

White Paper

# Evolving Beyond the PBS: Exploring Australia's Private Medicines Market

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# Introduction

The Pharmaceutical Benefits Scheme (PBS) is the standard funding scheme for prescription medicines in Australia. However, increasing payer pressure such as the growing use of special pricing agreements and government claimed rebates, coupled with global cost constraints caused by the Inflation Reduction Act in the United States, are prompting companies to seek funding avenues beyond the PBS. This is particularly relevant for innovation in mass-market chronic diseases such as obesity and Alzheimer's disease. Further, primary care in Australia is being rapidly reshaped by the expanding role of pharmacists, and the prescribing of non-PBS drugs for several chronic conditions.<sup>1</sup> In addition, primary care provision and access is becoming more fragmented with new health ecosystems, such as Eucalyptus, Wesfarmers and Woolworths offering telehealth consultations and self-funded access to prescription medicines.<sup>2,3</sup>

This paper leverages IQVIA point of dispensing data and PBS codes to measure the retail non-PBS market in Australia and understand pockets of growth by therapy area.

## Data source and methodology

To measure the private/non-PBS market, we have leveraged IQVIA point of dispensing data, which captures prescription medicine sales in over 4,000 pharmacy locations in Australia.

PBS codes and government subsidy status within each transaction are analysed to categorise dispensations into:

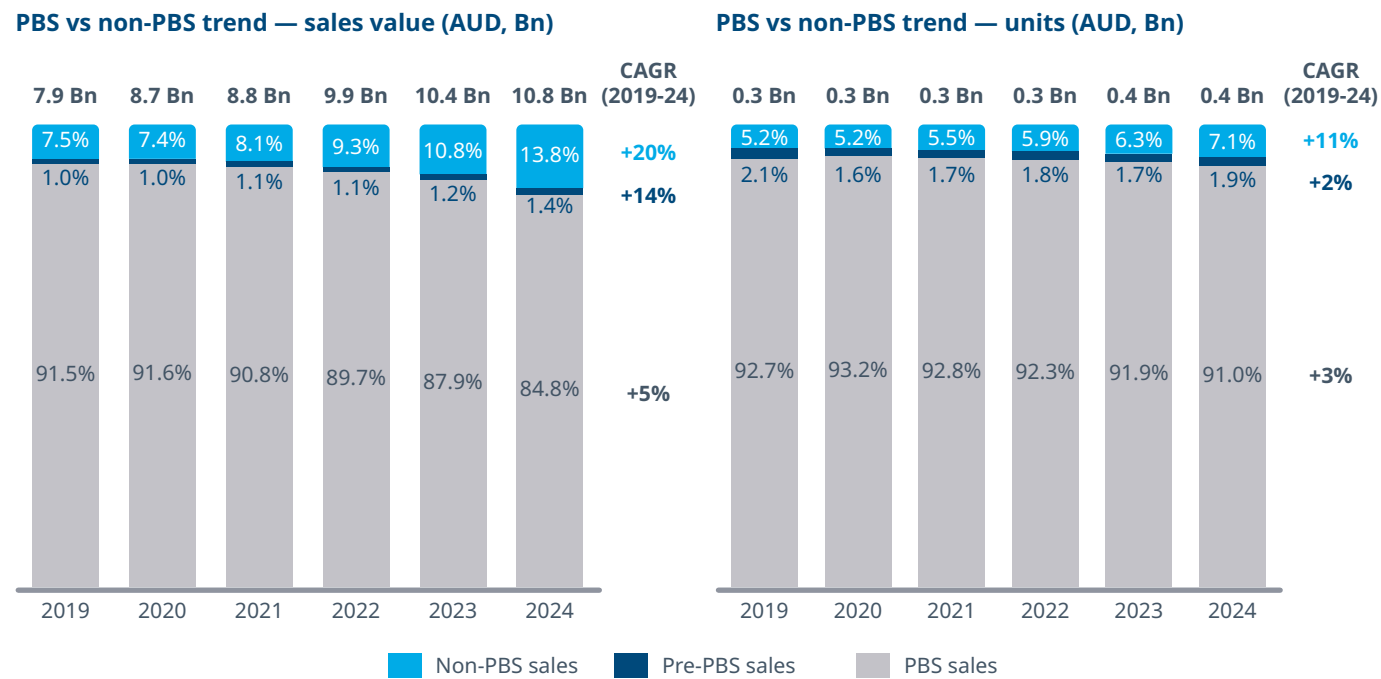
- **PBS sales** — government funded
- **Non-PBS sales** — out-of-pocket spend on drugs that are not PBS listed
- **Pre-PBS sales** — out-of-pocket spend on drugs that are not PBS listed at the time of sale but eventually get PBS listed



# Discussion

## Shifting market dynamics: The rise of non-PBS prescription sales in Australia

Figure 1: PBS vs Non-PBS prescription drug market trend in Australia



Source: IQVIA Point-of-Dispensing data; Note: Prescription medicine only; Total DoH recoveries per year have been removed (i.e. 30% in 2024)

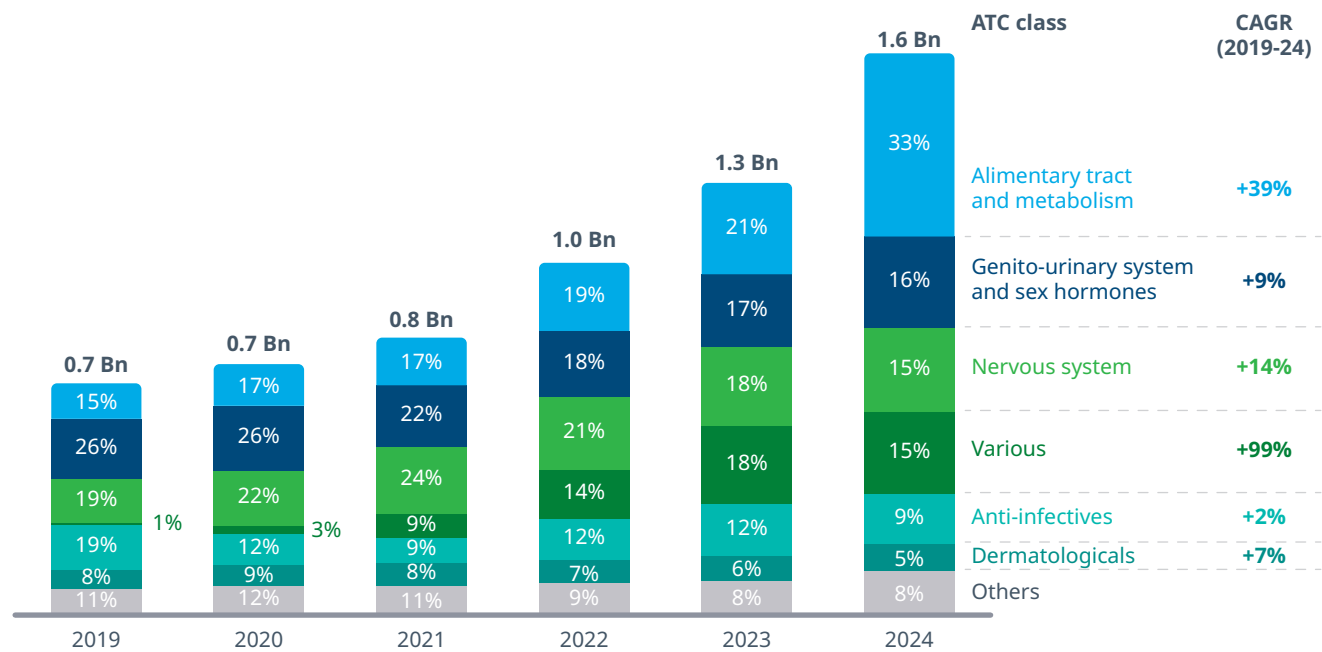
Non-PBS sales have grown significantly in Australia, making up 15% of the total retail prescription market in 2024, compared to 9% in 2019. Pre-PBS sales accounted for 1.4% of the total retail prescription medicine market in 2024, increasing from 1% in 2019. Despite these changes, the PBS remains the predominant funding source for retail prescription medicines in Australia, though its share has declined from 92% in 2019 to 85% in 2024.

In absolute terms, non-PBS sales in Australia have more than doubled since 2019, driven mainly by Anti-Obesity Medication (AOM) and medicinal cannabis treatments.



## ATC Class contributions: Trends in non-PBS sales growth and shifts

Figure 2: Total retail non-PBS market sales by ATC1 — Sales value (AUD, Bn)



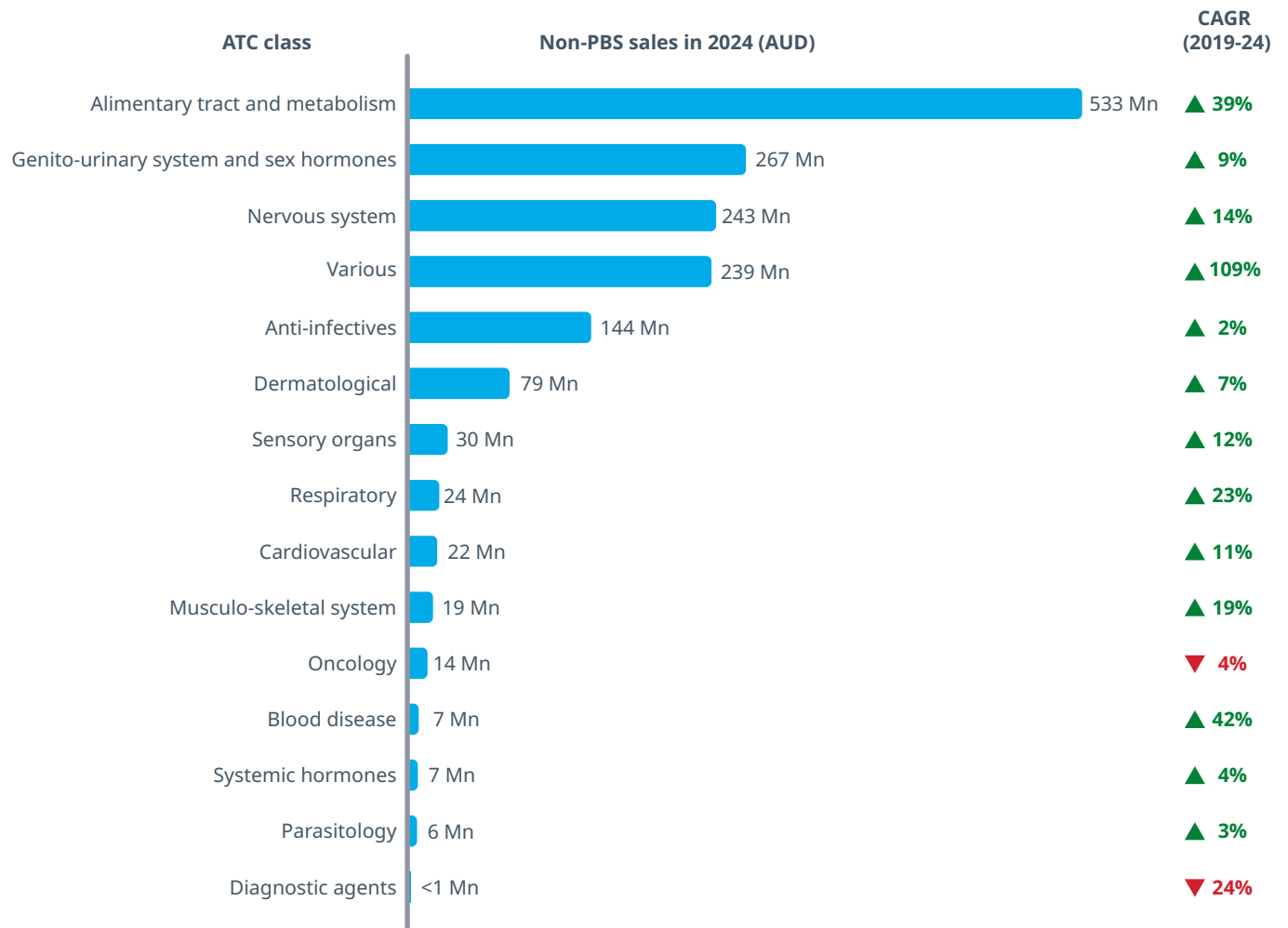
Source: IQVIA Point-of-Dispensing data; Note: Prescription medicine only; Others include Sensory organs, Respiratory, Cardiovascular, Musculo-skeletal system, Oncology, Blood disease, Systemic hormones, Parasitology, and Diagnostic agents; Various includes sundries

Six ATC1 classes account for 92% of the total non-PBS sales in 2024. 33% of total non-PBS sales came from **ATC A (Alimentary tract and metabolism)**, which has grown at a Compound Annual Growth Rate (CAGR) of 39% since 2019, driven almost entirely by anti-obesity medications Wegovy, Mounjaro and Saxenda.

**ATC G (Genito-urinary system and sex hormones)** accounts for 16% of the non-PBS market in 2024, with 9% CAGR since 2019. This category primarily includes Hormone Replacement Therapy (HRT), oral contraceptives, and overactive bladder treatments. With the recent PBS listings of oral contraceptives and HRT, like Slinda and Estrogel,<sup>4,5</sup> non-PBS sales in this category are expected to decline as patients start to access these treatments under the PBS.<sup>6</sup>



Figure 3: Detailed breakdown of non-PBS by ATC class



Source: IQVIA Point-of-Dispensing data; Note: Prescription medicine only;

In 2024, **ATC N (Nervous system)** represented 15% of the non-PBS market, primarily consisting of anti-depressants, analgesics, and insomnia treatments. The rising prevalence and incidence of mental health disorders has likely driven the 14% CAGR in non-PBS sales for this ATC class since 2019.

Non-PBS sales for **ATC V (Various)** consists almost entirely of medicinal cannabis sales, accounting for 15% of the total non-PBS market in 2024. Since entering the Australian market in 2021 and 2022, this segment has experienced the highest CAGR of 109%.<sup>7</sup>

**ATC J (Anti-infectives)** comprises mostly of vaccines and has experienced relatively low growth since 2019, with a CAGR of 2%. The private spend in ATC J is proportionally spread across Shingrix, Meningococcal B, and RSV vaccines.



**ATC D (Dermatological)** has recorded 7% CAGR growth in non-PBS spending in 2024, where the top five drug contributors are indicated for skin conditions such as acne, eczema, and sun damage.

Conversely, **oncology** treatment sales outside of the PBS have declined with a -4% CAGR since 2019, indicating that the PBS remains the primary funding source for oncology treatments in Australia.

## The rise of private: Changing patient behaviours and emerging ecosystems



**The private medicine market in Australia has a new significance, as the shift towards private spending is blurring the line between patients and**

**consumers.** However, this behaviour shift appears to be concentrated in primary care, including some treatments for lifestyle-associated conditions. This analysis also highlights significant private spend on medicines that target conditions for which there is a high unmet need.



The government has made notable progress in certain areas, such as women's health, with recent PBS listings for oral contraceptives and hormone replacement

therapies. Nevertheless, reimbursement challenges persist for some conditions which have significant private/non-PBS sales.



The growing private prescription medicine market in Australia has been largely driven by Anti-Obesity Medications (AOM). Private spending on AOM is expected to continue

in the short term due to existing funding barriers from the government. Nevertheless, the value proposition is improving with the first cardiovascular outcomes data for tirzepatide (Mounjaro) in 2025 and the accumulation of real-world data, building the case for some level of PBS funding in the future. Furthermore,

the United Kingdom is setting a precedent for AOM coverage by a publicly funded health system with a tiered roll-out of reimbursement of tirzepatide (Mounjaro), which could mean a turning point for AOM reimbursement in Australia. Even so, private use of these agents is expected to outpace publicly funded use for years to come.



**The growing private medicine market in Australia has been facilitated by the emergence of new health ecosystems,**

where companies such as Eucalyptus are offering telehealth consultations and self-funded access to prescription medicines for skin conditions and obesity.<sup>2</sup>



Further, pharmacists in Australia have recently started to prescribe specific medications under structured prescribing frameworks, aimed at addressing

accessibility issues, especially in regions where patients encounter challenges in reaching general practitioners. The expansion of pharmacist prescribing has significant implications for the private prescription medicine market. By enabling pharmacists to prescribe medicines directly, patients may experience greater convenience and faster access to treatments. This shift is likely to drive increased private spending on prescription medicines, as patients may opt for pharmacist-prescribed treatments outside of the PBS, especially for conditions not covered by government subsidies.<sup>1</sup>

## Navigating change: Opportunities for collaboration in Australia's private medicine market

The private prescription medicine market in Australia is undergoing a rapid transformation. Pharmaceutical companies have a pivotal role to play in bridging the gap through innovative access programs and cost-sharing models, as public funding barriers expect to continue. Considering the rapidly evolving primary care landscape and emergence of new health ecosystems, companies must remain attuned to these shifts and changing roles of key stakeholders, including pharmacists. The ability to adapt and collaborate across these dynamic and fragmented service providers will be critical to meet the expectations of both providers and patients.

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