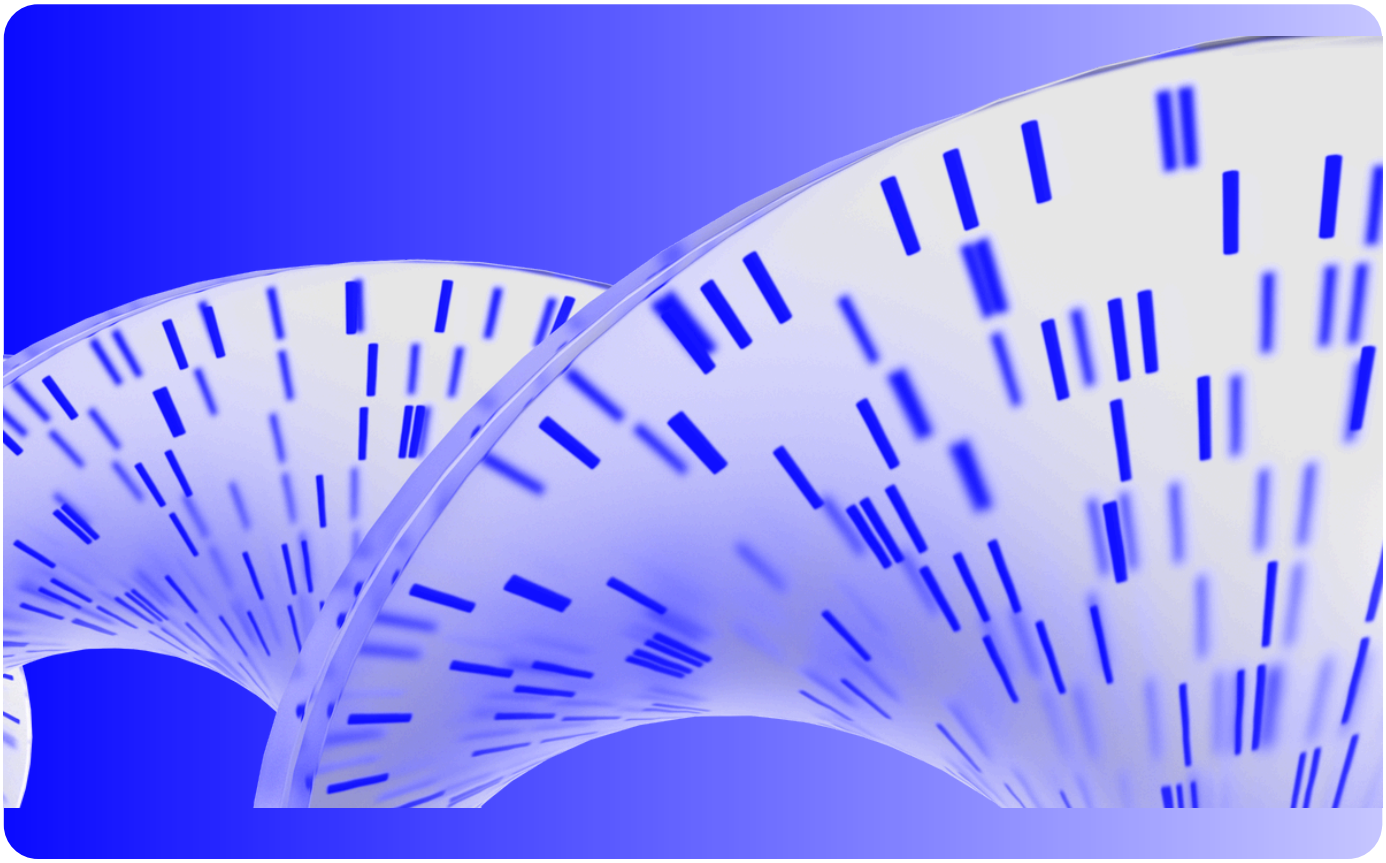
2026/2027

Pre-Budget Submission



Pfizer Australia

January 2026

LETTER

Pfizer Australia and New Zealand
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Sydney NSW 2000

Pre-Budget Submissions - Treasury
Langton Cres
Parkes ACT 2600

Thank you for providing Pfizer Australia with the opportunity to contribute to the Australian Government's 2026/27 Pre-Budget Submission process.

Pfizer Australia is one of the nation's leading providers of prescription medicines. We research, develop and manufacture medicines and vaccines that millions of Australians use every day to help them live longer, healthier and more productive lives.

Pfizer has had operations in Australia since 1956. We have around 850 employees in Australia and operate across two commercial sites in Sydney and Melbourne, and a manufacturing facility in Melbourne that exports to more than 60 countries worldwide.

Medicines and vaccines provide benefits to the health of individuals and, as demonstrated during the COVID pandemic, they also make a significant contribution to productivity and societal well-being.

Finally, I'm pleased to note Pfizer supports Medicines Australia's 2026/27 Pre-Budget Submission and welcomes this opportunity to provide some additional reflections.

Yours sincerely,

Anne Harris
Managing Director
Pfizer Australia & New Zealand

The PBS suffers from chronic underinvestment

The Pharmaceutical Benefits Scheme (PBS) is an integral piece of our health system, but it is not consistently meeting the needs of patients. Australians are increasingly being required to pay out of pocket for medicines that their doctors consider essential for their health, because they are either not available on the PBS for their particular condition, or not listed on the PBS at all. This trend has arisen as Government investment in innovative medicines has steadily decreased over the last three decades.

The Albanese Government has made significant investments in improving access to primary care, but patients still don't always have access to the best medicines. Patients are diverted away from hospital but remain sick or receive suboptimal management because the medicine they need is either not funded on the PBS or is funded for a narrow group of patients.

In 2025, The Hon Mark Butler, Minister for Health, Disability and Ageing acknowledged the PBS wasn't working for women and asked experts to find a way to ensure Australian women could access modern medicines. However, the gap is wider than womens' health and continues to widen as the value of innovative medicines is consistently not recognised.

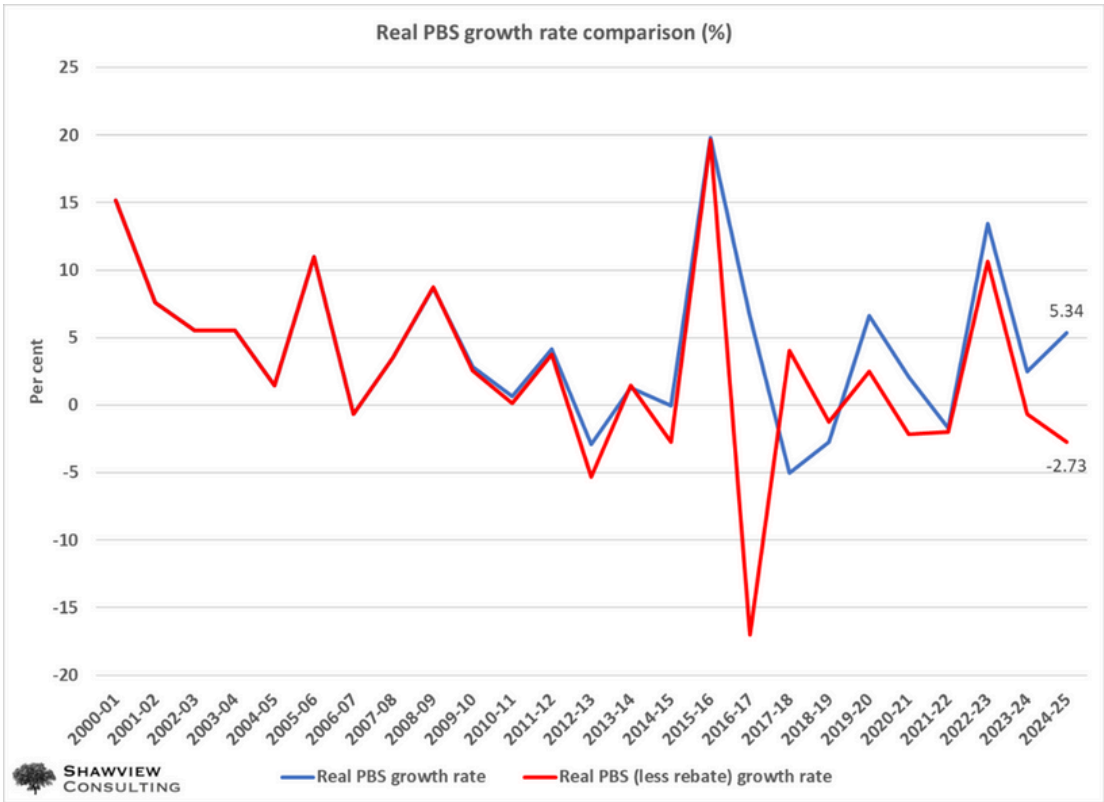
Recommendation 1:

The minimum net growth in PBS spend on innovative medicines should be consistent with the rate of healthcare inflation to ensure breakthrough medicines make it to Australian patients faster

For the last two years the rebate-adjusted cost of the PBS has shrunk. The rebate adjusted PBS growth rate for 2024-25 was -0.9% (see figure 1). The real (inflation-adjusted, rebate-adjusted) rate of growth in total PBS expenditure in 2024-25 was -2.7%, following an earlier decrease in 2023-24 of -0.7%. In 2024-25, the real (inflation-adjusted, rebate-adjusted) cost of innovative medicines on the PBS (F1 formulary) fell by 5.4%, following a decrease of 1.6% in 2023-24. Meanwhile, the cost of generic medicines on the PBS (F2 formulary) fell by 0.3%, after decreasing 0.7% 2023-24.

This decline in real spending on medicines is particularly stark when compared with other parts of the health portfolio where growth is permitted. Growth is permitted for the MBS, NRHA and NDIS, in recognition of care requirements across the community. The PBS should be treated in the same way, both because medicines are an essential tool of doctors, but also because they provide significant productivity benefits in healthcare settings and across the economy (see the section on productivity below).

Figure 1: Real PBS Growth Rate



Source: PBS Expenditure and Prescriptions Report 2001-02 to 2024-25. Australian Bureau of Statistics, Expenditure on Gross Domestic Product (GDP), Implicit price deflators. Inflation-adjusted (real) figures priced in 2023-24 dollars.

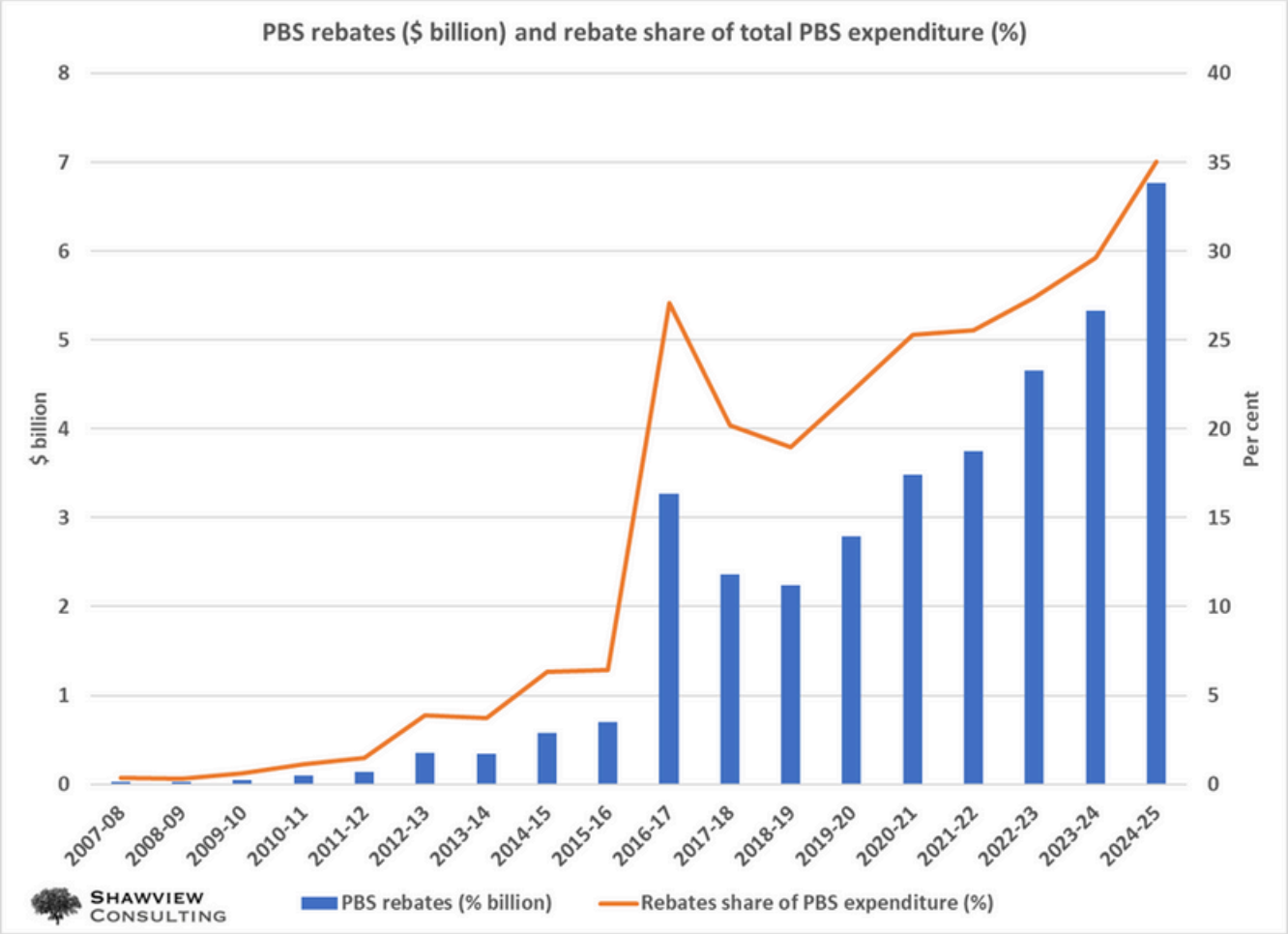
Recommendation 2:

The Commonwealth should fund all cost-effective eligible patients, risk share arrangements should only be used when there is genuine uncertainty, the percentage level of the rebate applied should reflect the risk, and rebates should be reinvested in the PBS

The use of rebates as a means of cost containment has increased significantly since 2007-08 when data became available (see figure 2). In 2024-25, rebates accounted for 35% of total PBS expenditure and more than half (55%) of the cost of innovative (F1) medicines. The increase in the reliance on rebates relates both to confidential pricing arrangements and 'risk share arrangements' (RSAs) between pharmaceutical companies and the Commonwealth.

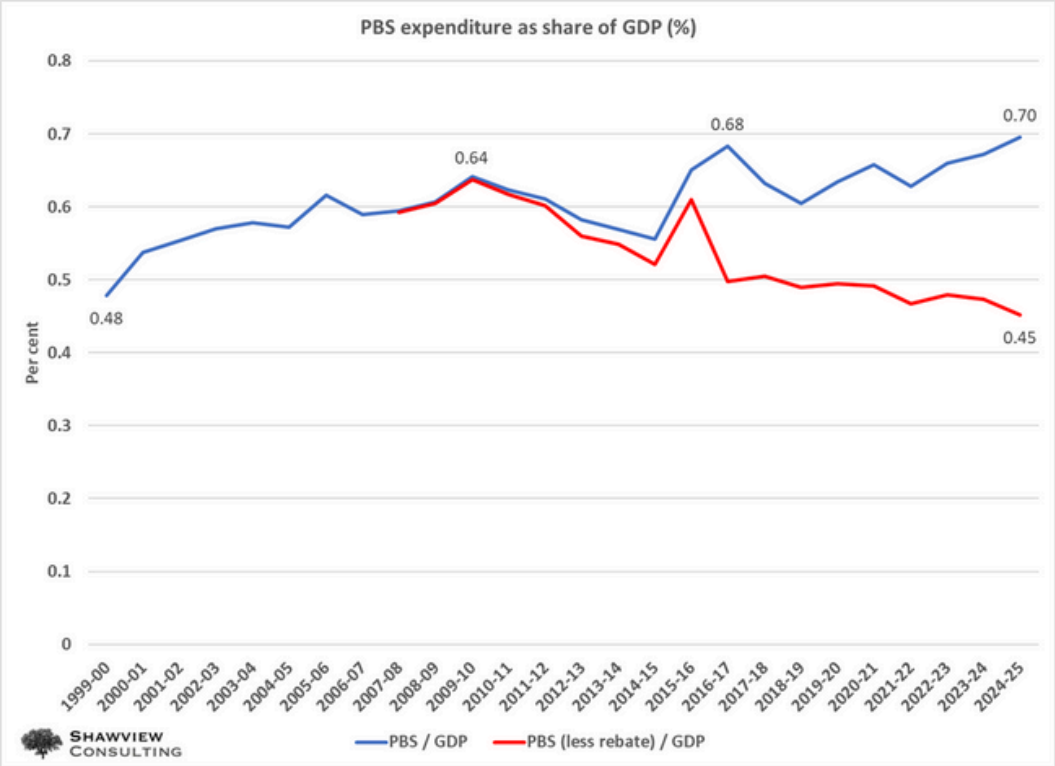
Once rebates – paid back by pharmaceutical companies as part of their listing agreements – are accounted for, the PBS to GDP ratio is now 0.45%, its lowest point this century (see figure 3).

Figure 2: Total annual revenue from PBS rebates and rebates as a proportion of PBS expenditure



Source: PBS Expenditure and Prescriptions Report 2008-09 to 2024-25.

Figure 3: PBS expenditure as a percentage share of GDP



*Source: PBS Expenditure and Prescriptions Report 2001-02 to 2024-25; ABS, Australian National Accounts: National Income, Expenditure and Product. *Current/nominal PBS figures as a share of current/nominal GDP*

Risk share arrangements (RSAs) which cap Government expenditure on medicines have increasingly been used as a mechanism by which Government minimises financial risk – shifting this risk onto pharmaceutical companies. RSAs can play an important role in managing financial risk in circumstances where there is genuine uncertainty (for example, uncertainty regarding treatment duration, uncertainty regarding the size of the patient cohort, uncertainty in the clinical data, or a risk of usage beyond the intended cohort). However, they are also being used where there is no or limited uncertainty to contain costs. Pfizer believes RSAs should be applied to PBS listings only when necessary to manage a financial risk, with adequate funding ensured for all eligible patients and appropriate risk sharing between the sponsor and the Commonwealth and that rebates should be reinvested in the PBS to maximise patient access to medicines.

In an increasing number of cases, RSAs have resulted in PBS listings being delayed, or medicines not proceeding to listing, as the proposed RSA would make the listing unsustainable. The current approach can create situations in which pharmaceutical companies may risk suffering economic harm when listing medicines on the PBS if any medicine usage over the quota agreed with the Commonwealth is rebated at 100%. This is risk shifting, not sharing risk.

Similarly, it can create perverse incentives around determining patient populations with the creation of unfair patient cohorts for funded access as companies may seek to identify a cohort small enough to be acceptable within the preferred budget constraints of PBAC or Government, but sufficiently well-defined to avoid exceeding caps.

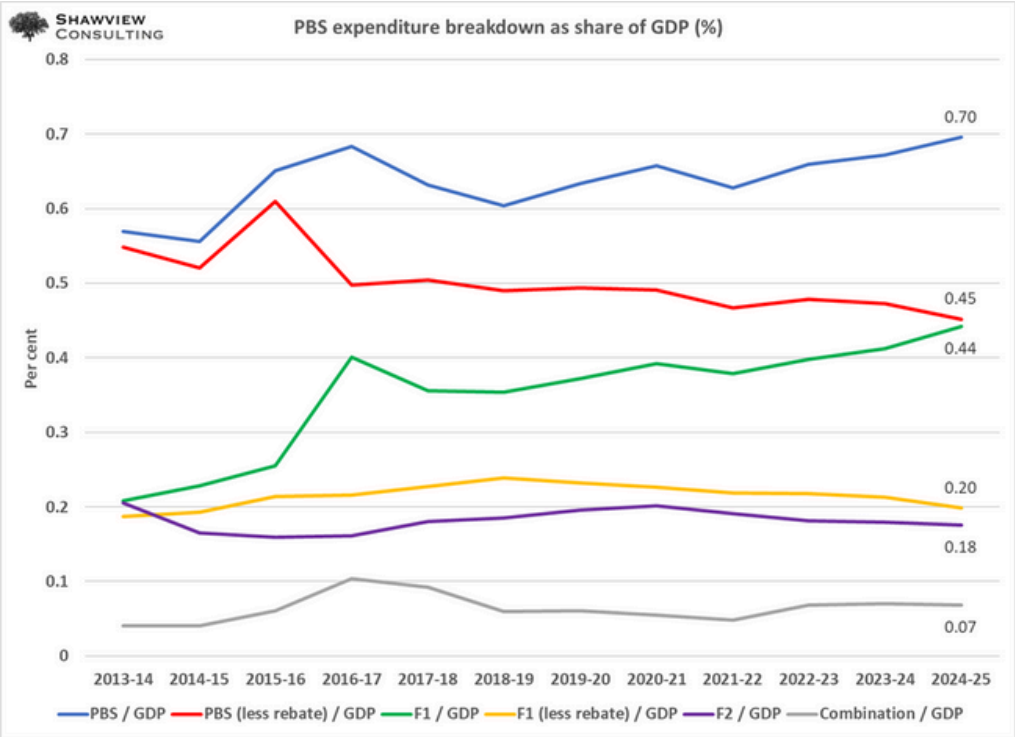
For example, in 2025 Pfizer decided not to list Cibinqo (abrocitinib), a medicine for patients suffering severe atopic dermatitis, on the PBS. Cibinqo was recommended by the Pharmaceutical Benefits Advisory Committee (PBAC) in November 2024, Pfizer decided not to proceed with the listing based on our assessment that the expected net price level and the RSA would make the PBS listing unsustainable for the company. Overlaying this RSA with the already low net pricing expected for listing, Pfizer was of the view the price after payment of expected RSA rebates for Cibinqo did not reflect the value of innovation and was commercially unsustainable.

The RSA in this case was designed to fund only some of the patients expected to be eligible for the treatment. This sort of arrangement is inappropriate and isn't applied to other providers in the health portfolio.

While intended to manage cost-effectiveness and provide Government with a means of limiting expenditure, the RSA framework increasingly limits access to innovative therapies that are available overseas.

The innovative portion of the PBS formulary (F1) has been on the decline for the last five years and has seen little change over the last decade (see figure 4). This is alarming given the current pace of innovation underway globally.

Figure 4: PBS expenditure breakdown as a share of GDP



*Source: PBS Expenditure and Prescriptions Report 2013-14 to 2024-25, Final Budget Outcome 2013-14 to 2024-25. ABS, Australian National Accounts: National Income, Expenditure and Product. *Current/nominal figures used.*

The Government's announcements around the $25 PBS co-payment are only relevant to patients if the medicine they need is actually funded on the PBS. This is increasingly not the case.

Industry has worked with the Commonwealth since the turn of the century to minimise costs which has provided financial headroom for future growth. New medicines have increasingly clear economic and productivity benefits for our health system and the broader economy. Government has the fiscal headroom to reap the benefits of these 25 years of PBS reform through funding PBS medicines into the future and expanding treatment options for Australian patients. This should be used to fund more medicines, for all indicated patients, and faster.

Innovative medicines are increasingly not listing on the PBS

In Australia, we aren't experiencing the full benefit of innovative medicines and vaccines because our Health Technology Assessment (HTA) policies, processes and methods systematically undervalue innovation.

Recommendation 3:

The Government should commit to ambitious implementation of the HTA review to ensure innovative medicines are appropriately valued and Australians secure earlier access

Our pathways are designed to constrain and minimise recognition of the value of innovation, including through the application of inappropriate comparators, disproportionate discount rates and cost shifting RSAs. This has resulted in less than half (44%) of new medicines registered in Australia between 2016-2021 going on to be reimbursed, compared with 96% in Japan, 84% in Germany, 80% in the UK and 62% in France.*(1)* Furthermore, of all the new medicines launched globally since 2014, 84% are available in the United States whereas just 24% are funded on the PBS.*(2)*

Ambitious and timely implementation of the recommendations of the HTA review will be essential. Australian patients are waiting too long and sometimes missing out on treatment altogether. With policy change that recognises the value of innovative medicines, limiting the use of RSAs to when there is genuine uncertainty and ensuring reasonable sharing of financial risk, we can achieve faster access to medicines for Australian patients. Then the $25 PBS co-payment will make a real difference to Australian families.

It is important to recognise health spending as an essential investment in our ongoing health and wealth as a nation to ensure we don't fall into the trap of pursuing short-term savings at the expense of long-term investments.

Investments in medicines yield productivity benefits across the economy

Innovative medicines and vaccines make a tremendous contribution to Australia's productivity. They save lives, reduce hospital admissions and length of stays, and get patients and their carers back to work.

Recommendation 4:

Assessment of productivity benefits should be mandatory in PBAC evaluation of cost-effectiveness, patient cohort and pricing

Changing the parameters for PBAC evaluation to include productivity would have a significant impact on cost effectiveness and could lead to more appropriate value recognition for innovative medicines. It's important to note in recommending this change Pfizer isn't seeking recognition in offsets in the budget operation rules, which we acknowledge is a separate matter for Government.

Innovative medicines underwrite healthcare productivity by supporting faster recoveries, shorter hospital stays, reduced absenteeism and presenteeism. Independent research found diseases for which there were larger increases in the number of PBS medicines tended to have smaller subsequent growth in premature mortality (before ages 85, 75, and 65).*(3)* Diseases for which there was larger growth in the number of PBS medicines also tended to have smaller growth in the number of hospital days 2–10 years later.*(4)*

The 2024 Productivity Commission research paper *Advances in measuring healthcare productivity* found: "Productivity grew particularly strongly in the treatment of cancers, suggesting that advances in treatments, rather than across-the-board healthcare reforms, have been the major drivers of growth. Studies from abroad likewise find that diffusion of new treatments is a big contributor to productivity."*(5)* The paper also noted "timely approval processes for pharmaceuticals and other medical technologies would help ensure that the diffusion of new treatments remains a positive contributor to productivity growth."*(6)*

Similarly, vaccines make a significant contribution to productivity. Modelling estimated that early and broad vaccination against COVID-19 yielded an estimated $181 billion to the Australian economy associated with tourism ($28bn), education exports ($26bn), employment (142,000 jobs) and Government finances ($259bn), as well as avoiding many thousands of deaths.*(7)* Beyond the COVID-19 context, modelling has shown that for every dollar spent on vaccination in Australia, the economic return for Government is 3.5 times.*(8)*

Significant productivity burden could be addressed with expanded access to medicines that are safe and effective but have not been funded on the PBS. The costs associated with migraine are estimated to be $35.7 billion (at 2018 levels), of which approximately $16 billion was attributable to productivity losses (vs. approximately $14 billion associated with health system costs).*(9)* A 2025 systematic literature review of the economic burden of chronic migraine noted, "some studies in this review reported that indirect costs could surpass direct costs, indicating that the economic burden of chronic migraine might be even greater than previously assumed" and estimated the indirect costs associated with migraine ranging as high as ~ GBP48,810 per patient per year.*(10)*

Improved access to innovative medicines and vaccines has a direct correlation with reductions in absenteeism (missing work due to illness) and presenteeism (attending work despite feeling unwell, leading to reduced productivity and potential harm to one's health and the broader workplace) and consequent economic benefits from increased tax receipts and reduced expenditure on social welfare programs. Australia's evaluation system, however, fails to account for these productivity gains and other benefits (such as carers returning to work) when assessing the value of medicines and vaccines.

Investing in prevention would unlock further productivity benefits

We know tertiary care is much more expensive than primary care, but our health system doesn't adequately prioritise prevention.

Recommendation 5:

Government should act on the recommendation of the National Preventative Health Strategy and set a 5% minimum target for investment in preventative health by 2030

Recommendation 6:

Government should continue to fund cost-effective vaccines on the NIP and implement policies that bring targets for adult vaccination in line with those for childhood vaccination, as well as new funding arrangements that link funding to uptake, and transparent reporting of vaccine uptake

In 2020-21, Australia allocated just 3% of total health expenditure to public health and prevention, up from 2% in 2018-19.*(11)* This placed Australia 29th out of the 36 advanced economies for per capita expenditure on preventative health.*(12)*

Investing in prevention needs to include programs that make prevention initiatives easily available across the community. Vaccination rates for Australian older adults are poor. For example, the Grattan Institute found that despite funded access, less than half of Australians in their 70s are vaccinated for shingles, only one in five is vaccinated for pneumococcal disease and only 27% of older Australians are up to date with their COVID-19 vaccination.*(13)* Failure to achieve high vaccine uptake in older adults leads to avoidable illness, hospitalisation and death. Government has funded and made available vaccines, but low uptake means people continue to fall ill, require hospitalisation and die of vaccine preventable illnesses.

Policies that bring targets for adult vaccination in line with those for childhood vaccination, as well as new funding arrangements that link funding to uptake, and transparent reporting of vaccine uptake will be important to reducing the potential impact of vaccine preventable illnesses, hospitalisations and deaths.

RECOMMENDATIONS

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4.) Ibid.

5.) Productivity Commission, 'Advances in Measuring Healthcare Productivity', 2024

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12.) Ibid.

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