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

1. This paper outlines the methodology for determining how savings will be measured for the EDQUM Program.

2. Savings will be calculated for the program's targeted drug groups, currently – antibiotics, peptic ulcer drugs, cardiovascular drugs and non-steroidal anti-inflammatory drugs (NSAIDs) including Cox-2 selective NSAIDs.

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 2004-05 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 Access Branch, DoHA).

7. Savings for the targeted 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 (places clearer conditions on the use of restricted PBS medicines – particularly in the high cost medicine groups),
- Enhancement of PBS Authorities (implements tighter controls over the prescription of high cost PBS medicines and facilitates appropriate prescribing of PBS authority required medicines),
- Changes to PBS Listing Process,
- Reductions in PBS Risk (addresses excessive PBS utilisation caused by inappropriate, negligent and other activities in contravention of PBS legislation),
- Restrictions on Prescription Shopping (reduces patients obtaining clinically inappropriate medicines under the PBS),
- DVA Gold Card,
- GP Electronic Decision Support,

- Extending Brand Pricing Arrangements,
- the Industry Measure (includes medical representatives drawing attention to PBS restrictions when promoting medicines to prescribers and companies highlighting PBS restrictions in advertising), and
- Realigning patient co-payments and safety nets.

Some of these measures apply only to specific drug groups, whilst others may affect all the targeted drug groups. 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, fifty percent (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 that are implemented.

12. If the Department of Health and Ageing and the Department of Finance 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.