



Australian Government
Department of Finance
The Treasury

PUBLIC RELEASE OF 2022 ELECTION COMMITMENT COSTING

Name of proposal costed: Reducing the PBS Co-Payment	
Costing Identifier:	COA 014
Summary of costing:	From 1 January 2023, reduce the General Patient Maximum Co-Payment of the Pharmaceutical Benefits Scheme (PBS) from the current \$42.50 down to \$32.50.
Ongoing or Terminating (including date)^(a)	Ongoing. Start date: 1 January 2023.
Person making the request:	Prime Minister.
Date costing request received:	2 May 2022.
Date of public release of policy:	30 April 2022.
Date costing completed:	9 May 2022.
Additional information requested (including date):	Not applicable.
Additional information received (including date):	Not applicable.

(a) 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.

Financial implications (outturn prices)^(b)

Impact on	2021-22	2022-23	2023-24	2024-25	2025-26
Underlying Cash Balance (UCB) (\$m)	0.0	-80.9	-152.1	-158.9	-166.3
Fiscal Balance (\$m)	0.0	-83.7	-154.6	-159.1	-166.6

(b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A positive number for the UCB indicates an increase in revenue or a decrease in expenses or net capital investment in cash terms.

Where relevant, state that the proposal has been costed as a defined or specified amount.

Not applicable.

Where relevant, include separate identification of revenue and expense components.

The proposal is expected to generate additional revenue, as some scripts which presently are paid for entirely by patients will become partially government subsidised and therefore will receive manufacturer rebates from drug sponsors under Special Pricing Agreements.

Impact on	2021-22	2022-23	2023-24	2024-25	2025-26
Expense (FB) (\$m)	0.0	-93.0	-174.2	-181.0	-190.8
Revenue (FB) (\$m)	0.0	9.3	19.7	21.8	24.3

Where appropriate, include a range for the costing or sensitivity analysis.

Not applicable.

Qualifications to the costing (including reasons for the costing not being comprehensive).

As a demand-driven program, forecasts of future utilisation of the PBS are subject to a degree of uncertainty. This proposal inherits that same level of uncertainty.

Where relevant, explain effects of departmental expenses.

Not applicable.

Where relevant, explain the reason for any significant differences between the assumptions specified in a party costing request and those used in a Treasury or Finance costing.

Not applicable.

Other comments (including reasons for significant differences between the estimated impact on the fiscal and underlying cash balances).

Where relevant, include an explanation of the medium-term implications of the proposal.^(c)

Medium term impacts are not expected to differ substantially from the growth trend seen over the forward estimates.

(c) Information on the medium term implications will be provided if the cost of the policy is expected to be significantly different beyond the forward estimates period. The medium term is considered to be the 7 years after the current forward estimates.

Background information

Costing methodology used:

The PBS modelling tool “PhRANCIS” is able to forecast PBS scripts volumes and costs over the forward estimates and compare scenarios against the existing baseline.

A scenario was developed where the General Patient Maximum Co-pay is fixed at \$32.50 in 2022 and then grown by forecast CPI from 2023 onwards. The scenario also accounted for some patients taking longer to reach the General Safety Net due to lower costs per script.

The scenario includes the effects of the 2022-23 Budget Measure *Pharmaceutical Benefits Scheme – lowering the Safety Net threshold*, due to commence on 1 July 2022.

Policy parameters:

The PBS General Patient Maximum Co-Pay is set to \$32.50 on 1 January 2023.

Annual indexation (CPI) of this Co-Pay value recommences on 1 January 2024.

This costing is informed by PhRANCIS model outputs using the *BL B22 04 - Budget 2022-23 Baseline – March 2022* parameters scenario to account for the 2022-23 Budget decision to reduce the Safety Net concessional threshold, and the latest CPI parameters as at March 2022 for indexation from 2024.

Statistical data used:

Prior years' historical PBS transactional data feeds into PhRANCIS forecasting.

Behavioural assumptions used (as appropriate):

Impacts not included. While behavioural impacts would not be zero, they were deemed to be small and generally unquantifiable for this policy change.

Attachment A – Reducing the PBS Co-Payment – financial implications

Table A1: Reducing the PBS Co-Payment – Fiscal balance (\$m)^(a)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Non – tax revenue													
<i>Non-tax revenue</i>	9.3	19.7	21.8	24.3	26.7	29.4	32.3	35.6	39.1	43.1	47.4	75.1	328.7
Total – revenue	9.3	19.7	21.8	24.3	26.7	29.4	32.3	35.6	39.1	43.1	47.4	75.1	328.7
Expenses													
<i>Administered expenses</i>	-93.0	-174.2	-181.0	-190.8	-200.0	-209.0	-219.0	-229.0	-240.0	-252.0	-264.0	-639.0	-2,252.0
<i>Departmental expenses</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Total – expenses	-93.0	-174.2	-181.0	-190.8	-200.0	-209.0	-219.0	-229.0	-240.0	-252.0	-264.0	-639.1	-2,252.1
Total (excluding PDI)	-83.7	-154.6	-159.1	-166.6	-173.3	-179.6	-186.7	-193.4	-200.9	-208.9	-216.6	-564.0	-1,923.4

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

- Indicates nil.

Table A2: Reducing the PBS Co-Payment – Underlying cash balance (\$m)^(a)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Receipts													
<i>Non-tax receipts</i>	9.3	19.7	21.8	24.3	26.7	29.4	32.3	35.6	39.1	43.1	47.4	75.1	328.7
Total – receipts	9.3	19.7	21.8	24.3	26.7	29.4	32.3	35.6	39.1	43.1	47.4	75.1	328.7
Payments													
<i>Administered payments</i>	-90.2	-171.8	-180.7	-190.6	-199.0	-209.0	-219.0	-229.0	-240.0	-251.0	-264.0	-633.3	-2,244.3
<i>Departmental payments</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Total – payments	-90.2	-171.8	-180.7	-190.6	-199.0	-209.0	-219.0	-229.0	-240.0	-251.0	-264.0	-633.3	-2,244.3
Total (excluding PDI)	-80.9	-152.1	-158.9	-166.3	-172.3	-179.6	-186.7	-193.4	-200.9	-207.9	-216.6	-558.2	-1,915.6

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

- Indicates nil.

Table A3: Reducing the PBS Co-Payment – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Fiscal balance	-0.9	-3.6	-7.2	-11.0	-15.3	-20.2	-25.9	-32.3	-39.5	-47.7	-57.5	-22.7	-261.1
Underlying cash balance	-0.8	-3.3	-6.8	-10.6	-14.8	-19.6	-25.2	-31.5	-38.7	-46.8	-56.4	-21.5	-254.5

(a) As this table is presented as a memorandum item, these figures are not reflected in the totals in the tables above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary¹.

(b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

¹ [Online budget glossary – Parliament of Australia \(aph.gov.au\)](https://aph.gov.au)