

Author reply: exploring the implications of a fixed budget for new medicines: a study of reimbursement of new medicines in Australia and New Zealand

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We thank the Editor for the opportunity to respond to these comments and questions.

In addition to the use of capped budget, we acknowledge the subtle differences between the Pharmaceutical Management Agency (PHARMAC) and Pharmaceutical Benefits Advisory Committee (PBAC) highlighted in the letter.¹ However, the impact of these differences should not be overstated. Both countries directly link pricing of new medicines to health technology assessment, regardless of where the final approval takes place. If anything, the additional responsibilities of PHARMAC relative to the PBAC should lead to more rapid reimbursement of new medicines, and our findings² show this is clearly not the case. We have also not seen any evidence to indicate that PHARMAC is able to achieve lower prices for new medicines, because publicly available figures do not include special pricing arrangements, such as rebates.

By capping spending on new medicines and relying on cost-effectiveness as the primary tool to evaluate value for money, PHARMAC is able to achieve equity in terms of maximising health care gains across a population for each dollar spent. However, such a policy is likely to have consequences for

treatment equity, which affects patient populations at the margins.³ We agree that there is no perfect solution to maintaining equity of access to new medicines while restraining costs. However, we maintain that the use of a capped budget for new medicines will lead to preferencing therapies based on budget capacity, rather than considerations of clinical need and cost-effectiveness, and this is not an appropriate policy choice for Australia.

References

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- 2 Taylor CB, Wonder M. Exploring the implications of a fixed budget for new medicines: a study of reimbursement of new medicines in Australia and New Zealand. *Aust Health Rev* 2015; doi:[10.1071/AH14122](https://doi.org/10.1071/AH14122)
- 3 Lipworth W, Ho K, Kerridge I, Day R. Drug policy at the margins: the case of growth hormone replacement for adults with severe growth hormone deficiency. *Med J Aust* 2012; 197: 204–5. doi:[10.5694/mja11.11572](https://doi.org/10.5694/mja11.11572)