Matter name:	Juno & Ors – Application for authorisation
Date & Time:	2:30pm Wednesday 16 February 2022
External attendees:	Jerry Yik, Tom Chynoweth, Blake Tierney – The Society of Hospital Pharmacists of Australia
ACCC participants:	Sophie Mitchell, Susie Black, Andrew Ng, Peter Gray

Information provided by SHPA in relation to the application for authorisation are summarised below:

- In Australia, there are approximately 5,800 community pharmacies, 700 public hospitals and 700 private hospitals, the majority of which will have a hospital pharmacy department, or subcontract out medication supply and pharmacy services out to an external pharmacy provider, usually a community pharmacy.
- There are different fee structures based on the state/territory and the type of pharmacy.
  - Public hospitals in every jurisdiction except NSW and ACT are able to supply PBS-subsidised medicines across various PBS schedules for patients discharging from hospital, outpatients, patients receiving care in day-treatment facilities. NSW and ACT public hospitals are only able to access PBS-subsidised medicines listed under the s100 Highly Specialised Drugs (HSDs) Program.
  - For s100 HSDs, both community pharmacies and private hospital pharmacies are able to receive a 4-tier s100 pharmacy mark-up (depending on the approved ex-manufacturer price (AEMP)), reimbursement of the AEMP and a dispensing fee. Public hospital pharmacies only get the reimbursement of the AEMP (no markup).
- Medicines are not PBS subsidised for inpatients at public hospitals (hospital bears the costs and generally has a fixed and/or capped annual medicines budget for medicines expenditure).
  - Therefore, when inpatients in public hospitals require the use of high cost medicines, hospitals may have additional clinical, formulary and budget considerations before approving or deciding to use that medicine for an inpatient without PBS subsidy, which would otherwise be subsidised by the PBS if supplied upon discharge or in the outpatient setting.
  - If a high-priced medicine becomes significantly less expensive due to generic entry, that may improve access for inpatients, as there are generally less budgetary restrictions on lower-cost medicines for inpatient use.
  - However, if the price reduction for lenalidomide and pomalidomide (due to generic entry) is modest, it is unlikely to make a material difference on how public hospitals prescribe these drugs for inpatients, as it would still be denoted as a high cost medicine.
  - Conversely, medicines are PBS subsidised for inpatients at private hospitals.
- Most Australian states/territories have a body that provides support for state-wide tendering activities. The state procurement bodies will go out to market and tender for medicines under a state-wide contract (enables hospitals to draw on economies of scale). In most states, public hospitals have an obligation to purchase under the terms of the state-wide contract.
  - Typically, contracts are 4-6 years (arrangements are usually 2+2, 3+2 etc.)
  - The size and scale of procurement for large public hospitals means contracts are usually longer.
  - There is more limited tendering in the private hospital system.

- Generally, there is no reluctance amongst hospital pharmacies to switch to a generic, particularly under state tender processes.
    - The only reason not to switch is for clinical concerns.
    - Most public hospital pharmacies would only stock one brand of a particular drug.
      Unlike community pharmacies, patients at hospitals are not usually given a choice between the originator and generic drug.
- When treatment is commenced at hospital, there may be brand loyalty amongst patients to continue with the same treatment once they are an outpatient.
    - Potential benefit is conferred to the pharmaceutical sponsor that wins the tender to supply hospitals.
    - Thus, pharmaceutical sponsors of originator drugs may attempt to secure long term contracts and market exclusivity before their patents expire.
    - However, suppliers of generic drugs may also provide indication of when they are able to start to market their products ahead of entry.
    - Overall, it is uncommon for an originator to secure long-term contracts once generics enter for high-cost medicines, as the originators are unlikely to be competitive with generics during the tendering process.
- Hospital pharmacies are generally aware of price disclosure cycles and upcoming patent expiry dates and will order their stock accordingly to maximise cost-efficiency whilst maintaining continuous and undisrupted medicines supply to patients.
- Community pharmacies are also small businesses, and are generally not confined to a fixed and/or capped annual medicines budget as the medicines they supply are profitable (for both PBS medicines and OTC medicines).
- However, hospital pharmacies operate on a fixed and/or capped annual medicines budget. Therefore, price reductions will enable hospital pharmacies to procure more medicines, more efficiently, and improve the timeliness of medicines supply to hospital patients in all settings of care.