

EXPLANATORY STATEMENT

National Health Act 1953

National Health (Commonwealth Price—Pharmaceutical Benefits Supplied By Public Hospitals) Determination 2017—PB 25 of 2017

Subsection 99(4) of the *National Health Act 1953* (the Act) provides that an approved hospital authority is entitled to payment from the Commonwealth, at such rates and subject to such conditions as the Minister determines, in respect of the supply of particular quantities or numbers of units of pharmaceutical benefits to patients receiving treatment in or at a hospital in respect of which the approved hospital authority is approved.

The National Health (Commonwealth Price—Pharmaceutical Benefits Supplied By Public Hospitals) Determination 2017 (the new determination) replaces and repeals the *National Health Act 1953 – Determination under subsection 99(4)* (27/10/2006) (the old determination), which is due to sunset on 1 April 2017 in accordance with subsection 50(2) of the *Legislation Act 2003*.

The provisions in the new determination retain the content of the old determination, with redrafting where necessary to ensure provisions are clear, consistent and ordered in a logical manner. Minor changes clarify the policy intent of existing provisions, and correct obsolete and incorrect references. Definitions have been added where terms required in the new determination were used, but not defined, in the old determination. All provisions have been rewritten using modern drafting style and language.

References to another legislative instrument

The old determination contains certain provisions which replicate the corresponding provisions in the determination in force under paragraph 98B(1)(a) of the Act. The determination in force at the time of commencement of the new determination is the *Commonwealth price (Pharmaceutical benefits supplied by approved pharmacists) Determination 2015* (PB 64 of 2015), which may be obtained from the Federal Register of Legislation (<http://www.legislation.gov.au>). That legislative instrument is incorporated as in force, from time to time.

Consultation

An internal review was conducted within the Department of Health which confirmed that the provisions in the old determination were still in use, still functioning effectively and still needed. The new determination retains the content of the old determination, with changes made only to replace incorrect references and to better articulate existing provisions and so its operation is machinery in nature. As such, no public consultation was undertaken as it was not considered necessary.

This instrument commences on 1 April 2017.

This instrument is a legislative instrument for the purposes of the *Legislation Act 2003*.

Details of this instrument are set out in the [Attachment](#).

Statement of Compatibility with Human Rights

Prepared in accordance with Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011

National Health (Commonwealth Price—Pharmaceutical Benefits Supplied By Public Hospitals) Determination 2017

This Legislative Instrument is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

Overview of the Legislative Instrument

The National Health (Commonwealth Price—Pharmaceutical Benefits Supplied By Public Hospitals) Determination 2017 (the new determination) revokes and replaces in its entirety, the *National Health Act 1953—Determination under subsection 99(4) (27/10/2017)* (the old determination), which sunsets on 1 April 2017.

The new determination preserves existing arrangements provided for in the old determination. Some minor and technical changes have been made to clarify existing policy. The changes also include updating obsolete and incorrect references, rewording of provisions to better articulate existing intent, and redrafting and reformatting using modern drafting style and language.

Human rights implications

This Legislative Instrument does not engage any of the applicable rights or freedoms.

It does not engage or interfere with the right of individuals to the enjoyment of the highest attainable standard of physical and mental health (Articles 2 or 12 of the International Covenant on Economic, Social and Cultural Rights (ICESCR)).

This is because the new determination maintains existing provisions to ensure ongoing and unchanged access for individuals receiving treatment in or at public hospitals to subsidised medicines under the Pharmaceutical Benefits Scheme (PBS) in such circumstances as prescribed by the Act. Any additional provisions or changes made from the old determination clarify and reinforce current arrangements and policy intent. The new determination does not alter the operation of the PBS and does not result in any change to PBS entitlements, PBS eligibility or cost to consumers.

Conclusion

This Legislative Instrument is compatible with human rights as it does not raise any human rights issues.

Louise Clarke
A/g First Assistant Secretary
Pharmaceutical Benefits Division
Department of Health

ATTACHMENT

Details of the *National Health (Commonwealth Price—Pharmaceutical Benefits Supplied By Public Hospitals) Determination 2017*

Part 1 – Preliminary

Section 1 – Name

Section 1 provides that the name of the instrument is the *National Health (Commonwealth Price—Pharmaceutical Benefits Supplied By Public Hospitals) Determination 2017* and that it may also be cited as PB 25 of 2017.

Section 2 – Commencement

Section 2 provides that the whole of the instrument will commence on 1 April 2017.

The note to subsection 2(1) provides that the commencement information contained in the table relates only to the provisions of the instrument as originally made. It will not be amended to address any later amendments.

Section 2A – Authority

Section 2A provides that the instrument is made under subsection 99(4) of the *National Health Act 1953*.

Section 2B – Purpose

Section 2B provides that the purpose of the determination is to determine the amount of the Commonwealth payment for pharmaceutical benefits supplied by an approved hospital authority to a patient receiving treatment in or at a public hospital for which the authority is approved.

Section 2C – Schedules

Section 2C provides that each instrument specified in a Schedule to the instrument is amended or repealed as set out in the applicable items of the relevant Schedule. Any other item in a Schedule to the instrument will have effect according to its terms.

Section 2D - Things done under the National Health Act 1953 – Determination under subsection 99(4) (27/10/2006)

Section 2D is a new section that provides that if a thing was done for a particular purpose under the *National Health Act 1953 - Determination under subsection 99(4) (27/10/2006)* as in force immediately before that Determination was repealed, and that thing could be done for that purpose under the new determination, then that thing will have effect, for the purposes of the new determination, as if it has been done under the new determination. A reference to a thing being done will include a reference to a notice, approval or other instrument being given or made.

Section 3 – Definitions

Section 3 retains almost all of the defined terms and definitions from paragraph 3 of the old determination, but also contains a number of changes. These changes include:

- additional terms which were used in the old determination, but not defined;
- terms being removed as they are no longer used in the determination or are already defined in the Act for the whole of Act; and
- minor updates to existing terms and provisions to remove obsolete references or provide additional explanation.

Section 3 defines the following terms, retaining the terms and definitions from the old determination: “approved ex-manufacturer price”, “extemporaneously-prepared pharmaceutical benefit”, “pack quantity”, “patient co-payment”, “proportional ex-manufacturer price”, “ready-prepared pharmaceutical benefit”, “Regulations” and “standard formula preparation”.

Section 3 also defines the following new terms, which were used in the old determination, but not defined: “approved hospital authority”, “basic wholesale price”, “brand”, “broken quantity”, “calculation day”, “calculation period”, “container price”, “dispensed price”, “listed brand”, “pharmaceutical benefit”, “pharmaceutical item”, “type” and “vehicle”.

The terms “agreed purchase quantity”, “basic wholesale price” and “container price” use the definitions included in the determination in force under paragraph 98B(1)(a) of the Act, by reference to that determination.

The meaning of “Regulations” is updated to refer to the *National Health (Pharmaceutical Benefits) Regulations 2017* (the 2017 regulations) rather than the *National Health (Pharmaceutical Benefits) Regulations 1960* (the 1960 regulations). The 1960 regulations sunset on 1 April 2017 and are revoked and replaced by the 2017 regulations.

A definition for the term “public hospital” is included in the old determination, but has been omitted from the new determination because the term is defined in the Act, for the whole of Act.

A definition for the term “Secretary” is included in the old determination, but has been omitted from the new determination because the term is not mentioned.

The old determination contains a definition for the term “exceptional prescription”. The new determination replaces this term with “exceptional benefit”. The old determination includes provisions for pharmaceutical benefits which are written on exceptional prescriptions, not for the prescriptions themselves. The new term facilitates a more accurate description of the provisions, which are themselves unchanged, relating to such benefits.

Two terms defined in Part IV of the old determination, in relation to extemporaneously-prepared pharmaceutical benefits, have been moved to section 3 in the new determination. These terms are: “agreed purchase quantity” and “wastage”.

Part 2 – Rates and conditions of payment - general

Part 2 retains content from Part I of the old determination, which is of a general nature as it relates to both ready-prepared pharmaceutical benefits and extemporaneously-prepared pharmaceutical benefits. It has been updated for currency and accuracy, reworded for clarity and redrafted in accordance with modern drafting standards.

Section 4 – Amount of payment – amount by which dispensed price exceeds patient co-payment

Section 4 retains the same content as paragraph 4 of the old determination.

It provides that the amount payable to an approved hospital authority in respect of the supply of a pharmaceutical benefit to a patient receiving treatment in or at a public hospital in respect of which the approved hospital authority is approved is the amount by which the dispensed price for the supply of the benefit exceeds the patient co-payment for the benefit.

Paragraph 5 of the old determination has been omitted from the new determination because its content is effectively covered by section 4 of the new determination and the operation of the Act. Paragraph 5 of the old determination provided that where the dispensed price for the supply of a benefit does not exceed the patient co-payment for the benefit, the supply of that benefit is taken not to be the supply of a pharmaceutical benefit, other than for the purposes of Division 1A of Part VII of the Act.

It should be noted that under subsections 99(2A), 99(2AB), and 99(2B) of the Act, the amount charged to the person for supply of the kind referred to in paragraph 5 of the old determination can still be counted for purposes of Division 1A of the Act.

Section 6 – No payment if supply not in accordance with relevant legislation

Section 6 retains the same content as paragraph 6 of the old determination.

It provides that a payment will not be made in respect of the supply of a pharmaceutical benefit unless the supply of the benefit was made in accordance with the Act, the Regulations and the relevant determinations made under the Act.

Section 7 – No payment for supply of a non-listed brand

Section 7 retains the same content as paragraph 7 of the old determination.

It provides that, where a determination under Part VII of the Act lists one or more brands of a drug or medicinal preparation, if a hospital authority supplies a brand which is not a listed brand the hospital authority will not be entitled to payment by the Commonwealth for that supply.

Part 3 – Dispensed price for supply of ready-prepared pharmaceutical benefits

Part 3 retains the same content as Part II of the old determination, updated for currency and accuracy, reworded for clarity and redrafted in accordance with modern drafting standards.

Section 9 – Dispensed price – general

Section 9 provides the dispensed price for supply of a ready-prepared pharmaceutical benefit depending on the quantity of the benefit supplied, and whether or not that quantity is the same, less than, or more than a pack quantity as determined by the Minister under subsection 84AK(2) of the Act.

Paragraph 9(a) of the new determination provides that the dispensed price for the supply of a ready-prepared pharmaceutical benefit if the quantity of the benefit supplied is equal to a multiple of a pack quantity of the benefit, is the sum of the approved ex-manufacturer price or the proportional ex-manufacturer price for each pack quantity, increased by a mark-up of 11.1%

Paragraph 9(b) provides that the dispensed price for the supply of a ready-prepared pharmaceutical benefit if the quantity of the benefit supplied is a broken quantity is the amount worked out in accordance with section 11.

Paragraph 9(c) provides that the dispensed price for the supply of a ready-prepared pharmaceutical benefit if the quantity of the benefit supplied is more than a multiple of a pack quantity of the benefit is the sum of the approved ex-manufacturer price or the proportional ex-manufacturer price for each pack quantity, increased by a mark-up of 11.1%, plus the amount worked out in accordance with section 11 in respect of the remainder of the quantity supplied that is a broken quantity.

Section 10 – Dispensed price – rounding

Section 10 retains the same content as paragraph 10 of the old determination. It provides that the dispensed price for the supply of a ready-prepared pharmaceutical benefit is rounded to the nearest cent, with one half cent being counted as one cent.

Section 11 – Dispensed price – broken quantities

Section 11 retains the same content as paragraph 11 of the old determination. It provides that the dispensed price for a broken quantity of a ready-prepared pharmaceutical benefit supplied, is the percentage of the approved ex-manufacturer price or proportional ex-manufacturer price (as applicable) the broken quantity bears to the pack quantity, increased by a mark-up of 11.1%.

Section 12 – Dispensed price – price for lesser quantity not to exceed price for greater quantity

Section 12 retains the same content as paragraph 12 of the old determination. It limits the dispensed price for a ready-prepared pharmaceutical benefit such that the price for a lesser quantity of a ready-prepared pharmaceutical benefit will not exceed the dispensed price for a greater quantity of the same benefit, regardless of which calculation method applies under the determination or whether the calculated price for the quantity supplied would otherwise be greater.

Section 13 – Dispensed price – pharmaceutical benefits required to be supplied in complete packs

Section 13 retains the same content as paragraph 13 of the old determination. It provides that the dispensed price for the supply of a quantity of a pharmaceutical benefit listed in Schedule 4 (a benefit the complete pack of which will be supplied regardless of any lesser quantity ordered) to the determination in force under paragraph 98C(1)(b) of the Act, is the dispensed price of a complete pack.

Part 4 – Dispensed price for supply of extemporaneously-prepared pharmaceutical benefits

Part 4 retains the same content as Part IV of the old determination, divided into 3 separate Divisions to describe more clearly the circumstances in which each calculation method is to be used. It has been updated for currency and accuracy, reworded for clarity and redrafted in accordance with modern drafting standards.

Division 1 – Calculation method 1

Section 18A – Application of this Division

Section 18A is a new section which indicates the extemporaneously-prepared pharmaceutical benefits to which Division 1 applies and the situations where calculation method 1 is to be used. The benefits to which the Division applies are the same as in the old determination, but now expressly stated at the front of the Division.

Paragraph 18A(a) provides that calculation method 1 must be used if the benefit is a standard formula preparation (SFP).

Paragraph 18A(b) provides that calculation method 1 must be used if the benefit is not a SFP, but the approved hospital authority that supplied the benefit has made an election under section 36 to price extemporaneously-prepared pharmaceutical benefits for the calculation period in accordance with Division 1 instead of in accordance with section 35.

Paragraph 18A(c) provides that calculation method 1 must be used if the benefit is of a type of benefit included in the determination under paragraphs 85A(2)(a) and (b) of the Act, but for which there is no SFP listed under the determination in force under paragraph 98C(1)(b) of the Act. Calculation method 2, which would otherwise apply, relies on an average cost for all extemporaneously-prepared pharmaceutical benefits of the same type dispensed over a calculation period. Where no SFP is listed for a particular type, an average cost cannot be determined. Therefore, calculation method 1 is prescribed as the appropriate calculation method, even when the approved hospital authority that supplied the pharmaceutical benefit has not elected under section 36 to price their extemporaneously-prepared pharmaceutical benefits for the calculation period in accordance with Division 1.

Paragraph 18A(d) provides that calculation method 1 must be used if the benefit comprises an SFP plus an additive and the approved hospital authority that supplied the benefit has indicated under section 38 that the benefit is to be priced in accordance with Division 1. (See also the explanation for 18B.)

Paragraph 18A(e) provides that calculation method 1 must be used if the benefit is an exceptional benefit and the approved hospital authority that supplied the benefit has elected under section 39 that the benefit is to be priced in accordance with Division 1.

Section 18B – Calculations for certain pharmaceutical benefits

Section 18B contains certain information also contained in section 38 of the new determination. The information is included in the front of this Part as it is relevant to Division 1. It provides that when an approved hospital authority has made an election under section 38 to price a pharmaceutical benefit mentioned in paragraph 18A(d) (a benefit comprised of a standard formula preparation plus an additive) in accordance with Division 1, the dispensed price must be calculated as if the benefit comprised only the SFP without the additive.

Section 19 – Dispensed price – extemporaneously-prepared pharmaceutical benefits to which this Division applies

Section 19 retains the same content as paragraph 19 of the old determination. It provides that the dispensed price for the supply of an extemporaneously-prepared pharmaceutical benefit to which Division 1 applies is the sum of the price for each quantity of ingredient in the benefit (worked out under sections 20 to 22 (as applicable)), and the container price of the benefit.

Section 20 – Amounts for ingredients – quantity equal to agreed purchase quantity

Section 20 retains the same content as paragraph 20 of the old determination. It provides that, for section 19, where the quantity of an ingredient is equal to the agreed purchase quantity of the ingredient, the amount for that ingredient will be the sum of the basic wholesale price of the ingredient increased by a mark-up of 10 per cent and the appropriate wastage factor that applies for that benefit under the determination in force under paragraph 98B(1)(a) of the Act.

Section 21 – Amounts for ingredients – quantity less than agreed purchase quantity

Section 21 retains the same content as paragraph 21 of the old determination, reworded and reformatted to set out a stepwise description of the method in the calculation.

Subsection 21(1) provides the calculation method to work out the price for a quantity of an ingredient of an extemporaneously-prepared pharmaceutical benefit, where the quantity of the ingredient is less than the agreed purchase quantity of the ingredient.

Step 1 is to use the table in subsection 21(3) to ascertain the basic pricing unit for the quantity of the ingredient being used.

Step 2 is to find the basic pricing unit in column 2 of the table in subsection 21(4) and look across to column 3 to find the corresponding quantity for which the basic wholesale price is determined. Where this quantity is equal to the agreed purchase quantity, the basic wholesale price *for that quantity* will be the basic wholesale price. Where this quantity is not equal to the agreed purchase quantity, the basic wholesale price *for that quantity* will be a proportion of the basic wholesale price.

Step 3 is to calculate the cost of the basic pricing unit using the quantity factor calculation in column 4 of the table in subsection 21(4).

Step 4 is to check whether the quantity of the ingredient being used has a corresponding “price as” value in column 4 of the table in subsection 21(3). If there is a “price as” value, this value is used as the quantity when calculating the price for the quantity of the ingredient in step 5.

Step 5 is to calculate the price for the quantity of the ingredient by dividing the quantity of the ingredient, or the “price as” quantity, whichever applies, by the quantity of the basic pricing unit and multiplying that amount by the cost of the basic pricing unit.

Subsection 21(2) provides that when working out the price of a quantity of an ingredient being dispensed, the quantity of the ingredient is calculated to the next higher 50 mg or 50 microlitres.

Subsection 21(3) provides the table for working out the basic pricing units and “price as” quantities for particular quantities of ingredients referred to in steps 1 and 4 of the method in subsection (1).

Subsection 21(4) provides the table setting out the quantity for which a basic wholesale price is required and the quantity factor calculation for working out the cost of the basic pricing unit as referred to in steps 2 and 3 of the method in subsection (1).

Section 22 – Amounts for ingredients – quantity greater than agreed purchase quantity

Section 22 retains the same content as paragraph 22 of the old determination. It provides the calculation method to work out the amount for a quantity of an ingredient of an extemporaneously-prepared pharmaceutical benefit under section 19, where the quantity of the ingredient is greater than the agreed purchase quantity of the ingredient.

Paragraph 19(a) provides that the amount for an ingredient of a drug that is unstable or packed sterile is determined by multiplying the price of the agreed purchase quantity of the ingredient by the number of packs of the agreed purchase quantity of the ingredient that are required to dispense the quantity of the ingredient.

Paragraph 19(b) provides that in any other case (that is, a benefit that is neither unstable nor packed sterile), the amount is determined by dividing the quantity of the ingredient to be dispensed by the agreed purchase quantity of the ingredient and multiplying the resultant amount by the basic wholesale price of the agreed purchase quantity of the ingredient.

Section 23 – Dispensed price – benefit comprising vehicle and additional ingredients

Section 23 retains the same content as paragraph 23 of the old determination. It provides that the dispensed price for the supply of an extemporaneously-prepared pharmaceutical benefit comprising a vehicle and additional ingredients is to be worked out in accordance with sections 24 and 25.

Section 24 – Dispensed price – vehicle is a single liquid ingredient

Section 24 retains the same content as paragraph 24 of the old determination. It provides that where an extemporaneously-prepared pharmaceutical benefit comprises a single liquid vehicle with one or more other ingredients added, the dispensed price for the supply of the benefit is calculated in accordance with section 19, with any displacement of the vehicle by solids disregarded.

Section 25 – Dispensed price – vehicle is a liquid compounded from 2 or more ingredients

Section 25 retains the same content as paragraph 25 of the old determination. It provides that where an extemporaneously-prepared pharmaceutical benefit comprises a liquid vehicle which is compounded from 2 or more ingredients and one or more other ingredients, the dispensed price of the benefit is the sum of the prices of each ingredient in the vehicle and the prices of any ingredients added to the vehicle, calculated in accordance with section 19, with any displacement of the vehicle by solids disregarded.

Section 26 – Rounding – amounts for ingredients

Section 26 retains the same content as paragraph 26 of the old determination. It provides that an amount worked out for an ingredient in accordance with section 19 is rounded to the nearest cent, one half cent being counted as one cent, provided that the minimum amount in respect of an ingredient is one cent.

No section 27 in the new determination

Paragraph 27 of the old determination defines the “basic wholesale price” of an ingredient used in the preparation of an extemporaneously-prepared pharmaceutical benefit. Because the definition replicates a corresponding provision in the determination in force under paragraph 98B(1)(a) of the Act, “basic wholesale price” is now defined in section 3 of the new determination as incorporating the 98B(1)(a) definition by reference. There is no section 27 in the new determination.

Section 28 – Rounding – basic wholesale price

Section 28 retains the same content as paragraph 28 of the old determination. It provides that a basic wholesale price for an approved purchase quantity of an ingredient is rounded to the nearest cent, one half cent being counted as one cent, provided that the minimum amount in respect of an ingredient is one cent.

no sections 29 to 32 in the new determination

Paragraphs 29 to 32 of the old determination provides instructions to determine an appropriate “container price” for each size and type of container for extemporaneously-prepared pharmaceutical benefits. Because these provisions replicate corresponding provisions in the determination in force under paragraph 98B(1)(a) of the Act, “container price” for an extemporaneously-prepared pharmaceutical benefit is now defined in section 3 of the new determination as

incorporating the 98B(1)(a) definition by reference. There is no section 29, 30, 31 or 32 in the new determination.

Section 33 – Dispensed price – price for lesser quantity not to exceed price for greater quantity—pharmaceutical benefits

Section 33 retains the same content as paragraph 33 of the old determination. It limits the dispensed price for an extemporaneously-prepared pharmaceutical benefit such that the price for a lesser quantity of the benefit will not exceed the dispensed price for a greater quantity of the same benefit, regardless of the calculation method.

Section 34 – Dispensed price – price for lesser quantity not to exceed price for greater quantity—ingredients of pharmaceutical benefits

Section 34 retains the same content as paragraph 34 of the old determination. It limits the dispensed price for an ingredient in an extemporaneously-prepared pharmaceutical benefit such that the price for a lesser quantity of the ingredient will not exceed the dispensed price for a greater quantity of the same ingredient, regardless of the calculation method.

Division 2 – Calculation method 2

Section 35A – Application of this Division

Section 35A is a new section which indicates the extemporaneously-prepared pharmaceutical benefits to which Division 2 applies. The benefits to which the Division applies are the same as in the old determination, but now expressly stated at the front of the Division. It provides that Division 2 applies to the supply of an extemporaneously-prepared pharmaceutical benefit to which Division 1 does not apply.

Section 35 – Dispensed price – extemporaneously-prepared pharmaceutical benefits to which this Division applies

Section 35 retains the same content as paragraph 35 of the old determination, reworded and reformatted to set out the steps involved in the calculations. It provides the methods for calculating the dispensed price for an extemporaneously-prepared pharmaceutical benefit in accordance with the section.

Subsection 35(1) provides the method for calculating the dispensed price for an extemporaneously-prepared pharmaceutical benefit where at least one SFP of the same type of benefit has been priced during the calculation period.

Step 1 is to ascertain the total quantity of the same type of pharmaceutical benefit that has been supplied (in g or mL) during the calculation period, and the total cost for that quantity supplied.

Step 2 is to calculate the average 10 g or 10 mL unit cost for the type of benefit by dividing the total cost by one-tenth of the total quantity (in g or mL).

Step 3 is to calculate the price for the quantity of the benefit being dispensed by multiplying the average 10 g or 10 mL unit cost calculated in Step 2, by one-tenth of the quantity to be dispensed in g or mL.

Step 4 is to add the container price to the amount calculated in Step 3.

Subsection 35(2) provides the method for calculating the dispensed price for an extemporaneously-prepared pharmaceutical benefit where no SFP of the same type of benefit has been priced during the calculation period, and therefore a reliable average cost for the type of benefit over the calculation period cannot be obtained using the method in subsection (1).

Step 1 is to find the average rate for all SFPs listed under the determination which is in force under paragraph 98C(1)(b) of the Act. This rate is found by adding together the price (excluding container price) of each standard formula preparation available for the type of benefit. For example:

To find the average rate for all inhalations, where there are three SFPs listed under paragraph 98C(1)(b) of the Act and priced as follows:

SFP 1 = \$11.20 per 100 mL

SFP 2 = \$12.00 per 50 mL

SFP 3 = \$11.60 per 10 mL

Sum the cost and the quantity of all SFPs:

Total price of all SFPs = \$11.20 + \$12.00 + \$11.60 = \$34.80

Total number of mL of SFPs = 100 mL + 50 mL + 10 mL = 160 mL

Step 2 is to calculate the average 10 g or 10 mL rate for the type of benefit by dividing the total cost of all the SFPs for that type, by one-tenth of the total quantity (in g or mL) of the all the SFPs for that type. Continuing the above example:

To calculate the average 10 mL rate, divide the total price by one-tenth of the total number of mL:

Average 10 mL rate = \$34.80/16 mL = \$2.175 per 10 mL

Step 3 is to calculate the price for the quantity of the benefit being dispensed by multiplying the average 10 g or 10 mL unit cost calculated in Step 2, by one tenth of the quantity to be dispensed in g or mL. Continuing the above example:

If the quantity of the benefit dispensed is 50 mL, the price for the dispensed quantity is:

\$2.175 per 10 mL x 50 mL/10 = \$2.175 per mL x 5 mL = \$10.875

Step 4 is to add the container price to the amount calculated in Step 3.
(The calculated dispensed price would then be rounded under section 35B.)

Section 35B – Rounding – dispensed price for Division 2

Section 35B is a new section which retains the content from subparagraph 35(e) of the old determination. It provides that the dispensed price worked out in accordance

with section 35 is rounded to the nearest cent, one half cent being counted as one cent.

Division 3 – Elections by approved hospital authorities relating to calculation methods

Section 36 – Extemporaneously-prepared pharmaceutical benefits that are not standard formula preparations – general

Section 36 retains the content from paragraph 36 of the old determination. It provides that an approved hospital authority may elect that the dispensed prices for the supply of extemporaneously-prepared pharmaceutical benefits that are not standard formula preparations are to be calculated under Division 1, instead of in accordance with section 35.

No section 37 in the new determination

The content of paragraph 37 of the old determination is contained paragraph 18A(c) of the new determination. It sets out a circumstance under which Division 1 of the new determination must be used, regardless of whether the approved hospital authority supplying the benefit has made an election under section 36 or not. There is no section 37 in the new determination.

Section 38 – Extemporaneously-prepared pharmaceutical benefits that comprise standard formula preparations plus additives

Section 38 retains the content from paragraph 38 of the old determination. It provides that where an extemporaneously-prepared pharmaceutical benefit comprises a standard formula preparation plus an additive, and the approved hospital authority has not elected under section 36 to calculate the dispensed price of the benefit under Division 1, the dispensed price is worked out in accordance with Division 2, unless the approved hospital authority indicates that the benefit is to be priced in accordance with Division 1 as if it were a standard formula preparation without the additive.

Section 39 – Exceptional benefits

Section 39 retains the content from paragraph 39 of the old determination. It provides that an approved hospital authority may elect that the dispensed price for an exceptional benefit is to be calculated under Division 1.

Schedule 1— Repeals

This item repeals the old determination as it is being replaced by the new determination.