

APPENDIX C – PRO-FORMA REQUEST FOR COSTING AN ELECTION COMMITMENT¹

Name of policy	Pharmaceutical Benefits Scheme – increasing the safety net
Person requesting costing (Prime Minister/Leader of the Opposition/Leader of a minority party):	Prime Minister
Date of public release of policy:	2 May 2019
Date of request to cost the policy:	9 May 2019
Summary of policy (please attach copies of relevant policy documents):	The Coalition will lower the Pharmaceutical Benefits Scheme (PBS) Safety Net threshold from 1 January 2020 by 12 scripts for concession card holders and the equivalent of 2 full-priced scripts for non-concession card holders.
Intention of policy:	This policy will mean that more Australians will receive more free medicines or even cheaper medicines through the PBS. Under the change, people will take less time to reach their safety net threshold, saving them up to around \$80 per year in out-of-pocket costs.
Certification that this, or a substantially similar costing request, has not been submitted to the Parliamentary Budget Office	This, or a substantially similar costing request, has not been submitted to the Parliamentary Budget Office.
Description of policy (please note that, where the request to cost a proposal differs from the announced policy, the costing will be on the basis of information provided in the costing request)	
What are the key assumptions that have been made in the policy including:	
Is the policy part of a package? If yes, list and outline components and interactions with proposed or existing policies.	No
Where relevant, is funding for the policy to be demand driven or a capped amount?	Demand driven

¹ An electronic version of this pro-forma can be found at www.electioncostings.gov.au/templates.

<p>Will third parties (for instance the States/Territories) have a role in funding or delivering the policy?</p> <p>If yes, is the Australian Government contribution capped, with additional costs to be met by third parties, or is another funding formula envisaged?</p>	No
<p>Are there associated savings, offsets or expenses?</p> <p>If yes, please provide details.</p>	No
<p>Description of policy (please note that, where the request to cost a proposal differs from the announced policy, the costing will be on the basis of information provided in the costing request)</p> <p>What are the key assumptions that have been made in the policy including: (continued)</p>	
<p>Does the policy relate to a previous budget measure?</p> <p>If yes, which measure?</p>	No
<p>If the proposal would change an existing measure, are savings expected from the departmental costs of implementing the program? Will funding/cost require indexation?</p> <p>If yes, list factors used.</p>	Not applicable
<p>What are the estimated costs each year? Are these provided on a cash or fiscal basis?</p>	<p>\$6.0 million in 2019-20</p> <p>\$98.2 million in 2020-21</p> <p>\$100.6 million in 2021-22</p> <p>\$103.8 million in 2022-23</p> <p>Cash basis</p>
<p>Are the revenue and/or expense costs likely to be significantly different beyond the forward estimates period? If yes, why?</p>	No

What assumptions have been made in deriving the expected financial impact in the party costing (please provide information on the data sources used to develop the policy)?

The threshold for concessional patients would be lowered so that concessional patients who currently pay a co-contribution of up to \$6.50 per script would, from 1 January 2020, reach the PBS safety net after 48 scripts instead of 60 scripts currently.

- The safety net threshold for concessional patients is currently \$390.00 and is increased each year to maintain equivalence with the concessional co-contribution rate, which is indexed by CPI on 1 January each year.
- From 1 January 2020, the co-contribution rate for concessional patients is estimated to increase from \$6.50 to \$6.60 as a result of indexation, with a commensurate estimated increase in the safety net threshold from \$390.00 to \$396.00.
- This proposal would reduce the concessional safety net threshold from an estimated \$396.00 to \$316.80

The threshold for non-concessional patients would be lowered so that non-concessional patients who currently pay a co-contribution of up to \$40.30 per script would, from 1 January 2020, reach the PBS safety net after 36 scripts (paid at the maximum co-contribution rate) instead of 38 scripts currently.

- The safety net threshold for non-concessional patients is currently \$1,550.70 and is increased each year to maintain equivalence with the non-concessional co-contribution rate, which is indexed by CPI on 1 January each year.

	<ul style="list-style-type: none"> • From 1 January 2020, the co-contribution rate for non-concessional patients is estimated to increase from \$40.30 to \$41.30 as a result of indexation, with a commensurate estimated increase in the safety net threshold from \$1,550.70 to \$1,586.40. • This proposal would reduce the non-concessional safety net threshold from an estimated \$1,586.40 to \$1,486.80.
<p>Has the policy been costed by a third party? If yes, can you provide a copy of this costing and its assumptions?</p>	<p>No</p>
<p>What is the expected community impact of the policy? How many people or businesses will be affected by the policy? What is the likely take up? What is the basis for these impact assessments/assumptions?</p>	<p>When the safety net is met in a calendar year, concessional patients receive additional scripts with no out-of-pocket cost and non-concessional patients receive additional scripts at the concessional co-contribution rate (currently \$6.50). Last year 1.4 million Australian qualified for free or discounted medicines through the safety net scheme.</p> <p>The changes will mean that these people will now reach their safety net faster and increase the number of people who will benefit from the safety net scheme. Families, pensioners and chronically ill patients requiring multiple medicines are expected to benefit.</p>
<p>NOTE: it will be up to the professional judgment of the relevant Secretary as to whether these assumptions are adopted in a Treasury or Finance costing of the policy.</p>	

Administration of policy	
Who will administer the policy (for example, Australian Government entity, the States, non-government organisation, etc.)?	Department of Health
Should departmental expenses associated with this policy be included in this costing? If no, will the Australian Government Entity be expected to absorb expenses associated with this policy? If yes, please specify the key assumptions, including whether departmental costs are expected with respect to program management (by policy agencies) and additional transactions/processing (by service delivery agencies).	No Department of Health to absorb any associated departmental operating or capital expenses.
Intended date of implementation.	1 January 2020
Are there transitional arrangements associated with policy implementation?	No
Will the policy be ongoing or terminating*?	Ongoing
If terminating: What is the intended date of termination? Are there any transitional arrangements associated with the conclusion of the policy?	Not applicable
List major data sources utilised to develop policy (for example, ABS cat. no. 3201.0).	Not applicable
Are there any other assumptions that need to be considered?	No

* 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.