



2020–2021 Pre-Budget Submission

About Eli Lilly and Company

Lilly is a global healthcare leader that unites caring with discovery to create medicines that make life better for people around the world. We were founded more than a century ago by Colonel Eli Lilly, a man committed to creating high quality medicines that meet real needs. Today, we remain true to that mission in all our work.

Across the globe, Lilly employees work to discover and bring life-changing medicines to those who need them, improve the understanding and management of disease, and give back to communities through philanthropy and volunteering. At Lilly, we're inspired to make a difference in people's lives every day.

Since our founding, we've pioneered major breakthroughs like insulin and the polio vaccine, and we've worked to make sure these discoveries reach the people around the world who need them most. Everyone at Lilly is passionate about building on these contributions and is determined to deliver on our promise to make life better for individuals and communities.

Our founder, Colonel Eli Lilly charged us to "**take what you find here and make it better and better.**" Whether this takes the form of discovering new medicines, finding new ways to support patients or improving our communities, we strive to improve the lives of those we serve in our work each day.

The Lilly name is a promise. The red script, an evolved version of our founder's signature, is a sign of our proud past and our exciting future. Our promise is simple:

Lilly unites caring with discovery to create medicines that make life better for people around the world

For further information please visit: www.lilly.com.au

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Summary

- Investment in the PBS has declined in real terms over the last decade while spending on other major healthcare programs has increased significantly.
- The PBS is a key pillar of the Australian healthcare system, just like Medicare, and helps form the basis of Australia's universal system of access to healthcare.
- It is clear though, that lagging investment in the PBS will result in a lag in both timely and equitable access to new innovative medications for patients.
- The Government's review of the National Medicines Policy (NMP) is an important opportunity to address not only the issue of investment in the PBS, but also to clarify what both 'timely' and 'equitable access' actually mean.
- It is clear that just because an innovative medication may have received a positive PBAC recommendation it does not automatically follow that the medication will be listed on the PBS. This requires a pricing agreement to be reached between the sponsor and the Government.
- Innovations in medicines are happening all the time. New and improved medicines for existing medical ailments are becoming increasingly available, yet investment in the PBS to make them available to patients is lagging behind.
- It is important that investment in the PBS keeps pace with innovation so that patients and the broader community benefit from this investment.
- It is also important that the approval processes around access to innovative medicines involve a more comprehensive assessment of value that includes both health system savings and the broader, societal benefits of keeping people well and productive.
- Money spent on the PBS is a national investment in the future health and wellbeing of the population and not a cost to be trimmed whenever the opportunity presents itself.
- Lilly looks forward to the NMP review to ensure that the outcome of the review will serve patients and the broader community well into the future.

Background

Lilly cares about the health of Australians and Australia's health system and welcomes the opportunity to contribute to the formulation of the 2020-21 Federal Budget.

Since 1948, the Pharmaceutical Benefits Scheme (PBS) has provided Australians with access to affordable and high-quality, safe and effective medicines when they need them.

Medicines are integral to healthcare delivery helping Australians live longer and healthier lives, stay in the workplace, keep out of hospital and positively contributing to the community and economy.

For example:

- A one-year increase in life expectancy = 4% rise in GDP^{1,2}
- It has been estimated that a dollar invested in Australian pharmaceutical R&D will return an average health benefit of \$2.17³
- Every innovative medicine made available in Australia has the potential to generate a significant return on investment in the overall health system and economy.



Underpinned by the National Medicines Policy and a strong working relationship between Government and the medicines industry, the PBS has evolved from basic access to antibiotics and painkillers, to a sophisticated system that has had to contend with changing burdens of disease and evolving innovations in treatments.

Whilst the PBS has a strong reputation within and outside Australia for being one of the best systems available to both patients and taxpayers, Lilly supports Medicines Australia's concern that the PBS is under strain and will struggle to continue meeting the needs and expectations of a growing and ageing population coupled with new treatment therapies.

A world-class sustainable health system needs ongoing commitment and investment across all components for maximum return while capturing all efficiencies, and Lilly believes Australia needs to do better at maintaining an adequate level of investment to maintain the standards all Australians expect of our health system.

With an ageing population and increasing healthcare costs, new innovative medicines need to be considered in a timely way and within the overall context of health delivery, not as a stand-alone expense.

Recognising the value of investing in innovative medicines

Lilly supports the Government's commitment to ensuring that Australians have access to affordable medicines through the listing on the PBS of every drug recommended by the Pharmaceutical Benefits Advisory Committee (PBAC). Lilly does note though that such listings do not occur until a pricing agreement has been agreed between the Department of Health on behalf of the Government and the sponsor company, even if a positive PBAC recommendation has been made.

As a member of the medicines industry, Lilly helps to deliver better health outcomes for all Australians and as a following effect, it also generates broader economic value by improving productivity, increasing GDP, helping generate increased government revenue through income tax collections from a healthy workforce, reducing expenditure on welfare benefits, and boosting jobs and knowledge creation.

Lilly is committed to working together with the Government to build on the reputation of the PBS in providing affordable universal access to medicines for all Australians regardless of where they live or their financial situation.

Reviewing the National Medicines Policy (NMP)

Lilly supports the planned review of the NMP to ensure it remains fit for purpose to enable continuing patient access to new and innovative medical breakthroughs as they become available. This review is well due given the NMP is now nearly 20 years old.



Lilly's key concern is the way in which cost effectiveness and value is defined within the existing cost benefit analysis undertaken through the current PBAC process when assessing innovative medicines for PBS listing.

One of the core pillars underpinning the current NMP is the timely, equitable access to new medicines for Australians.

Whilst we agree this to be a key component of the NMP, no definition currently exists as to what 'timely' or 'equitable access' actually means.

Patient **access** cannot be granted until a new medication has a positive Pharmaceutical Benefits Advisory Committee (PBAC) recommendation.

Timeliness is entirely dependent upon when, and increasingly if, the sponsor and Government via the Department of Health reach an agreed pricing agreement.

In the absence of a pricing agreement, access only becomes available to those that can afford to pay for the new medication on the private market.

This risks creating a two tier access regime whereby many Australians miss out on access to life saving medicines because they can't afford to pay for it if it isn't listed on the PBS.

A new approach is needed to meet the new age of innovative medicines

Investment in innovative medicines has not grown for a decade, in fact in real terms it has declined. This compares to increasing investment in other important areas of our healthcare system including Medicare, public hospitals, private health insurance rebate and the National Disability Insurance Scheme (see Table 1 below).

Australia's ageing population and growing burden of chronic diseases reinforces the importance of continued and ongoing investment in the PBS and the quality use of medicines.

Quality use of medicines has been shown to be a good investment in health, productivity and economic prosperity. Every medicine recommended for PBS listing has undergone a thorough assessment through the independent, statutory, expert committee, the PBAC who assesses medicines and only recommend those that are a cost-effective investment of taxpayer monies.

It is worth highlighting that Australia⁴ -

- ranks 16th out of 20 OECD countries for new medicine market access – an improvement on the previous rank of 17th
- lists around 53% of all possible first in class medicines on the PBS – ranking 13th out of the 20 comparable OECD nations
- is about three to four months behind the OECD average time to reimbursement - our average is longer than the world leading countries such as Japan, Germany, Austria and Switzerland.
- Reimburses medicines at a % rate that is lower than the OECD average.

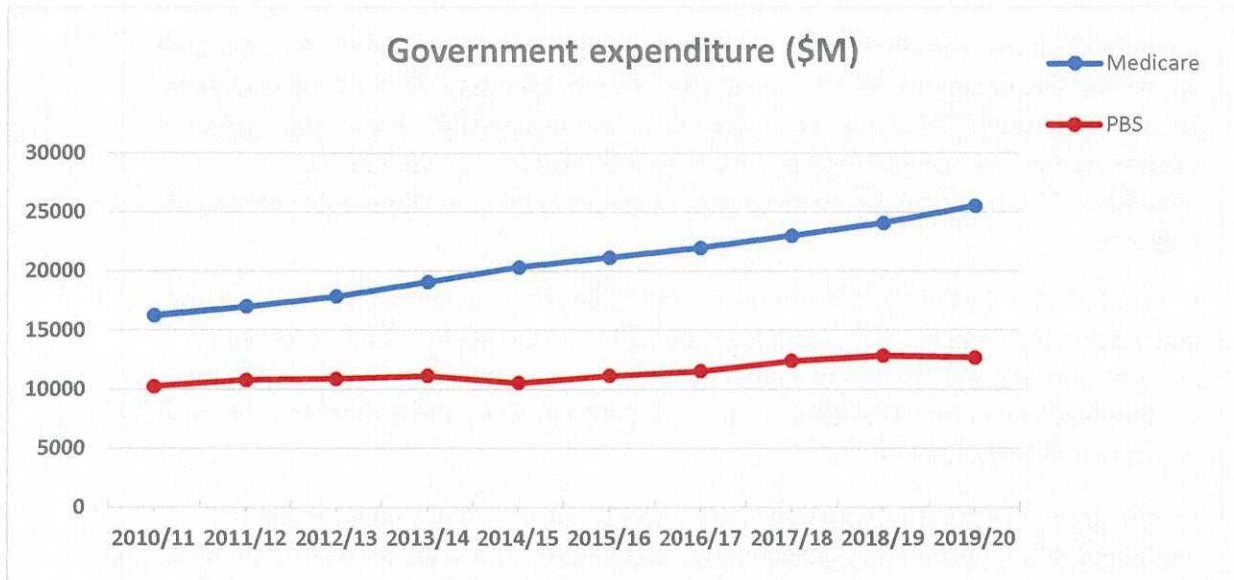


Table 1: Medicare vs PBS – A comparison of Commonwealth Government expenditure from 2010 – 2019⁵.

There are several options available to the Australian Government that could help ensure that Australians continue to receive timely access to medicines. Many solutions have already been identified, including those arising from the Senate Community Affairs References Committee inquiry: *Availability of new, innovative and specialist cancer drugs in Australia (2015)*. The Committee examined the key issues facing cancer patients in accessing innovative cancer medicines. The inquiry received over 200 submissions from individuals and groups overwhelmingly in favour of action and reform.

According to the Australian Institute of Health and Welfare, the rate of fatal burden of disease decreased approximately 20 percent between 2003 and 2015, reminding us that advances in modern medicines reduce the overall burden of disease and premature deaths. Patients and taxpayers see the value in new cures, treatments and collaborations provided by the innovative medicines industry.

Of the top 10 priorities Australians have for the Australian Government, three of them relate to funding health-related services. The number one priority for funding is hospitals and the healthcare system, a consistent survey result recorded by Research Australia since it commenced polling in 2003.

Australians also regard access to medicines through the PBS as a cherished part of their health system. In a recent consumer sentiment survey conducted by Nielsen, 68 percent of respondents agreed that thanks to the PBS, the innovative, research based, medicines industry is delivering a more prosperous future for Australia, with almost all respondents indicating the importance of Government funding for the PBS.

CASE STUDY – THE HIDDEN EPIDEMIC OF MIGRAINE^{6,7}

Migraine is more common than asthma, diabetes and epilepsy combined. An estimated 4.9 million Australians live with it, and it's the second leading cause of disability globally. The vast majority (71%) of migraine sufferers are women and 86% are of working age. Despite its devastating reach and impact, migraine is often dismissed as "just a headache". This has led to under-diagnosis, under-treatment and poor management of migraine.

A recent analysis by PwC found improving workforce participation to be one of the few major economic reforms that would have a tangible impact on Australia's economic growth. Boosting the number of women, younger people and older Australians in the workforce would potentially generate an extra \$207 billion for the Australian economy - or increase GDP by 12 per cent.

Australia suffers a greater reduction in productivity versus global standards due to migraine's mismanagement. Consequently, migraine costs have grown to an estimated \$35.7 billion each year. However, with the right support, migraine can be managed.

Conclusion

It is Lilly's belief that the NMP review should result in a clear definition of what 'timely' and 'equitable access' to innovative medications actually means for Australian patients in the modern era. This should include the following factors -

- 1) Incorporating greater flexibility in the application of the offset policy – one that not just considers a reduction in costs to the wider health system, but also acknowledges the potential for positive benefits to the economy such as reduced hospital expenditure, reduced welfare reliance and greater tax revenue.
- 2) Development of a more comprehensive assessment of value when it comes to innovative medicines that takes into account the second-round effects of keeping people well and productive members of society.
- 3) Inclusion of a data-based matrix that considers and measures the long-term benefits of listing innovative medicines on the PBS. Data should include not just dollar savings to the health system more broadly, but also the financial and associated socioeconomic benefits of improved workforce productivity and reducing disability.

References:

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 - ³ Latera Economics. 2010. The Economic Value of Australia's Investment in Health and Medical Research: Reinforcing the Evidence for Exceptional Returns.

⁴ Medicines Australia. 2018. COMPARE 4. [Online] Available at:

https://medicinesaustralia.com.au/wp-content/uploads/sites/52/2018/10/MA_Compare-final.pdf, last accessed 16 December 2019

⁵ Commonwealth of Australia. Budget Strategy and Outlook. Budget Paper No.1, 2019-2020.

⁶ Deloitte Access Economics. 2018. Migraine in Australia Whitepaper. [Online] Available at:

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⁷ PwC Australia. 2019. Press release: An extra \$207 billion for the Australian economy from greater workforce participation. [Online] Available at: <https://www.pwc.com.au/press-room/2019/australian-economy-workforce.html>, last accessed 11 December 2019.

