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### Industry alarm at PBS changes

By Rebecca Urban  
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AUSTRALIAN biotechnology companies risk losing millions of dollars in investments if proposed changes to the Pharmaceutical Benefits Scheme are approved, industry body AusBiotech has warned.

The fledgling industry fears a widespread revolt by world pharmaceutical giants — who contribute an estimated \$300 million a year to local research and development — as proposed changes to PBS threaten to widen the gap between branded and generic medicines.

Just weeks before federal cabinet is due to consider plans to cut the cost of subsidising medicines, AusBiotech has raised concerns about the long-term economic and public health effects of the proposed changes.

A committee of senior bureaucrats from several departments has reportedly recommended the introduction of a tender system for drugs that are no longer on patent and have a generic versions available.

One option under consideration requires drug manufacturers to compete for the right to offer the lowest price for their own versions of a branded medicine.

Under the same plan, all manufacturers would be forced to match the lowest tendered price for a particular class of drug, while the winning tenderer would gain the right to offer a discount for an exclusive period.

The plan could save the Federal Government more than \$800 million a year.

However, AusBiotech chief executive Anna Lavelle said the proposed changes would drag the price of branded medicines down and cause drug companies to reconsider costly development programs for innovative medicines.

"While it is enticing for governments to see a short-term reduction in health costs, they must look at the bigger picture," Dr Lavelle said.

"An anti-innovation position will keep the international venture capital away and would see the loss of Australia's ranking as a world biotech leader."

Dr Lavelle warned that similar changes introduced in New Zealand in the early 1990s resulted in a significant drop in the development of new drugs.

Several large pharmaceutical manufacturers stopped investing in the country — including Pfizer, which scrapped a \$NZ40 million (\$A36 million) grant to an Auckland University biomedical

research program because it believed it was futile to invest in a country where the public was denied access to innovative drugs.

AusBiotech, which represents more than 2400 members, has written to Health Minister Tony Abbott and Industry Minister Ian Macfarlane requesting that the biotechnology industry be consulted before a decision is made.

Generic drug makers and chemists have also opposed the changes to the PBS.

Under the existing system, drugs in the same class are typically listed at the same price, which has kept the cost of branded drugs down, while generic drugs have been relatively expensive compared to international standards.

The findings of the review will be submitted to cabinet next month and changes are expected to be implemented in this year's federal budget.

### **KEY POINTS**

- Government to consider cutting the cost of subsidising drugs
- Tender system proposed for manufacture of generic drugs
- All manufacturers to match lowest tender price for generic drugs

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