

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

Overview

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

We support the [Medicines Australia submission to the PBAC on the Base Case Discount Rate](#)¹ 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.

GSK's submission to Phase 1 of the consultation can be found linked [here](#)

Australia's discount rate does not align with international best practice

The discount rate in Canada is 1.5%, in Japan it's 2%, in Germany and Singapore it's 3%, in Scotland, the UK and New Zealand it's 3.5%, in Ireland and France it is 4%. In Australia, the discount rate is 5%.

As recognised in the Centre for Health Economics Research and Evaluation (CHERE) Report, internationally the discount rates of like countries have been revised down over the past three decades. In Australia, the discount rate has remained fixed at 5%, as it was in 1990. The CHERE report presents a wide range of discount rates used around the world, suggesting that Australia's rate falls within common practice. However, the fact that most other countries using 5% discount rates are middle-income countries such as Brazil and South Africa only makes it more apparent that Australian practice is not aligned with our peers.

The CHERE Report recognises "there may nonetheless be a case for reducing the PBAC's base-case discount rate in line with economic theory and international practice"², which understates what is a clearly inappropriate disparity. The initial discount rate was determined via international benchmarking under the justification that this would facilitate comparability and in recognition that the evidence produced to support the health economic evaluations would mostly be generated abroad (Evans et al 1993). It is clear that this is no longer the case.

The CHERE report clearly demonstrates similarly economically developed countries with comparable HTA systems have reviewed and revised their discount rates. Discount rates were revised 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.

Evaluating cost effectiveness

¹ 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>

² Centre for Health and Research and Evaluations (CHERE) 2022, 'Review of the Discount Rate in the PBAC Guidelines' https://ohta-consultations.health.gov.au/ohta/review-of-discount-rate-in-the-pbac-guidelines-pha/supporting_documents/Review%20of%20the%20Discount%20Rate%20%20Report.pdf

We note the CHERE Report finding “changing the PBAC’s base-case discount rate is likely to have significant financial implications and associated knock-on effects throughout the health system”. This will include improved health outcomes for Australians and the subsequent community, economic and health system gains.

Medicines and vaccines deliver broad social and economic benefits, clearly highlighted by the response to the COVID-19 pandemic, as well as delivering savings to the health system³. This means that additional spending on medicines and vaccines will often generate net economic benefits to the nation rather than simply being a cost.

GSK recognises there needs to be balance between investment in medicines and affordability to ensure ongoing sustainability of the health system and the industry. However, we assert that in line with the Commonwealth Government’s National Preventive Health Strategy 2021-2030, funding needs to be rebalanced towards prevention. It is vital to note the discount rate review has been initiated as part of a broader Strategic Agreement that will deliver savings of \$1.9 billion over 5 years⁴, in order to support innovation. The medicines industry has engaged in good faith over the last 15 years to deliver billions of dollars of savings over the course of multiple agreements and reform processes.

As such, the CHERE Report’s comparisons of the HTA discount rate to infrastructure and other forms of public investment are not relevant. Lower discount rates and recommendations that support differential discount rates between public health and infrastructure⁵ are already a feature of Australian practice and are not a reason to avoid addressing the current international disparity.

We note that the CHERE Report questions whether there are more appropriate means to value prevention and curative treatments than via the discount rate. The Report refers to the lack of a fixed ICER threshold for PBAC decisions and the Government’s use of tax and transfer systems as other means to support preventative and curative medicines and vaccines⁶ without detail on how this could be achieved.

In fact, the PBAC has explicitly stated a preference for lower ICER thresholds for preventative therapies (those most impacted by discount rate) which is inconsistent with the recommendation that these could be adjusted (upwards) to accommodate for the bias against preventative medicines due to the use of a high discount rate. There is no evidence that the PBAC is making any adjustment to its decision criteria to accommodate for these impacts. As stated previously, there is significant value in rebalancing health system investment towards prevention. This is not to mention community expectations.

Australia is falling behind other countries in access to vaccines. For example, the UK, Italy, Portugal, Ireland, Lithuania, Malta and France (as well as Canada and Luxemburg for high-risk people) are all countries that have implemented universal Meningitis B vaccination and programs utilising the preferred herpes zoster vaccine. Australia is at least four years behind in access to these interventions when compared to similar markets with lower discount rates (USA, UK, Canada, Germany and Japan).

As it stands, the current situation of using a high discount rate that reflects the economic circumstances of 30 years ago, means that the Government is already using the discount rate to drive a particular policy outcome – assigning greater value to short term, acute and symptomatic treatments – whether intentional or not. Aligning with other highly developed countries would be a “neutral” position, removing a bias rather than creating one in favour of particular products.

³ Lichtenberg F, 2019. Medicines Australia ‘*Measuring the Impact of Pharmaceutical Innovation in Australia 1998-2018*’
<https://www.medicinesaustralia.com.au/wp-content/uploads/sites/65/2020/11/Med-Aus-Lichtenberg-Report-12pg-Booklet.pdf>

⁴ Medicines Australia Strategic agreement 2022-2027, 2021 ‘*Building a Future for Earlier Access to New Medicines*’
<https://www.medicinesaustralia.com.au/wp-content/uploads/sites/65/2021/09/0179-MA-Strategic-Agreement-Factsheet-For-Patients-v6.pdf>

⁵ Victorian Government Department of Economic, Development, Jobs, Transport and Resources 2022, ‘*Guidance on discount rates*’.

[https://djpr.vic.gov.au/_data/assets/word_doc/0007/1492603/Guidance-on-discount-rates-internet1.docx#:~:text=A%20real%20discount%20rate%20of%20checklist%20and%20alternatives%20\(2014\)\)](https://djpr.vic.gov.au/_data/assets/word_doc/0007/1492603/Guidance-on-discount-rates-internet1.docx#:~:text=A%20real%20discount%20rate%20of%20checklist%20and%20alternatives%20(2014)))

⁶ Centre for Health and Research and Evaluations (CHERE) 2022, ‘*Review of the Discount Rate in the PBAC Guidelines*’ https://ohta-consultations.health.gov.au/ohta/review-of-discount-rate-in-the-pbac-guidelines-pha/supporting_documents/Review%20of%20the%20Discount%20Rate%20%20Report.pdf



Conclusion

As reflected in the CHERE Report, the Government has an opportunity to reduce the Discount Rate in PBAC Guidelines to better reflect best-practice and societal expectations.

The COVID-19 pandemic has made it clear both that the community values medical innovation highly (especially vaccines and prevention of severe disease) and that the funding of medical innovations benefits the overall economy. Our systems are out of step with international best practice and do not currently recognise the value of long term, broad health benefits. This is particularly evident access to vaccines.

As highlighted in the CHERE Report, the Australian discount rate is significantly higher than that of comparable highly developed economies. As a result, Australians are being denied access medicines and vaccines that prevent disease.

GSK recognises a reduction in the discount rate may lead to additional investment in medicines. As the same time, the Government must acknowledge a reduction in the discount rate will lead to more Australians having access to innovative medicines, resulting in improved health outcomes benefiting the community, health system and economy. The medicines industry has partnered with the Government over more than a decade to deliver reform and greater efficiency to the PBS, allowing headroom for investment in innovation. Amending the discount rate is just such an investment.



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

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