Methodology for Determining savings for the trial phase of the Enhanced Divisional Quality Use of Medicines (EDQUM) Program

DoHA has indicated that the same methodology would be applied to the 2004 – 2005 financial year including any additional current drug groups or measures.

1. This paper outlines the methodology for determining how savings will be measured for the EDQUM Program for the first intake of Divisions of General Practice for the two-year trial phase. It may not remain the methodology that will be used should the program continue beyond the trial phase. A long-term methodology will need to be developed once the trial has been fully evaluated. The Department of Finance and Administration will need to approve any approach for a savings methodology.

2. Savings will be calculated for the program's three target drug groups – antibiotics, peptic ulcer drugs and cardiovascular drugs.

3. Each drug group will be treated separately. If savings are not generated in one drug group, there is no consequence on savings available from the remaining drug groups.

4. Savings are calculated as a reduction in projected PBS outlays, with projections using six years of historical PBS data.

5. Projections for Government expenditure by each Division for 2002-03 to 2003-04 with all relevant existing budgetary measures taken into account represent the expected expenditure for GPs based on current trends. The actual expenditure for each Division will be compared with projected expenditure and where the actual expenditure of a Division is less than the projected expenditure a saving will be taken to be achieved.

6. The allocation of GPs (and hence prescriptions) to a particular Division, is undertaken using the postcode of major practice of the GP (prescriber) thus placing GPs in Divisions according to postcode (this is the standard method used by General Practice Branch).

7. Savings for the target drug groups will be attributed to EDQUM once the impact of other measures has been calculated. These measures are the savings required from funding provided to the National Prescribing Service (NPS), the cholesterol lowering drugs measure announced in the 2001/02 Budget and certain measures announced in the 2002/03 Budget.

8. All of the measures announced in the 2002/03 Budget have been assessed to determine their impact on EDQUM. The following measures have been assessed as needing to have savings attributed before EDQUM: Enhancement to PBS Restrictions, Enhancement of PBS Authorities, Changes to PBS Listing Process, Reductions in Pharmacy Fraud, Restrictions on Doctor Shopping, DVA Gold Card, GP Electronic Decision Support, Extending Brand Pricing Arrangements, and the Industry Measure. Some of these measures apply only to specific drug groups, while others will effect all three. The impact of these budget measures on each of the drug groups will be calculated separately.

9. After determining the impact of the measures described in points 7 and 8, 50% of any savings remaining will be shared between participating Divisions of General Practice and the Commonwealth.

10. For each Division, savings will only be calculated for those drug groups that are targeted by that Division through its EDQUM strategies/activities.

11. The Department cannot guarantee that EDQUM will be quarantined from other measures or policy decisions introduced within the trial phase.

12. If the Department of Health and Ageing and the Department of Finance and Administration jointly decide that any of the measures described in points 7 and 8 are not implemented as anticipated, or are not deemed to be producing savings, that measure/s may be disregarded in terms of determining the impact on EDQUM.

13. For each participating Division, the projections will already have taken into account the savings required for measures described in points 7 and 8, therefore the savings will be calculated by first subtracting actual expenditure from the projected expenditure, and then excluding any drug groups not targeted by the participating Division.