DISCUSSION DOCUMENT

Improving access to medicines and devices in primary care

PHARMAC
Pharmaceutical Management Agency

FOREWORD

To support the health system focus on 'care closer to home', PHARMAC is looking at the way some funded community medicines and devices are accessed. We are thinking about how the current system works and how it may change in the future.

We've started looking at this for a number of products that are already being administered in primary care settings, for example vaccines, zoledronic acid and antibiotic infusions.

Initially we are focusing on the mechanisms of vaccine distribution to General Practice and other authorised vaccinators. Our hope is that this work would be the first step towards building a solid platform that, in the future, could improve access to other community funded medicines and devices in primary care.

This discussion document is an opportunity for the wider health sector to provide feedback on the future funding options for vaccine distribution to primary care providers.

Throughout this review, we'll be considering the opportunities that changes might provide and what this could mean for potential benefits to health outcomes and improved access to funded medicines and devices.

We've begun discussions with professional bodies including The Royal College of General Practitioners, General Practice NZ, the NZ Medical Association and other key stakeholders including the Ministry of Health and District Health Boards.

From our early discussions we are aware of a range of clinical, business and practical impacts that would need to be understood and mitigated by PHARMAC, by closely liaising with primary care and other parties, should any changes be developed and implemented.

We are now seeking input from General Practitioners, nurses, suppliers, PHOs, wholesalers, and others with an interest in this review. We'll be working with professional bodies and other key stakeholders to engage with as many people as we can to ensure that we get comprehensive and wide-ranging feedback on the issues raised by this paper.

Any substantive changes to the way vaccines are purchased, funded and distributed arising out of this review would likely take some time to implement, due to a variety of technical and contractual changes that could be required. With this in mind, it is likely that any proposal for change would be consulted on in early 2016 to allow enough time for a potential 1 July 2017 implementation.

Thank you for taking the time to review this discussion paper and the issues that we have raised. Your feedback is invaluable.

If you would like to meet with us to talk more about this review, we would be happy to arrange this for you.

We look forward to receiving your feedback by 9am Monday, 2 November 2015.

Yours sincerely

Sarah Fitt

Sarah Fitt

Director of Operations

HOW TO PROVIDE FEEDBACK

PHARMAC is seeking feedback from interested parties on the issues raised in this discussion paper on the current and potential future purchasing, funding and distribution arrangements for vaccines.

Throughout this document we have raised specific questions which we would appreciate your consideration of. Please do not limit yourselves to these questions; we welcome feedback on any issues, options and views you may have relating to the theme of this paper. We have also provided a summary of these questions as an appendix.

If you would like to discuss any of the issues raised in this paper or would like to arrange a meeting with us to talk more about this review, please contact Chris Peck directly on 04 901 3222 or using the contact details supplied.

To provide feedback, please submit in writing by 9am Monday, 2 November 2015 via:

Our online feedback tool
http://consult-pharmac.objective.com/public/vda/vda

Email: chris.peck@pharmac.govt.nz

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All feedback received before the closing date will be considered by PHARMAC prior to making a decision on the way forward.

Feedback we receive is subject to the Official Information Act 1982 (OIA) and we will consider any request to have information withheld in accordance with our obligations under the OIA. Anyone providing feedback, whether on their own account or on behalf of an organisation, and whether in a personal or professional capacity, should be aware that the content of their feedback and their identity may need to be disclosed in response to an OIA request.

We are not able to treat any part of your feedback as confidential unless you specifically request that we do, and then only to the extent permissible under the OIA and other relevant laws and requirements. If you would like us to withhold any commercially sensitive, confidential proprietary, or personal information included in your submission, please clearly state this in your submission and identify the relevant sections of your submission that you would like it withheld. PHARMAC will give due consideration to any such request.

BACKGROUND

Vaccines are a relatively new product group for PHARMAC. In July 2012, PHARMAC took on management of the National Immunisation Schedule, including distribution and supply.

We now have an opportunity to review this process before we start planning for the next round of vaccines supply contracts, set to come into effect on 1 July 2017.

Currently, general practice purchases influenza vaccine and is reimbursed for the vaccine and paid a vaccine administration fee through the Immunisation Benefit claims process. All other vaccines on the National Immunisation Schedule are purchased by PHARMAC and only the vaccine administration fee is claimed.

There are parts of the vaccines system that we believe work well. However, there are some areas we can improve to maximise health outcomes for patients. We've already improved the initial distribution and storage arrangements. We aim to continue improving the wider funding and distribution system, which would align the funding and distribution for vaccines with other medicines used in the community.

SUPPLY OF MEDICINES AND DEVICES

Some medicines such as vaccines, zoledronic acid and antibiotic infusions must be administered in an appropriate setting by a trained clinician. While general practice plays an important role in providing this service to patients in the community, access to the medicines and devices they need to do this is not always straightforward. For example we are aware of situations where it is the responsibility of the patient to collect the medicine from a pharmacy before returning to their General Practitioner to have it administered.

We believe developing a mechanism that would enable direct access to community funded medicines and devices would improve access to medicines through primary care providers, now and in the future. We also see this as an important step towards achieving the Government's focus on 'care closer to home'.

One of the solutions we want to scope with help from the health sector (including primary care, DHBs and the Ministry of Health) is a mechanism that would allow general practice to purchase and claim for community funded medicines and devices.

This mechanism would sit alongside the existing PSO supply mechanism, giving general practice an alternative way of accessing the medicines and devices they need to treat people in the community.

The main reason we are considering a 'purchase and claim' model is that it would align with the way medicines and devices are made available to community pharmacies and DHB hospitals. The benefit to general practice and patients is that, over time, a range of other medicines and devices needed to treat people in the community could be directly access through this mechanism.

'Care closer to home' is Government policy and a priority for the health system. It involves clinical and system integration between primary and secondary care that can allow (amongst other things) the provision of increased services in appropriate settings. Under this policy, health services are increasingly being delivered in places that are more accessible or appropriate for people. This review supports the system focus on 'care closer to home'.

Questions:

1. What are your thoughts about our approach to improving access to medicines and devices in general practice?
2. What medicines and devices would general practice benefit from having direct access to?
3. What works well with the existing PSO mechanism and what medicines and devices are suited to being supplied to general practice by pharmacy?
4. What do you see as the patient-level impacts of such a change?

FIRST STEP - VACCINES

Should the sector support our approach, the first step would be to establish the new mechanism for the provision of vaccines to general practice and other authorised vaccinators.

One of the reasons we would choose to look at vaccines arrangements first is that we believe there are some good features in the existing system that we can build on:

- The administration of subsidised vaccines is free for eligible people. This means there is no cost barrier for people wanting to be vaccinated or wanting to have their children vaccinated.
- A claims process is already established through the Immunisation Benefit scheme. In the case of general practice, an administration fee is claimed after a vaccine has been administered. This process is administratively simple, applies consistently across DHBs and integrates with the Ministry of Health's core claims systems and processes.

Any work we do initially on vaccines would be the first step towards building a solid platform for the supply of medicines. In the future this could lead to the expansion of this model to allow other community funded medicines and devices to be distributed directly to primary care providers.

Current purchase, funding and distribution of vaccines

The current purchase, funding and distribution arrangements for general practice are summarised in Figure 1.

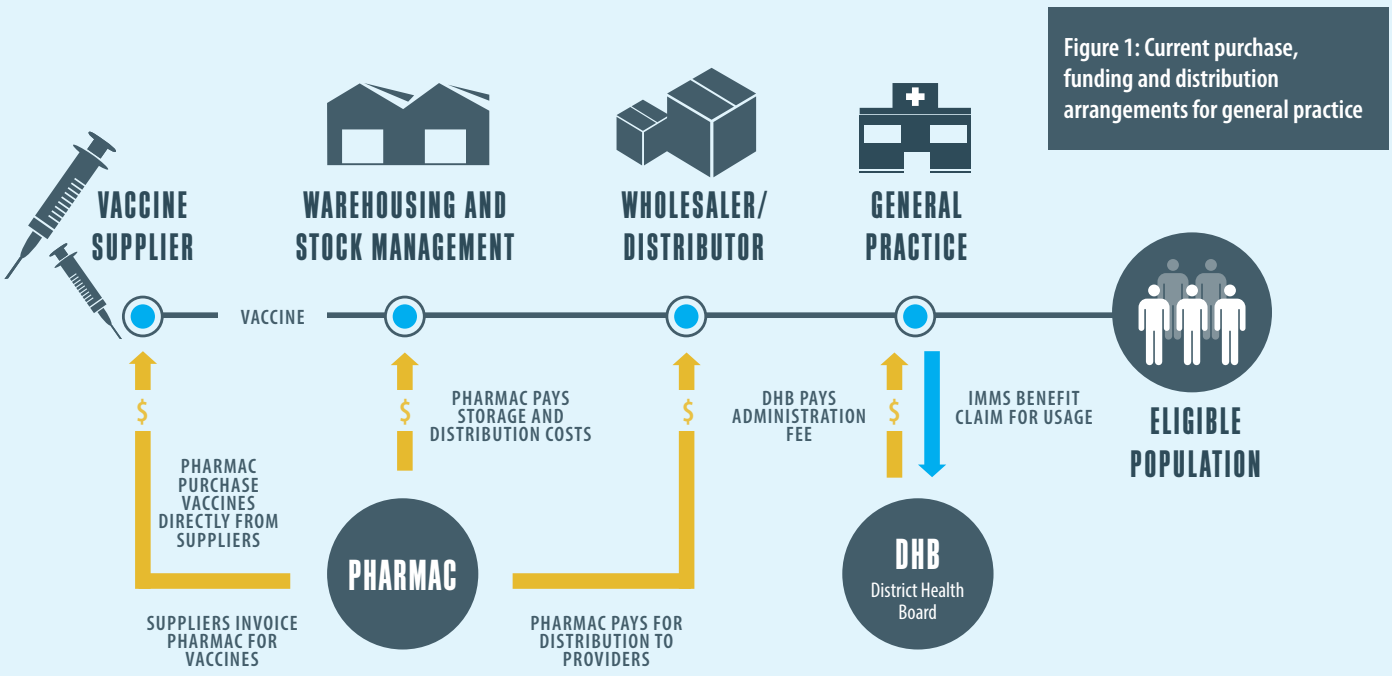

Figure 1: Current purchase, funding and distribution arrangements for general practice

Under the current arrangements, PHARMAC contracts with external parties for storage, and distribution of vaccines to providers. Vaccines (excluding influenza vaccine) are purchased by PHARMAC and stock passes through the supply chain and on to providers free of charge. PHARMAC is responsible for managing overall stock levels to ensure enough stock is available in New Zealand to meet demand.

In general practice, the administration of vaccines is funded through an Immunisation Benefit claim. Claims are submitted to the Ministry of Health, which manages the claims process on behalf of DHBs.

Other providers such as hospitals and public health units access vaccines in the same way as general practice, except they do not submit an Immunisation Benefit claim. Other arrangements are made to fund these providers for vaccine administration services.

Funding for vaccine purchases is provided by DHBs as part of the Combined Pharmaceutical Budget (CPB). PHARMAC is funded for storage and distribution costs as part of its annual baseline funding from the Ministry of Health.

Options for changing purchase, funding and distribution of vaccines

In this section we have described what we think a 'purchase and claim' model would mean for the way vaccines are purchased, funded and distributed to general practice.

We raise a number of issues and ask specific questions that we would like your feedback on. We have tried to provide enough detail to stimulate discussion and highlight a range of issues that would be common across other medicines and devices.

Under a 'purchase and claim' model, providers would purchase vaccines from a distributor and claim back the cost from DHBs as they are used; similar to the process general practice follows with the influenza vaccine. Currently, general practice is not directly charged for the cost of the vaccine as it has been paid for by PHARMAC and funded from the CPB.

The key difference would be that the cost of the vaccine would be claimed back from DHBs as part of the Immunisations Benefit claim process.

Pricing structure and distribution costs

Should a 'purchase and claim' model be adopted for vaccines, consideration would need to be given to one of two pricing structures currently being used for other products outlined below. Either:

A. The Pharmaceutical Schedule specifies the price to the provider (Figure 2) – this is the price providers would pay to purchase the vaccine from a supplier nominated distributor. Influenza vaccine is supplied to general practice using this pricing structure. Distribution costs are included in the Schedule price.

Or:

B. The Pharmaceutical Schedule specifies the price ex-manufacturer (Figure 3) – this is the price wholesalers and distributors would pay to purchase the vaccine from suppliers. The price providers would pay to purchase vaccines would be the price ex-manufacturer plus any distribution costs charged by wholesalers or distributors.

   Additional funding would need to be provided to cover distribution costs.

   Price ex-manufacturer is currently used for most medicines and devices supplied to hospitals and community pharmacy.

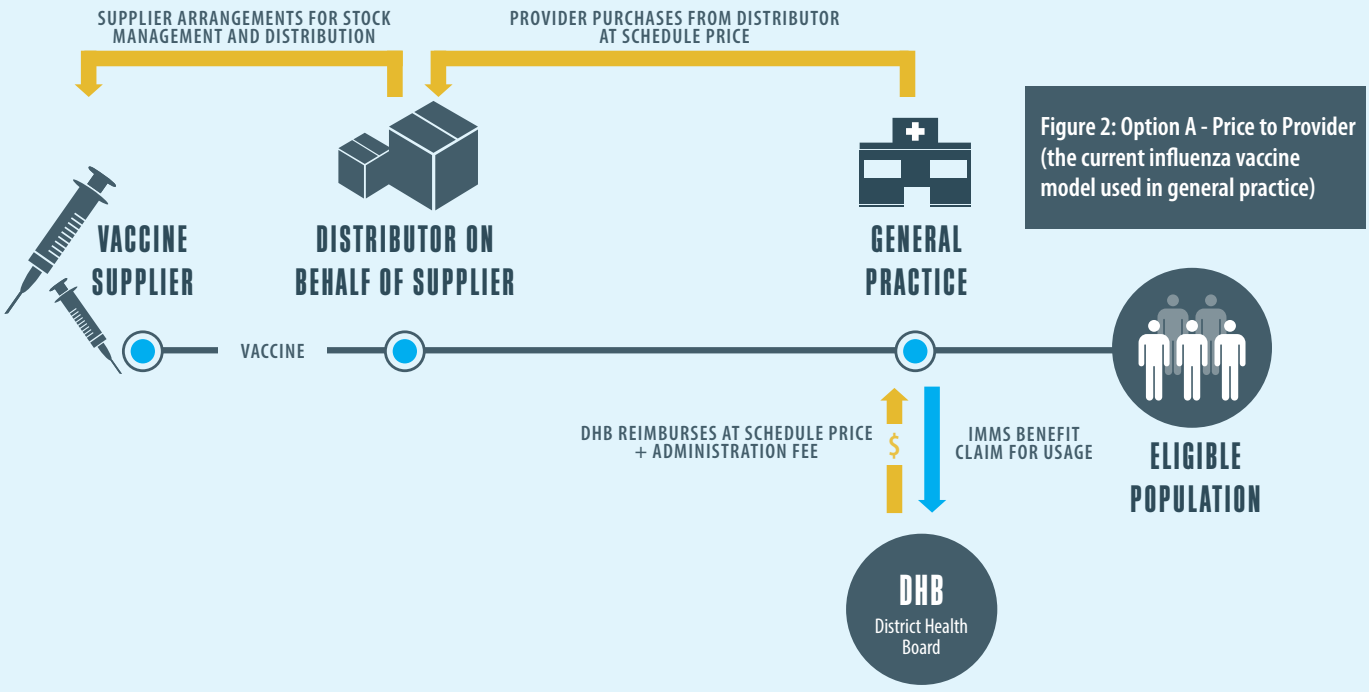

Figure 2: Option A - Price to Provider (the current influenza vaccine model used in general practice)

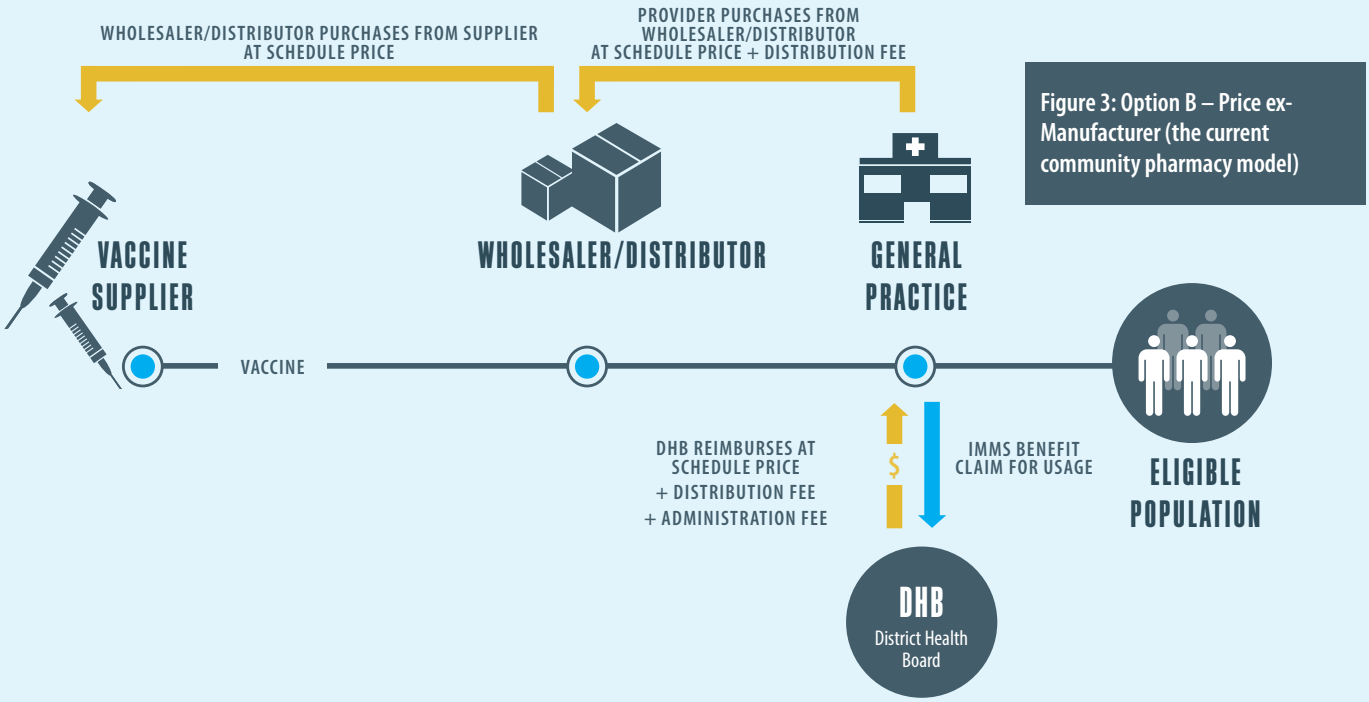

Figure 3: Option B – Price ex-Manufacturer (the current community pharmacy model)

Both options would have their pros and cons. The following table outlines what these could be from the provider's point of view.

	Option A. Price to provider	Option B. Price ex-manufacturer
Alignment with other products	This pricing structure is only used for influenza vaccine, and a very small number of community medicines that are distributed directly to patients under special arrangements.	The pricing structure is used for most medicines used in the community and hospitals. The benefit being that, if appropriate, any medicine or device available in the community or in hospitals could be made available to general practice without the need for separate supply arrangements.
Funding vs cost	The subsidy claimed by providers would exactly match the cost of purchasing the vaccine. This is because distribution costs would be included in the Schedule price that general practice would be reimbursed.	There may be a difference between the distribution costs charged by wholesaler/distributors and the funding provided by DHBs. This difference could be positive or negative depending on the funding formula and terms of trade between providers and wholesalers/distributors.
Supply arrangements	Should the supplier change, the distributor providers order vaccines from may also change. Suppliers would be responsible for making their own arrangements to supply the market.	Should the supplier change, in most cases the supply arrangements for providers would stay the same. Supply arrangement may change for the wholesaler/distributor but providers would see no change to the arrangements at their end.

Question:

5. Of the two options described above, Option A – Price to provider or Option B – Price ex-manufacturer, which one would be preferable and why?

The claims process

The benefits of the existing Immunisations Benefit process are that it integrates with the Ministry of Health's core claims systems and processes. However, in the future we may want a system that could be used to claim for other medicines and devices used in general practice.

We are interested in your views on how general practice could submit claims for the cost of vaccines.

Questions:

6. What are the good features of the existing Immunisation Benefit claims process?
7. What improvements would you like to see in the future?

Stockholding costs

Stockholding costs include the cost of handling and storage, insurance, stock losses due to deterioration or expiry, stock management eg ordering and rotating stock, and associated holding costs such as interest on money tied up in stock.

From time to time PHARMAC makes changes to the funded brand or to the subsidy paid on some medicines. Typically there is a long notice period before changes are made, giving providers a chance to manage their stock to avoid losses or in some cases make gains from subsidy increases.

With medicines supplied in the community a subsidy is not payable unless the product is listed on the Pharmaceutical Schedule at the time it is used. Any surplus stock of medicines not listed on the Schedule is not able to be reimbursed.

Questions:

8. To what extent do you think that stockholding costs covered under the current arrangements?
9. What additional costs would be created under a 'purchase and claim' model?
10. To what extent should stockholding costs be borne by patients, providers, funders, or suppliers?
11. Are there any arrangements that providers, funders or suppliers could put in place to help mitigate stockholding costs to providers? For example, bulk purchasing by Primary Health Organisations (PHOs) on behalf of their members, or funding for stockholding costs.

Transition issues

There may be some issues that would need to be managed when transitioning from a free stock system to one where vaccines are purchase by the provider and claimed back.

Questions:

12. What one-off transition costs do you foresee in moving to a 'purchase and claim' model?
13. What stock issues do you foresee in transitioning to a 'purchase and claim' model?

Other dependencies that would be affected by a change to this model

There may be other processes or supply arrangements that are dependent on the current system.

Question:

14. What other processes or supply arrangements do we need to understand so they can be factored into any future development?

Cold chain compliance

We need to understand if there are any implications for cold chain compliance under the proposed system.

Question:

15. Would there be any implications for managing cold chain accreditation, monitoring and audit under the proposed system?

SUPPLY OF VACCINES TO NON-GENERAL PRACTICE PROVIDERS

This review proposes changes to the way general practice access vaccines. In terms of volumes, general practice is the largest provider of vaccines but we are interested in hearing from providers who do not access vaccines through the general practice process so we can factor them in to our thinking.

We are interested in understanding the settings and funding arrangements for non-general practice providers so we can explore possible solutions to ensure all providers would continue to access vaccines.

WHAT HAPPENS NEXT?

PHARMAC will consider all feedback on the questions and issues raised in this discussion document and any other general feedback we receive.

We will use this information to assess whether to proceed with the development of a new mechanism for vaccines. Should this work have the support of the sector, we will work closely with primary care, DHBs and the Ministry of Health to further develop and refine the concept.

Any substantive changes arising out of this review would likely take some time to implement, due to a variety of technical and contractual changes that could be required.

It is important to note that any required changes may span a number of areas that are not within PHARMAC's control, for example, any changes to service contracts, but we would take a coordinating role in managing these changes.

With this in mind, it is likely that any proposal for change would be consulted on in early 2016 to allow enough time for further feedback and implementation.

As noted earlier, we have an opportunity to review the process for vaccines before we start planning for the next round of vaccines supply contracts, set to come into effect on 1 July 2017.

APPENDIX – SUMMARY OF QUESTIONS

Supply of medicines and devices

1. What are your thoughts about our approach to improving access to medicines and devices in general practice?
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4. What do you see as the patient-level impacts of such a change?

Vaccines

5. Of the two options described earlier, Option A – Price to provider or Option B – Price ex-manufacturer, which one would be preferable and why?
6. What are the good features of the existing Immunisation Benefit claims process?
7. What improvements would you like to see in the future?
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15. Would there be any implications for managing cold chain accreditation, monitoring and audit under the proposed system?

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