, moderate reform has been opposed by the Liberals. Our health system needs this money to pay for more doctors, nurses and hospital beds – not to mention new medicines.

A sustainable PBS

So, not surprisingly, the Government has been looking closely at the Pharmaceutical Benefits Scheme to ensure we have an affordable PBS into the coming decades.

In looking at this issue, the Government is very conscious of the life enhancing and life saving impact of many medicines, and the need to be able to fund them in the future.

We want all Australians to be able to take full advantage of the latest research and medical developments in the pharmaceutical sector.

Since November 2007 the Government has listed, or extended the listing of 12 major new medicines, at a full year cost of around \$375 million a year. These major new listings alone will assist more than a million patients in total – a major investment in the nation's health.

If we are to be able to fund these advances, we need to always look at pharmaceutical spending very closely.

Last month I tabled a report in the Parliament on the impact of the reforms to the Pharmaceutical Benefits Scheme (PBS) that were introduced in 2007.

The report found that, while the 2007 PBS reforms will provide more savings than originally estimated, these will be more than outweighed by higher growth in PBS costs.

This cost is expected to reach \$13 billion in 2018, a significant increase on the cost of the PBS in 2008-09 of \$7.7 billion. Growth in 2009-10 is expected to reach about 10.6 per cent.

It is also concerning that the report also found that Australian taxpayers still pay much more for some drugs on the PBS than is paid in other countries.

If we can reduce the price industry sells these medicines to the Government, it will be easier to fund new and innovative medicines when they are proposed for the PBS.

This underlines the need for the Government to examine PBS prices very closely.

Medicines Australia

I would like here to acknowledge the leadership of Will Delaat, chair of Medicines Australia, and leading CEOs such as John Latham from Pfizer, and Jez Moulding from Sanofi Aventis. With considerable foresight, they have shown a willingness to grapple with these major structural issues of the future that affect the PBS.

They have recognised that sustainability for the PBS and certainty for the industry are two sides of the same coin. Only if the PBS is sustainable can industry have the certainty it needs to invest and develop in the future. The Government greatly appreciates their leading role.

Reform, of course, cannot just focus on costs. As part of our reform agenda, we want to ensure quality, evidence-based approaches, such as exemplified by PBAC, become the national norm.

Evidence based policy

We want a more transparent, efficient and coordinated system of approving new health products, procedures and services.

That's why the Government commissioned the Health Technology Assessment review, which Minister Tanner and I released last month. This report, and our immediate acceptance of 13 of the 16 recommendations, did not get much air-play at the time, but it is a good example of the kind of sensible reform this Government is pursuing – in addition to the big structural changes you have been reading more about in the media.

We believe better streamlined regulation will drive productivity and reduce costs to business. It will streamline the process and reduce the cost involved in assessing new medical technologies and procedures for use in Australia.

Today's rapid pharmaceutical advances need to be backed up by best practice in the way new health technologies are assessed. This will improve the way the health system provides services to patients, while reducing regulatory barriers for industry.

Conclusion

We are living through a very exciting and challenging time in health at the moment – where we are looking to establish the long term reforms that transform our health system for the future.

I have been very pleased with the willingness of Medicines Australia to work closely with the government on these challenges.

By working collaboratively on reform, we will ensure that our health system is sustainable for the future.

We will ensure that there is certainty and stability for a vibrant pharmaceutical industry.

And we will ensure that all Australians will be able to access essential and innovative medicines that will improve their health and well being into the future.

Thank you.

ENDS