



Cheaper medicine	
Party:	Australian Greens
<p>The proposal would:</p> <ul style="list-style-type: none">• Make Pharmaceutical Benefits Scheme (PBS) medications free for concessional card holders• Reduce the cost of PBS medicines for all other Medicare card holders to \$7.70. <p>The proposal would be ongoing and start on 1 July 2026.</p>	
<p>Additional information (based on further advice provided):</p> <p>The cost of PBS medicines for non-concession card holders would be \$7.70 until 2030 while the 5-year co-payment freeze is in effect. After this time, the co-payment would be equal to the ordinary concession card holder rate.</p>	

Costing overview

The proposal would be expected to decrease the fiscal balance by around \$6.7 billion and the underlying cash balance by around \$6.6 billion over the 2025-26 Budget forward estimates period (see Table 1). This impact reflects an increase in administered expenses associated with payments to pharmacies and hospitals for dispensing medicines resulting from reduced PBS co-payments made by individuals. The impact is partially offset by an increase in revenue arising from additional payments to the Australian Government from medicine suppliers subject to special pricing arrangements (SPA) and risk sharing arrangements (RSA).

The proposal would be expected to have an impact beyond the 2025-26 Budget forward estimates period. A breakdown of the financial implications (including separate public debt interest (PDI) tables) over the period to 2035-36 is provided at Attachment A.

Table 1: Cheaper medicine – Financial implications (\$m)^{(a)(b)}

	2025-26	2026-27	2027-28	2028-29	Total to 2028-29
Fiscal balance	-	-2,190.0	-2,218.0	-2,261.0	-6,669.0
Underlying cash balance	-	-2,150.0	-2,218.0	-2,261.0	-6,629.0

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) PDI impacts are not included in the totals.

- Indicates nil.

Uncertainties

As a demand-driven program, forecasts of future utilisation of the PBS are subject to a degree of uncertainty. The financial implications of this proposal are uncertain and sensitive to the assumptions around future PBS prescriptions dispensing volume growth (mostly driven by changes in demographic factors), the potential interaction of the proposal with the PBS Safety Net, and the behavioural response of patients.

The revenue implications of the proposal are sensitive to the particulars of the SPAs and RSAs. For medicines subject to SPAs, suppliers may pay a rebate that is the difference between the published price and the confidential effective price. For RSAs, revenue occurs when the actual quantity of medicine supplied exceeds what was expected when the pricing arrangement for the drug was negotiated. As reducing the co-payment increases government expenditure, suppliers with items subject to an RSA would be expected to exceed their cap amounts. For items with SPAs, a reduced co-payment means sponsors would need to pay a larger amount to bridge the gap of government expenditure between the published price and the effective price. As such, the amount of revenue is sensitive to the market prices of drugs and agreements between suppliers and the government.

The proposal may also have further flow-on impacts to other public health expenditure such as the Medicare Benefits Schedule (MBS). However, these broader flow-on impacts are highly uncertain and, as such, have not been included in this costing.

Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in costing this proposal.

- There would be no change in the total number of prescriptions dispensed from this proposal.
- Where the ordinary co-payment is zero, all prescriptions dispensed as safety net prescriptions under the baseline would be dispensed as ordinary prescriptions.
- All general patients (non-concession card holders) that still have a co-payment would no longer reach the PBS Safety Net threshold.
 - A general patient co-payment under the proposal is reduced to the baseline ordinary concession rate. This means it is very unlikely that any general patients would reach the PBS safety net threshold as it would require around 214 prescriptions to be dispensed in the calendar year, an increase from around 52 prescriptions under the baseline.
- The co-payment for general patients would be equal to the baseline co-payment for concession card holders, inclusive of the 5-year co-payment freeze as part of the 2024-25 Budget measure *Securing Cheaper Medicines*¹. Therefore, it would be \$7.70 until 2030, after which it would grow in line with Wage Cost Index 5.
- The Repatriation Pharmaceutical Benefits Scheme (RPBS) co-payment amount would be equal to the PBS concession rate.
- Prescription volumes would grow in line with population growth beyond the forward estimates.
- The average dispensed price of a prescription would grow beyond the forward estimates period in line with the Consumer Price Index.
- Consistent with the 2025-26 Budget measure *Even Cheaper Medicines*²:
 - Revenue would be roughly 13% of expenditure.

¹ [Budget Paper No. 2](#) Budget 2024-25 measure: *Securing Cheaper Medicines*: The Government will provide \$480.2 million over five years from 2023–24 to reduce patient costs and improve access to medicines (Page 124).

² [Budget Paper No. 2](#) Budget 2025-26 measure: *Even Cheaper Medicines*: Government will provide \$784.6 million over 4 years from 2025–26 (and \$236.4 million per year ongoing) to lower the PBS general patient co-payment from \$31.60 to \$25.00 on 1 January 2026 (Page 46).

- The timing impact, representing the proportion of claims processed the year after the PBS prescription is dispensed and the expense is recorded, would be 1.4%.
- There would be no impact on departmental resources for the administering agencies.

Methodology

The financial impact of the policy was calculated as follows:

- For subsidised prescriptions, the financial impact was calculated by multiplying the change in co-payment under the policy by the number of affected prescriptions.
- For prescriptions that are currently dispensed at a price to the patient below the PBS co-payment (and thus not subsidised under the PBS), the price under the baseline was compared to the new co-payment specified to determine if the medicine would be subsidised under the proposal. For the medicines identified that would be subsidised under the proposal, the financial impact was calculated as the number of prescriptions dispensed multiplied by the difference between the new co-payment specified and the forecast price to the patient under the baseline.
- Timing was then applied to determine the difference between the fiscal and underlying cash balances.

Financial implications were rounded consistent with the PBO's rounding rules.³

Data sources

Commonwealth of Australia (2025) *2025-26 Budget*, Commonwealth of Australia.

Commonwealth of Australia (2025) *Pre-election Economic and Fiscal Outlook 2025*, Commonwealth of Australia.

The Department of Health and Aged Care provided data on historical patient contribution and prescriptions from 2023-24 and prescription volume projections over the forward estimates for eligible PBS items.

The Department of Health provided the model used for the 2025-26 Budget measure *Even Cheaper Medicines*.

³ <https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules>

Attachment A – Cheaper medicine – Financial implications

Table A1: Cheaper medicine – Fiscal balance (\$m)^(a)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
Non – tax revenue													
<i>Revenue</i>	-	280.0	312.0	349.0	365.0	378.0	392.0	406.0	420.0	435.0	451.0	941.0	3,788.0
Total – revenue	-	280.0	312.0	349.0	365.0	378.0	392.0	406.0	420.0	435.0	451.0	941.0	3,788.0
Expenses													
Administered													
<i>General ordinary</i>	-	-1,510.0	-1,550.0	-1,620.0	-1,710.0	-1,770.0	-1,830.0	-1,900.0	-1,970.0	-2,040.0	-2,110.0	-4,680.0	-18,010.0
<i>General safety net</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Concessional ordinary</i>	-	-960.0	-980.0	-990.0	-1,020.0	-1,060.0	-1,100.0	-1,140.0	-1,180.0	-1,220.0	-1,260.0	-2,930.0	-10,910.0
<i>Concessional safety net</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Total – expenses	-	-2,470.0	-2,530.0	-2,610.0	-2,730.0	-2,830.0	-2,930.0	-3,040.0	-3,150.0	-3,260.0	-3,370.0	-7,610.0	-28,920.0
Total (excluding PDI)	-	-2,190.0	-2,218.0	-2,261.0	-2,365.0	-2,452.0	-2,538.0	-2,634.0	-2,730.0	-2,825.0	-2,919.0	-6,669.0	-25,132.0

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

- Indicates nil.

Table A2: Cheaper medicine – Underlying cash balance (\$m)^(a)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
Non-tax receipts													
<i>Revenue</i>	-	280.0	312.0	349.0	365.0	378.0	392.0	406.0	420.0	435.0	451.0	941.0	3,788.0
Total – receipts	-	280.0	312.0	349.0	365.0	378.0	392.0	406.0	420.0	435.0	451.0	941.0	3,788.0
Payments													
Administered													
<i>General ordinary</i>	-	-1,480.0	-1,550.0	-1,620.0	-1,710.0	-1,770.0	-1,830.0	-1,900.0	-1,970.0	-2,040.0	-2,110.0	-4,650.0	-17,980.0
<i>General safety net</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Concessional ordinary</i>	-	-950.0	-980.0	-990.0	-1,020.0	-1,060.0	-1,100.0	-1,140.0	-1,180.0	-1,220.0	-1,260.0	-2,920.0	-10,900.0
<i>Concessional safety net</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Total – payments	-	-2,430.0	-2,530.0	-2,610.0	-2,730.0	-2,830.0	-2,930.0	-3,040.0	-3,150.0	-3,260.0	-3,370.0	-7,570.0	-28,880.0
Total (excluding PDI)	-	-2,150.0	-2,218.0	-2,261.0	-2,365.0	-2,452.0	-2,538.0	-2,634.0	-2,730.0	-2,825.0	-2,919.0	-6,629.0	-25,092.0

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

- Indicates nil.

Table A3: Cheaper medicine – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
<i>Fiscal balance</i>	-	-50.0	-150.0	-250.0	-370.0	-490.0	-620.0	-770.0	-920.0	-1,090.0	-1,270.0	-450.0	-5,980.0
<i>Underlying cash balance</i>	-	-40.0	-120.0	-230.0	-340.0	-460.0	-590.0	-730.0	-880.0	-1,050.0	-1,230.0	-390.0	-5,670.0

- (a) As this table is presented as a memorandum item, these figures are not reflected in the totals above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary⁴.
- (b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.
- Indicates nil.

⁴ [Online budget glossary – Parliamentary Budget Office \(pbo.gov.au\)](https://pbo.gov.au/online-budget-glossary)