

**SUBMISSION TO:
SENATE COMMUNITY AFFAIRS COMMITTEE**

Inquiry into:

- A. The Supply of Chemotherapy Drugs
 - I. Patient Access to Treatment**
 - II. Cost to Pharmacists and Suppliers**
 - III. Cost to the Private and Public Systems****
- B. Long Term Sustainable Funding Models**
- C. Related Matters**



**SYDNEY
ADVENTIST
HOSPITAL**

**SUBMISSION BY:
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SUMMARY

Sydney Adventist Hospital is a not-for-profit institution and the largest provider of private Day Oncology services on the upper North Shore and North West of Sydney. The Hospital requires a sustainable model of funding which provides adequately for the safe and viable preparation, dispensing and supply of individual oncology treatments via Sydney Adventist Hospital Pharmacy.

By the end of December 2013 the cumulative financial shortfall to Sydney Adventist Hospital from PBS reforms since April 2010 will be \$1,677,000.

In the 2013 calendar year alone the financial shortfall from Commonwealth funding changes in comparison to 2011-2012 will be \$800,000 - \$1,000,000.

These financial shortfalls outlined above will worsen as the cyclical forces of the Government's 'price disclosure' mechanism continues to apply downward pressure on PBS revenue to all organisations.

This threatens the viability of the Hospital in providing oncology treatments.

Actions which will have to be considered include:

- Cessation of all chemotherapy infusions
- Provision of a limited range of treatments
- Pharmacy staff reductions
- Service reductions across other Hospital departments impacting both medical and surgical patients

Sydney Adventist Hospital is the provider of 100% of Hornsby Hospital's public patient oncology infusions so with limited alternative local public treatment centres, medically compromised private and public patients carrying the additional emotional stress that illness brings, may face treatment delays, more travel and reduced choice for timely access. These impacts may also affect family and carers.

BACKGROUND

Sydney Adventist Hospital is a division of Adventist HealthCare and the largest single campus private not for profit hospital in NSW providing acute care services across the Hospital to over 210,000 inpatients and outpatients per year. The Hospital started in 1903 as a 70 bed 'Sanitarium' - a home of health and healing where people learned to stay well. Today it has over 500 beds, 2200 staff and 800 visiting medical officers, and services patients in the fast growing North and North West region of Sydney.

Sydney Adventist Hospital Pharmacy is based on site and delivers a full range of inpatient and community pharmacy services including a comprehensive service to inpatients in the Oncology ward, and to day patients being treated at San Day Infusion Centre. The specialised chemotherapy treatments are sourced externally from a leading specialised chemotherapy compounder.

San Day Infusion Centre (SDIC) is the on-site infusion centre with 11 patient treatment chairs, and it delivers over 8013 oncology/chemotherapy infusions to approximately 5000 patients each year.

SDIC is contracted by the Hornsby Ku-ring-gai Public Hospital to provide chemotherapy infusions to 100% of its public patients. This equates to over 40 patients per month and over 450 treatments per year)

ISSUES

The continued preparation, dispensing and supply of oncology/chemotherapy drugs by Sydney Adventist Hospital Pharmacy is less viable as a result of successive and cumulative effects of funding changes.

These changes date back to Price Disclosure and the Pharmaceutical Benefits Reform System that started in 2009, includes changes in 2010 and 2011 and most recently the 1st December 2012 changes to PBS funding for the chemotherapy drug Docetaxel. Docetaxel is the final source of significant cross subsidisation funding which has supported the use of other drugs with no future opportunities to recoup funding. In addition, Expanded and Accelerated Price Disclosure (EAPD) was introduced in 2010.

The economic reality of the current oncology drug funding model is that it does not specifically and accurately reflect the individual costs associated with both the supply and the dispensing of these drugs.

The previously negotiated dispensing fee of \$77 (as part of the Dec 2011 chemotherapy reforms) for the high level of skill required for the safe and professional dispensing of hazardous chemotherapy drugs is not adequate.

The underfunding in remuneration for supply and delivery of individual chemotherapy drugs has in the past been cross-subsidised by remuneration for and across a narrow range of chemotherapy drugs.

It is only as a result of this cross-subsidisation Sydney Adventist Hospital Pharmacy has been able to continue to supply those individual underfunded drugs.

This is no longer the case.

As a result of the ongoing changes and now with the additional latest December 1st funding reductions, Sydney Adventist Hospital estimates that the shortfall between fair and appropriate remuneration for supply and delivery at current service levels will be between of \$800,000 - \$1,000,000 by the end of the 2013 calendar year.

Under PBS and Health Fund agreements, the Hospital is unable to pass onto patients this reduction in funding. Even if this was possible, patients would be unlikely to accept the gap.

This is a reduction that makes the ongoing delivery of oncology infusions unsustainable.

It also threatens the viability of an increase in patient chairs from 11 to 34, which is being planned in a new Day Infusion Centre as part of a new Integrated Cancer Centre currently under construction at Sydney Adventist Hospital and proposed to open by mid 2014. The increase was proposed to cater for increasing needs as the local population increases and ages.

(A) THE SUPPLY OF CHEMOTHERAPY DRUGS

(i) Patient access to treatment

San Day Infusion Centre has over 7000 patient admissions each year of which approximately 5000 relate to chemotherapy and oncology infusions. This includes over 40 public patients per month to whom SDIC provides chemotherapy services on behalf of the local public sector facility, the Hornsby Ku-ring-gai Hospital.

8013 infusions are provided per year including over 450 infusions SDIC is contracted to provide to the public patients.

If Sydney Adventist Hospital cannot continue to provide their necessary infusions patients will be forced to find alternative private or public sector suppliers.

With Medicare and Health Fund agreements precluding any additional charges being levied on patients and therefore other private sector facilities facing the same viability issues as Sydney Adventist Hospital Pharmacy, other private sector choices may become limited for patients.

As the contracted provider for oncology infusions for public sector patients on behalf of the local Hornsby Ku-ring-gai public Hospital, SDIC will continue to meet its existing contractual commitments for the provision of services for public sector patients.

Patients not able to be treated at San Day Infusion Centre or as inpatients may face delays in treatment, additional travel, and reduced choice for timely access.

This will simply add to the distress of cancer patients dealing with the physical and emotional trauma of their illness.

(ii) Cost to Pharmacists and Suppliers

The current Commonwealth funding model does not provide adequate financial recognition for actual costs incurred providing chemotherapy infusions in the oncology service.

Compounding costs is an external charge over which Sydney Adventist Hospital Pharmacy has minimal control. Reimbursement does not always cover the cost of high external compounding costs. We recognise the third party providers also need to cover their costs.

By the end of December 2013 the cumulative financial shortfall in Pharmaceutical Benefits Scheme reimbursement to Sydney Adventist Hospital from Commonwealth funding changes since April 2010 will be \$1,677,000.

In the 2013 calendar year alone the financial shortfall from Commonwealth funding changes in comparison to 2011-2012 will be between \$800,000 and \$1,000,000.

Sydney Adventist Hospital Pharmacy Pharmaceutical Benefits Scheme oncology drugs cumulative funding losses

Dates of impact	Loss in PBS funding (per annum)
April 2010-December 2012	\$790,000.00
December 2012 - Dec 2013	\$844,000.00
April 2013-	\$43,000.00
To December 2013	\$1,677,000.00
Estimated Chemotherapy funding 2011-12	\$7,484,997.00
Estimated Chemotherapy funding 2013	\$6,484,997.00
Variance	(\$1,000,000.00)

Government funding does not meet the actual cost of supply of several individual chemotherapy drugs and losses are incurred with their supply and dispensing. Currently Sydney Adventist Hospital Pharmacy receives \$65,000 per year less than what it pays for supply costs for the following drugs:

Drug	Typical Dose	Supply Cost (\$)*	Patient co-payment	PBS Benefit* (\$)	PBS benefit shortfall (\$) per infusion
Natalizumab	300mg		0.00		-68.22
Cetuximab	500mg		0.00		-211.90
Rituximab	500mg		0.00		-3.26

(*For commercial-in-confidence reasons required by the supplier neither the actual costs nor the PBS benefit can be stated here)

In recent years, as a result of the Price Disclosure and changes since December 2010, funding for a range of drugs which had helped to subsidise shortfalls in funding like those identified above, have been reduced. These are outlined in the following table.

Chemotherapy Drugs Subject to Price Disclosure Reductions and Medicines Australia MOU

	Dec-09	Apr-10	Aug-10	Feb-11*	Apr-11	Aug-11	Apr-12	Aug-12	Dec-12	Total Reduction on original price	Approximate total annual reduction in government cost
DOXORUBICIN	-63.54%		-34.62%	-2.00%				-32.97%		-84.34%	\$ 20,505,664
MITOZANTRONE	-34.42%		-13.33%	-2.00%		-10.61%		-18.25%		-59.30%	\$ 368,723
CISPLATIN				-2.00%	-39.02%		-30.37%			-58.39%	\$ 2,890,044
GEMCITABINE				-2.00%	-37.00%		-53.65%			-71.38%	\$ 23,212,439
IRINOTECAN				-2.00%	-61.40%		-64.63%			-86.62%	\$ 24,111,421
PACLITAXEL				-2.00%	-52.58%					-53.53%	\$ 20,441,291
OXALIPLATIN				-2.00%		-72.54%		-51.76%		-87.02%	\$ 38,928,432
CARBOPLATIN*				-2.00%			-66.41%			-67.08%	\$ 9,962,596
EPIRUBICIN*				-2.00%			-78.05%			-78.49%	\$ 9,003,485
METHOTREXATE*				-2.00%			-20.20%			-21.80%	\$ 251,616
VINORELBINE				-2.00%			-63.87%			-64.59%	\$ 2,404,324
DOCETAXEL								-76.20%		-76.20%	\$ 41,531,627
ONDANSETRON ^A (injection)	-15.37%		-17.61%	-2.00%		-22.51%		-77.25%		-87.95%	\$ 436,964
											<u>\$ 194,048,626</u>

* Drugs brought into price disclosure as a result of Expanded & Accelerated Price Disclosure (EAPD)

* Mandatory reductions as a result of Medicines Australia MOU

^A Ondansetron is not listed under the Efficient Funding of Chemotherapy program but is used for the management of nausea and vomiting in chemotherapy patients. Ref: Community Pharmacy Chemotherapy Services Group. Patients to be Impacted by Cuts to Chemotherapy Drugs. 25-10-2012

These financial shortfalls outlined above will worsen as the cyclical forces of the Government Price Disclosure mechanism continues.

Effect on Sydney Adventist Hospital/ Sydney Adventist Hospital Pharmacy/San Day Infusion Centre

The continued reduction in funding threatens the viability of the Hospital in the provision of oncology treatments and potential actions will have to be considered as outlined in the document summary.

In addition, under the PBS and Health Fund agreements, the Hospital is unable to pass on to patients this shortfall in funding.

This shortfall makes the ongoing delivery of oncology infusions unsustainable.

(iii) Cost to the private and public hospital systems

Patients currently receiving treatment at San Day Infusion Centre may need to seek treatments elsewhere with immediate flow on affects to the public facilities. (As outlined previously)

(B) LONG TERM SUSTAINABLE FUNDING MODELS

A sustainable funding model must replace the now compromised and inadequate cross-subsidisation model. The model must properly provide remuneration for:

- The cost of distribution from wholesalers
- The costs of preparing doses (or of using a third party compounding service)
- The costs of associated services
- The costs of consumables and dosage delivery services
- Provision for return on capital to meet the costs of and need for investment in oncology based infrastructure

Sydney Adventist Hospital estimates that a fee increase of \$100 per infusion, which is consistent with that suggested by the industry bodies, will be required to ensure a sustainable model of supply for chemotherapy drugs.

(C) RELATED MATTERS

Sydney Adventist Hospital recognises the need to improve efficiency and manage the cost of the PBS. It is apparent that utilising price disclosure for chemotherapy drugs has had some unintended implications causing the industry concern. We seek to be able to provide a quality, safe and effective service to our patients and community in a sustainable way considering all of the related costs.