

# GSK Australia Submission: Review of the Discount Rate in PBAC Guidelines

## Overview

GSK Australia welcomes the opportunity to have input into the Pharmaceutical Benefits Advisory Committee (PBAC)'s review of the base discount rate as directed by the Commonwealth Government.

We support the [Medicines Australia submission to the PBAC on the Base Case Discount Rate](#)<sup>1</sup> calling for the discount rate to be lowered to 1.5%. As stated in the Medicines Australia submission, a reduced discount rate would align with international best practice, and better reflect the value of preventative medicines to the community, health system and economy.

## How does the discounting method in section 3A.1 of the PBAC guidelines compare with discounting methods used in economic evaluations that support other public funding decisions in Australia and in comparable overseas jurisdictions?

GSK is a leading innovator in vaccine development and a long-standing supplier of vaccines to the National Immunisation Program (NIP) we have extensive experience of health systems nationally and internationally.

GSK Australia support's Medicines Australia's submission to the PBAC on the Base Discount Rate showing the PBAC's 5% base case discount rate is:

- The highest of 40 countries with established HTA practice
- Equal highest out of 20 comparable OECD country HTA agencies
- Greater than that of similarly economically developed countries with similarly-advanced HTA systems including Canada, England, France, Germany, Ireland, the Netherlands, and New Zealand.

Australia's discount rate has remained unchanged since 1990. Meanwhile, Canada, the original "reference country" for Australia's discount rate is now 1.5%.

As noted in the Medicine's Australia submission, countries with comparable HTA systems have reviewed and revised their discount rates to reflect academic best practice developments, economic conditions and increasing societal value being placed on investing in long term health benefits as they economically develop.

Rates have been reduced significantly over the last 20 years internationally in Canada (1.5%), England (recommended 1.5% from 2022), France (2.5%), and New Zealand (3.5%)<sup>2</sup>.

A report in the Journal of Epidemiology and Community Health in 2017 titled 'Return on investment of public health interventions: a systematic review'<sup>3</sup> found that for every one pound invested in health protection programs a saving of 34.2 pounds was saved over the proceeding years, representing a return of investment of 34.2. This is an

<sup>1</sup> Medicines Australia 2022 '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>

<sup>2</sup> Medicines Australia 2022 '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>

<sup>3</sup> Masters R, Anwar E, Collins B, et al. J Epidemiol Community Health 2017, 'Return on investment of public health interventions: a systematic review';71:827–834.

<https://jech.bmj.com/content/71/8/827>

example of the kind of recent data and information used by comparable countries to help better assess the most appropriate discount rate. Further, the Victorian Government's department of Economic, Development, Jobs, Transport and Resources recommends a lower discount rate for the provision of goods and services in traditional core public service delivery areas where the benefits are not easily quantifiable in monetary terms, such as public health<sup>4</sup>.

In a recent report the Canadian National Advisory Committee on Immunization (NACI) issued an economic evaluation of vaccination program guidelines which includes a recommendation on best practice discount rate for Canada: "Researchers should discount health outcomes, non-health outcomes, and costs occurring beyond one year at a rate of 1.5% per year in the reference case analyses. This value represents the real cost of long-term borrowing for Canadian provinces, who are the authorities responsible for funding the majority of the Canadian healthcare system, and approximates the rate at which society is willing to trade-off consumption today for consumption in the future."<sup>5</sup>

As well as Canada, the Netherlands and Belgium, it is our understanding England and Wales are also considering lowering their discount rate to 1.5% in the near term.<sup>6</sup>

### **Does the base case discount rate outlined in section 3A.1 of the PBAC guidelines need to be changed? If so, what should it be and why?**

Australia's timely access to life saving vaccines is under increasing challenge, as the system that assesses which vaccines not fit for purpose. With the implementation of the new Strategic Agreement, including the health technology assessment review, we have an opportunity to develop a new approach to serve Australians now and into the future.

GSK Australia strongly supports the Medicines Australia recommendation for a 1.5% PBAC base case discount rate.

A higher discount rate biases against products that accrue benefits over many years. When combined with PBAC's focus on minimising uncertainty in extrapolation of benefits and time horizons, the Australian methodology is very unfavourable to prevention or generation of long term benefits for patients.

Curative or preventative treatments or vaccines are particularly disadvantaged as their costs are typically upfront (and therefore undiscounted) and their benefits are longer term. As Medicines Australia noted in its submission, a 5% discount rate effectively values an average Australian lifespan at only 20.7 years, compared to 48.3 years with a 1.5% discount.

Aim no. 4 of the National Preventive Health Strategy 2021-2030 states that 'prevention is valued and viewed as a worthwhile and important venture – funding is rebalanced towards prevention.'<sup>7</sup> Our current discount rate of 5% however reflects the international best practice of the 1970s and 1980s and the opportunity cost associated with the much higher interest rates and bond yields of 30 years ago compared to now.

<sup>4</sup> Victorian Government Department of Economic, Development, Jobs, Transport and Resources 2022, 'Guidance on discount rates'.

[https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Feconomicdevelopment.vic.gov.au%2F\\_data%2Fassets%2Fword\\_doc%2F0007%2F1492603%2FGuidance-on-discount-rates-internet1.docx&wdOrigin=BROWSELINK](https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Feconomicdevelopment.vic.gov.au%2F_data%2Fassets%2Fword_doc%2F0007%2F1492603%2FGuidance-on-discount-rates-internet1.docx&wdOrigin=BROWSELINK)

<sup>5</sup> Government of Canada 2022, 'National Advisory Committee on Immunization (NACI): Guidelines for the economic evaluation of vaccination programs in Canada' <https://www.canada.ca/en/public-health/programs/guidelines-economic-evaluation-vaccine-programs-canada-stakeholder-consultation/guidelines-document.html#a7.7>

<sup>6</sup> Medicines Australia 2022 '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>

<sup>7</sup> Australian Government Department of Health 2021. 'National Preventive Health Strategy 2021-2030'.

[https://www.health.gov.au/sites/default/files/documents/2021/12/national-preventive-health-strategy-2021-2030\\_1.pdf](https://www.health.gov.au/sites/default/files/documents/2021/12/national-preventive-health-strategy-2021-2030_1.pdf)



A reduced discount rate would align with comparable 'best practice' HTA countries such as Canada and England. This would better recognise the value of medicines, ensure equity in decision making and encourage ongoing innovation. We need not look further than the COVID-19 response to understand the value in access to medicines which allowed the reopening of society. A reduced discount rate would also reflect the Commonwealth Government's health policy including Australian's Long Term National Health Plan and Preventative Health Strategy and above all affirm our government's commitment to a healthier Australia by building on our world-class healthcare system.



## About GSK

GSK is a science-led global healthcare company with a special purpose: to help people do more, feel better and live longer.

In Australia, we employ approximately 1500 Australians in many areas of expertise from graduates to senior managers. In the 2020-2021 financial year GSK products manufactured in Australia generated more than \$230 million, products were primarily for export. Australia benefited from the import of around \$900 million in GSK products.

We also invested more than \$7 million in research and development within Australia last financial year, focusing on science related to the immune system, human genetics and advanced technologies. We work closely with leading local researchers and clinicians to ensure that Australian patients can access the latest global innovations, as they happen.

GSK offers a broad portfolio of innovative and established vaccines and medicines in respiratory disease, HIV and oncology. Our asthma medicines, for example, have been helping Australians to breathe easier for over 50 years.

Australians probably know us best for our consumer healthcare products, spanning pain relief, specialist oral health, skin health, nutrition and digestion. Trusted brands like Panadol, Voltaren, Sensodyne, Polident and Otrivin have become household names.

For further information please visit [au.gsk.com](http://au.gsk.com)

## Contact

**Peta James**  
**Head of Government Affairs and Policy**  
**GSK**  
Level 4, 436 Johnston Street, Abbotsford, Victoria, 3067.  
PO Box 18095, Melbourne, Victoria, 8003.  
**Email** [peta.d.james@gsk.com](mailto:peta.d.james@gsk.com)  
**Mobile** +61 (0) 422 907 935