

The Treasury

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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.



Ministry of Health Aide Memoire

From: Mike McCarthy, Chief Advisor - Finance

To: Hon Tony Ryall

Date: 18 January 2012

The cost implications of changes to patient prescription fees

Purpose:

This aide memoire outlines two scenarios amending patient fees for the dispensing of a prescription by a community pharmacy, and the resulting cost implications for DHBs and the Ministry of Health.

1. Increasing patient prescription fees:

Currently, a standard prescription dispensed from a pharmacy carries a patient fee of \$3 (there is no charge for children under six). The pharmacy receives additional funding from the DHB for each item dispensed. Increasing the patient contribution for each dispensing event would reduce the cost to the DHB.

Table 1 shows the savings (\$m) to DHBs nationally each year over a 4 year period from increasing patient prescription fees by the following amounts:

Table 1.	2012/13	2013/14	2014/15	2015/16
0.50c increase to \$3.50	11.255	11.795	12.349	12.905
\$1 increase to \$4	22.509	23.590	24.698	25.810
\$2 increase to \$5	45.019	47.179	49.397	51.620

Savings automatically accrue to the DHBs. However, Vote Health could benefit from the DHB savings achieved by the Ministry withdrawing funding to DHBs by the same amount, through the disbursement profile.

Note: the current total prescription dispensing fee claimed by the pharmacy per item is \$5.31 (covered by the DHB, the patient or a combination of both). If the increase was \$5.31 there would be no dispensing costs to the DHB, under the current system. Pharmac advice is that the resulting balance of charge for the drug supplied would be small, in some cases, making it uneconomic for the pharmacist to submit a claim to the DHB.

2. Reducing the number of prescriptions required to be eligible for a pharmaceutical subsidy card:

A family unit is eligible for a pharmaceutical subsidy card (PSC) once 20 prescription items have been dispensed in any given year. A PSC reduces the patient fee for a dispensed prescription to \$2. When combined with a Community Services Card or High User Health Card, a PSC reduces the patient fee to \$0.

Table 2 shows the estimated cost (\$m) to DHBs of lowering the number of prescriptions required to obtain a PSC from 20 items to 15 or 10:

Table 2.	2012/13	2013/14	2014/15	2015/16
15 items	8.449	8.833	9.210	9.570

10 items	19.320	20.199	21.060	21.884
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Table 3 (a) and (b) shows the savings (\$m) to DHBs nationally of simultaneously implementing an increase to the prescription fee and changing the eligibility criteria for the pharmaceutical card (-\$ indicates net cost to DHBs):

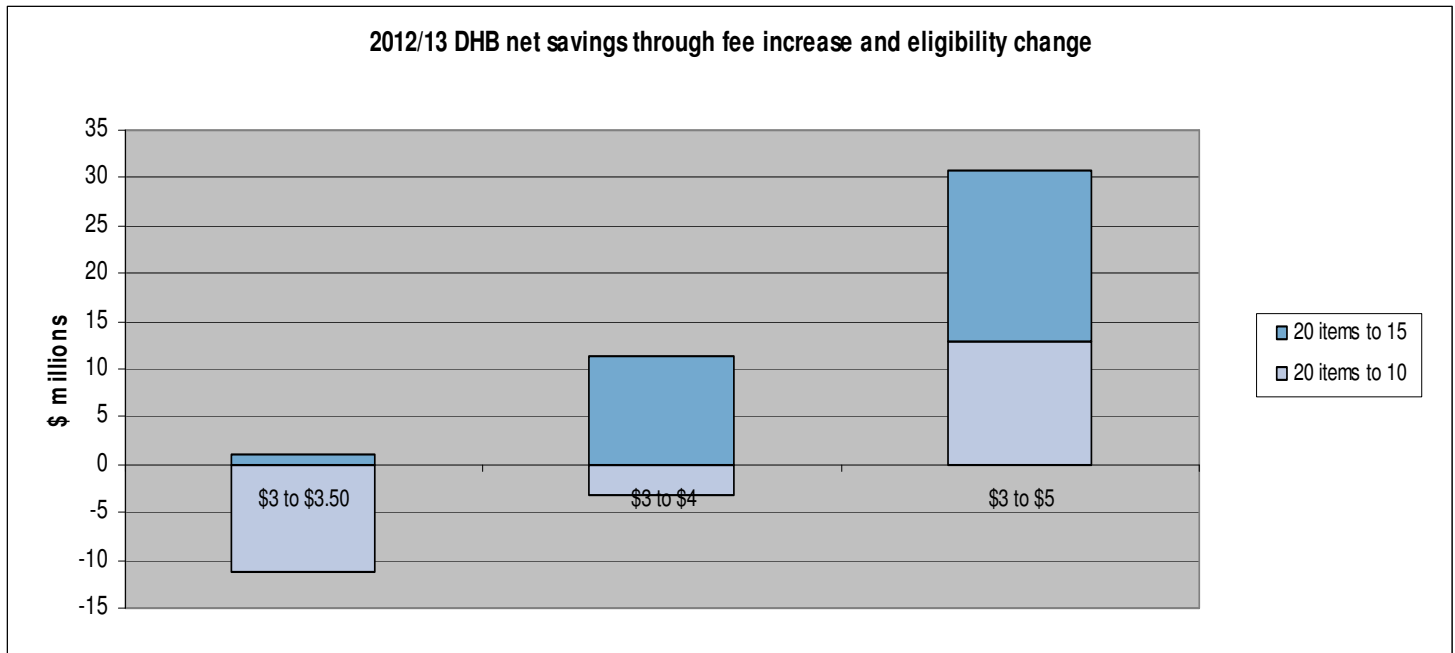
(a) DHB net savings through fee increase and change from 20 to 15 items

Copayments	2012/13	2013/14	2014/15	2015/16
0.50c increase to \$3.50	1.050	1.590	1.604	1.740
\$1 increase to \$4	11.244	11.812	12.419	13.050
\$2 increase to \$5	30.938	32.457	34.048	35.670

(b) DHB net savings through fee increase and change from 20 to 10 items

Copayments	2012/13	2013/14	2014/15	2015/16
0.50c increase to \$3.50	-11.285	-11.771	-12.221	-2.626
\$1 increase to \$4	-3.251	-3.342	-3.382	-3.369
\$2 increase to \$5	12.819	13.514	14.297	15.147

These savings are represented graphically here:



New Community Pharmacy Service Model:

District Health Boards are currently negotiating changes to the national Community Pharmacy Services Agreement. This includes changing how pharmacies are funded for individual dispensing events as the current system incentivises more frequent dispensing to maximise pharmacy revenue, with a consequent cost to DHBs. The co-pay paid by the patient will not impact this work progressing.

The new contract is currently planned to take effect from 1 May 2012, transitioning over a 3 year period. You will be briefed in detail on this matter by the Ministry shortly (Lead: Margie Apa, DDG, SCIBU).

Implementing any changes outlined in the two scenarios would have implications on Ministry payment systems, Pharmacy computer systems and communications to community pharmacies.

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