New Zealand Medical Association
Te Hauora mō ngā Iwi Katoa

15 July 2021

PHARMAC Review Panel

By email: pharmacreview@health.govt.nz

PHARMAC Review

Dear Colleague

The New Zealand Medical Association (NZMA) wishes to provide feedback on the above consultation. The NZMA is New Zealand's largest medical organisation, with about 5,000 members from all areas of medicine. The NZMA aims to provide leadership of the medical profession, and to promote professional unity and values, and the health of all New Zealanders. We recognise the principles of te Tiriti o Waitangi and the special obligations to Māori, particularly to ensure equity and active protection. Current disparities in health outcomes between Māori and non-Māori are unacceptable. The NZMA is committed to advocating for policies in health and the social and wider determinants of health that urgently address these disparities and contribute to equity of health outcomes. Our submission has been informed by feedback from our Board, Advisory Councils and members.

We welcome the Government's decision to undertake a review of PHARMAC. PHARMAC's achievements as well as its shortcomings and challenges have been well described in the literature.[1] While the NZMA is supportive of the fundamentals of the PHARMAC model, and acknowledge its successes in reducing the costs of pharmaceuticals, we believe that improvements are necessary to ensure a modern, fit for purpose system that contributes to better and more equitable health outcomes for all New Zealanders. In the following paragraphs, we flag key areas of concern where we believe adjustments are required to PHARMAC's current model and operating strategies.

Funding for pharmaceuticals and the fixed nature of the pharmaceutical budget

It is disappointing that the scope of the current review excludes the total amount of funding allocated for pharmaceuticals. We believe that several of the challenges PHARMAC is facing relate directly to underfunding of the pharmaceutical budget. We note that the fixed nature of the pharmaceutical budget is also out of scope of the current review. Our view is that the fixed nature of the budget drives PHARMAC's way of operating to being purely cost-driven in a way that is not seen across other parts of the health sector and would not be acceptable in the provision of other health services. That driver affects organisational behaviour including engagement style, decision-making, including process and rationale, and how PHARMAC values medicines.

[1] Gauld R. Ahead of its time? Reflecting on New Zealand's Pharmac following its 20th anniversary. Pharmacoeconomics. 2014 Oct;32(10):937-42. Available from https://link.springer.com/article/10.1007/s40273-014-0178-2

26 The Terrace, PO Box 156, Wellington 6140 | Tel: (04) 472 4741 | Fax: (04) 471 0838 | Email : nzma@nzma.org.nz | **www.nzma.org.nz**

Decision criteria
Our view is that PHARMAC's use of decision-making criteria, including pharmaco-economic analyses, is generally a robust mechanism to determine clinically priority for medicines. However, how these priorities translate into funding decisions is not always transparent. We also believe that environmental impacts need to be explicitly added to PHARMAC's decision-making criteria (see environmental impact considerations below).

Procurement strategies
A legislatively capped budget together with PHARMAC's various procurement strategies can skew clinical priority for funding medicines. This is particularly the case for strategies such as multi-product agreements (bundling) where pharmaceutical companies offer price reductions on older medicines in return for a new product being subsided. It also arises with confidential rebates and tendering for generics. The result is that a medium or low priority medicine ends up being listed ahead of medicines that have been categorised as high priority.

Inherent risks of sole supply purchasing
Concerns stemming from the inherent risks of sole-supply arrangements for pharmaceuticals have been articulated in the literature.[2] We believe that having alternative funded brands available is important to ensure continued medicine supply where there are supply chain issues, as has been the case with a number of medicines in New Zealand in recent years. Accordingly, we were supportive of a proposal in 2020 to award Principal Supply Status rather than Sole Supply Status.[3]

Knock on affect with Medsafe licensing
PHARMAC's decisions have a knock-on effect on products being licensed in New Zealand, with many products not licensed for use in New Zealand because they have failed to win PHARMAC funding. This issue was pronounced during recent disruption to global manufacturing and supply of pharmaceuticals as a result of the Covid-19 pandemic and resulted in an increase in the number of applications for Section 29 medicines (unapproved medicines), with consequent medicolegal implications for prescribers.

Transparency of decision making
As we have alluded, there is sometimes a lack of transparency in how decision criteria for clinical priority translate into funding decisions. This is usually a result of procurement strategies such as multi-product agreements and confidential rebates. While we acknowledge the sensitivities around the negotiating process and the need to protect commercially sensitive information, we contend that funding decisions must remain transparent to ensure the confidence of the medical profession as well as of patients.

Timeliness of funding and access to new medicines
Timeliness of decision-making is an issue with New Zealand taking considerably longer than the OECD average to publicly fund newly available medicines. New Zealanders also have access to a more limited range of medicines, which are older and less innovative, than comparator health systems, with patients with specific diseases often waiting longer for access to medicines that are publicly subsidised in other countries.

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[2] MacKay P. Is PHARMAC's sole-supply tendering policy harming the health of New Zealanders. N Z Med J. 2005 May 6;118(1214):U1433.
[3] Submission to PHARMAC on a proposal relating to modifying PHARMAC's approach to competitive procurement as part of the 2020/21 invitation to tender consultation process. 24 August 2020. Available from https://bit.ly/3yMKOep

Needs of people with rare disorders
While the Named Patient Pharmaceutical Assessment (NPPA) policy goes some way towards addressing the needs of people with rare disorders, our view is that the existing model is often not adequately meeting the needs of this large group of people.

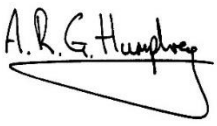
Application of PHARMAC model to device procurement
We have previously articulated our concerns relating to applying the PHARMAC model to device procurement.[4] One of our biggest concerns relates to the quality of the evidence to guide decisions on what medical devices are funded. Unlike with medicines, evidence of efficacy and health outcomes is generally much more difficult to ascertain with devices. Key challenges include practical difficulties in conducting randomised controlled clinical trials, allowing for a 'learning curve' and user characteristics, accounting for wider organisational impacts of introducing new devices, and allowing for variations in product characteristics and prices over time.

Equity Issues
We believe that current decision criteria for funding decisions could further strengthen equity considerations by, for example, offering medicines at a lower threshold to some population groups. We understand this is already the case for some new medicines for type 2 diabetes and suggest this could be expanded for other appropriate medicines. We also believe that PHARMAC has a key role in promoting systems alignment and collaborating with the wider health sector and beyond to address determinants of inequities.[5]

Environmental impact considerations
One of the biggest sources of carbon emissions in healthcare is via pharmaceuticals and procured equipment. Given that both categories fall under the remit of PHARMAC, we believe it is essential that all-of-life environmental impacts constitute a defined part of PHARMAC's decision-making policies. This should extend beyond just carbon emissions to include other aspects such as waste disposal, reusability, rare-metal use, etc. We also suggest PHARMAC develop a traffic-light system like what is planned by the NHS (or even better, an actual calculation of emissions) for pharmaceuticals' emission profiles which will help allow clinicians to incorporate this information into their own prescribing decisions.

We hope our feedback is helpful and would welcome the opportunity to provide further input as this important review progresses.

Yours sincerely



Dr Alistair Humphrey
NZMA Chair

[4] Submission to PHARMAC on managing fairer access to hospital medical devices. 20 June 2019. Available from https://bit.ly/3xCYk47
[5] NZMA Submission to PHARMAC on achieving medicine access equity in Aotearoa New Zealand. 6 June 2019. Available from https://bit.ly/3yLsAd9