

27 January 2023

Budget Policy Division
Treasury
Langton Cres
Parkes ACT 2600

Via email: PreBudgetSubmissions@treasury.gov.au

Dear Budget Policy Division,

Re: Lower the discount rate for vaccines and medicines in the 2023-24 Federal Budget

Medicines Australia is pleased to put forward our 2023-24 Pre-Budget Submission. Medicines Australia leads the research-based medicines industry of Australia. Our members discover, develop and manufacture prescription medicines, biotherapeutic products and vaccines that bring health, social and economic benefits to Australia. Medicines Australia and its members are seeking to continue our collaborative partnership with the Australian Government to ensure that Australia's first-class health care system can continue to deliver lifesaving and life changing medicines to Australian patients.

RECOMMENDATION: We urge the Government to lower the discount rate to 1.5% for vaccines and 3% for other medicines in the 2023-24 Federal Budget.

There is an indisputable link between Australia's health and the strength of its economy.¹ Few events have highlighted this inextricable link like the COVID-19 pandemic. The pandemic has demonstrated how innovative medicines can positively impact the economy. A recent peer-reviewed research paper demonstrated that COVID-19 vaccines are estimated to have reduced the impact of the pandemic on the Australian economy to an estimated \$214 billion, resulting in a positive incremental benefit of \$181 billion.² Preventative health measures, such as vaccinations, are a clear investment in the prosperity of Australia.

Australia systematically undervalues vaccines and other treatments with long-term benefits.

Through the discount rate, a technical correction applied to health economic evaluations, future outcomes are considered to be less valuable than present outcomes. When applied to medicines, inappropriately high discount rates disadvantage treatments that have longer term health benefits, such as preventative or curative treatments. This disproportionately discriminates against patients who could benefit from treatments where the benefits are realised over a longer period.

In the Strategic Agreement, the Commonwealth Government and Medicines Australia set out the shared goals of reducing time to access for Australian patients so that they can access new health technologies as early as possible and ensuring that innovative medicines are brought to Australia as soon as they are brought to other comparable countries. A discount rate in line with comparable international practice would contribute to achieving these shared goals, which is why the Strategic Agreement envisioned that any change to the discount rate recommended by the Pharmaceutical Benefits Advisory Committee (PBAC) should have been incorporated into PBAC guidelines by July 2022.

In September 2022, the PBAC published a summary document that informed the advice it provided to the Minister for Health and Aged Care. In the document, the PBAC acknowledge that a reduction of the discount rate could be considered. The PBAC also acknowledged the greater impact of discount rates on

¹ For example, see: Wilkie, J. Young, A. 2009 "Why health matters for economic performance", Analysis and Policy Observatory. <https://apo.org.au/node/1239>

² Fox, Nathan, Philip Adams, David Grainger, Jennifer Herz, and Carolyn Austin. 2022. "The Value of Vaccines: A Tale of Two Parts" Vaccines 10, no. 12: 2057. <https://doi.org/10.3390/vaccines10122057>

certain interventions such as vaccines. A reduction to the discount rate must not rely on the outcome of the Health Technology Assessment (HTA) Policy and Methods Review, which is just getting underway now and will not see its recommendations implemented until July 2024.

We urge the Government to reduce the discount rate to 1.5% for vaccines and 3% for other medicines from 1 July 2023.

Australia's current discount rate of 5% does not align with international practice. This undermines the shared goal in the Strategic Agreement of maintaining Australia's attractiveness as a country where innovative medicines are launched early. If left unchanged, there is a risk that the discount rate will risk reducing patient access to cutting edge therapies. This would also impact the long-term future health of generations of Australians. In recent years, we have seen how Australia high discount rate has contributed to delays in accessing vital therapies. These include vaccines for human papilloma virus (HPV) in adolescents, meningococcal disease in children and adolescents, as well as medicines to treat hepatitis C, and treatments for spinal muscular atrophy in children.³

Australia's 5% discount rate was set in the 1990s. The world has changed since then, and with it, economic theory, economic conditions and international HTA best practice. Australia should change with it. Revising the discount rate to 1.5% for vaccines and 3% for other medicines would:

- Demonstrate 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 by ensuring the discount rate does not disproportionately discriminate against patients who could benefit from treatments where the benefits are realised over a longer period.
- Align with the Commonwealth Government's policy initiatives to improve the health of Australians, including the vision in the National Medicines Policy to "achieve the world's best health, social and economic outcomes for all Australians".

Given that a reduction to the discount rate should have been implemented by July 2022, we hope that the Government does not allow this overdue policy change to lapse by more than 12 months. Therefore, we urge the Government to reduce the discount rate from 1 July 2023. This would allow both the Government and the research-based medicines industry to focus on implementing bold HTA reforms via the independent HTA Policy and Methods Review. The ongoing partnership with Government through successive Strategic Agreements since 2010 has delivered substantial savings and enduring measures so that Australia can afford to make this policy change without needing new offsets, in the interests of patients.

Medicines Australia looks forward to continuing to work collaboratively and transparently with the Government on a range of issues relating to the health of Australians and the industry, including the implementation of the Strategic Agreement, the independent HTA Policy and Methods Review, the funding of the TGA, the Clinical Trials National One Stop Shop, tax reform, climate change, government procurement, and a high-level government-industry forum.

Yours sincerely,



Elizabeth de Somer
CEO
Medicines Australia

³ Biointelect & Shawview Consulting. 2022. "Medicines Australia Submission to the PBAC on the Base Case Discount Rate". <https://www.medicinesaustralia.com.au/wp-content/uploads/sites/65/2022/02/Medicines-Australia-submission-to-PBAC-Discount-Rate-Submission-January-2022.pdf>