



Medicines  
Australia

Better health through  
research & innovation

# Australia's high discount rate is ignoring the health of our future generations

**Australia's discount rate should be lowered from 5% to 1.5% to recognise the value of preventative treatments and cures, and speed up access to them.**

## WHAT IS A DISCOUNT RATE?

Discount rates reflect how society values future outcomes compared to present outcomes. Many medicines, vaccines and treatments provide long-term health benefits. For example, a child receiving a polio vaccine will reap the benefits of that vaccine for the rest of their life. On the other hand, a new cancer treatment may increase someone's survival rate for an extra 5 years. In Australia, the treatment that has a shorter-term benefit (the cancer treatment) is economically valued higher than a treatment that has a long or lifelong benefit.

For treatments that have long-term or lifelong benefits, a discount rate is applied, which means that the medicine is not valued as highly. The PBAC set the base discount rate at 5% in 1990 with reference to Canada. Since that time, this discount rate hasn't changed, despite other international countries (including Canada and England), recommending lower base discount rates to make way for more preventative and curable medicines, vaccines and treatments.

A discount rate is determined by the Pharmaceutical Benefits Advisory Committee (PBAC), who's primary role is to assess and recommend new medicines and treatments to be listed on the PBS. Part of the PBAC's Health Technology Assessment (HTA) includes deciding whether a new medicine, vaccine or treatment is safe and cost-effective compared to an existing treatment.

## WHY DO DISCOUNT RATES NEED TO CHANGE?



Our society and values have changed since 1990 and there is an increasing recognition of the importance of preventative healthcare. The COVID-19 vaccine rollout is just one example of the importance of preventative therapies.



If left unchanged, the discount rate will risk significantly reducing patient access to cutting edge therapies and affecting the long-term future health of generations of Australians, particularly young people who stand to benefit the most from preventative medicines early in their life.

In Australia, the 5% discount rate has contributed to delays in accessing vital therapies, including vaccines for human papilloma virus (HPV) in adolescents, meningococcal disease in children and adolescents, zoster virus for 60-year-olds, and adolescents,

zoster virus for 60-year-olds, and pneumococcal disease for adults, as well as medicines to treat hepatitis C, and treatments for spinal muscular atrophy in children. Health and medical innovation are advancing faster than we have ever seen before, in particular when it comes to preventative treatments. Australia can't afford to miss out on these new medical advances that can change or save lives.

## Discount rates around the globe

 Canada and England\* 1.5%  
 France 2.5%

 New Zealand 3.5%  
 Australia 5.0%

Australia has not changed its discount rate for more than 30 years. Over that time, Canada, France, England, Germany, Ireland, the Netherlands and New Zealand have all reduced their discount rates.

\* Recommended by NICE but not yet implemented

## RECOMMENDATION

The Strategic Agreement between Medicines Australia and the Commonwealth Government commits to reviewing the PBAC base case discount rate against international health technology assessment (HTA) best practice.

Medicines Australia has made a recommendation to PBAC to lower its discount rate from 5% to 1.5%.

This recommendation is based on a review of international HTA discount rate practice, the impact of high discount rates on access to medicines, and government policies which stress the importance of long-term health, such as Australia's Long-Term National Health Plan.

A lower discount rate of 1.5% will recognise the value of long-term future health benefits and:

- Prove to the Australian people and the world that our population's future health is valued
- Contribute to improving the speed of patient access to new and innovative therapies
- Promote PBAC decision making equity
- Align with the Commonwealth Government's preventative health agenda.

It is important that the new discount rate is applied as soon as possible. The change could be affected by simple adjustment to the PBAC Guidelines and could be implemented by July 2022.

Read Medicines Australia's submission on our website:  
[www.medicinesaustralia.com.au/policy/submissions](http://www.medicinesaustralia.com.au/policy/submissions)