

MINUTES OF THE PHARMACEUTICAL MANAGEMENT AGENCY (PHARMAC)

BOARD MEETING OCTOBER 2020

The meeting was held at Level 9, 40 Mercer Street, Wellington starting at 9.30am with the following attendees:

Board members

Steve Maharey	Chair
Jan White	Deputy Chair
Ross Lawrenson	Board Member
Claudia Wyss	Board Member
Nicole Anderson	Board Member
Elizabeth Zhu	Institute of Directors, Future Director
Marius Rademaker	Observer, Acting PTAC Chair
Peter Bramley	Observer, DHB Representative
Lisa Lawrence	Observer, CAC Chair

PHARMAC staff in attendance

Sarah Fitt	Chief Executive
Lisa Williams	Director of Operations
Alison Hill	Director of Engagement & Implementation
Michael Johnson	Director of Strategic Initiatives
Mark Woodard	Director of Corporate Services/CFO
Trevor Simpson	Chief Advisor Māori
Lizzy Cohen	Board Secretary

Janet Mackay, Geraldine MacGibbon, Sarah Beri, Elena Saunders, Ben Campbell-Macdonald, Rochelle West, Andrew Davies, Rachel Read, Catherine Proffitt, Sean Dougherty, Graham Beever and Jannel Fisher (PHARMAC staff) attended for relevant items.

9.26am Guest Speakers Hannah Cameron, Deputy Commissioner Strategy & Policy and Hugh Lawrence, Senior Advisor, Public Service Commission spoke to the Board regarding the new Public Service Act, and specifically what it means for Crown Agents.

The Board invited Hannah and Hugh to present to the Board at a future date as implementation of the new Public Service Act progresses.

1. Directors' Only Discussion

10.30am SLT and Board observers joined

The Board Chair noted the earlier presentation with staff from the Public Service Commission and asked that PHARMAC staff provide an annual report to the Board on how we are upholding the public service principles.

1.1 Glossary of Terms

1.2 Board Actions

noted the Board Actions.

1.3 Board Annual Agenda 2020 and draft annual agenda 2021

The Board discussed the consideration of offsite Board meetings being built into the Board annual agenda, provided they are purposeful. In considering offsite Board meetings staff were asked to consider alignment with strategic priorities.

2. Apologies

Mark Weatherall, PTAC Chair.

Ken Clark, Acting Medical Director

3. Record of Previous Board and Committee Meetings

3.1 Minutes of September 2020 Board Meetings

resolved to adopt the minutes of the September 2020 meeting as being a true and correct record.

Nicole Anderson and Jan White

(carried)

3.2 Audit and Forecast Committee recommendations – October meeting

The Audit and Forecast Committee Chair provided a verbal summary of the items discussed at the October Audit and Forecast Committee meeting. The Committee made the following recommendations to the Board:

resolved to recommend to the Board that the Board Chair and the Audit and Forecast Committee Chair sign the letter of representation;

resolved to recommend to the Board that the Board Chair and the Audit and Forecast Committee Chair sign the Statement of Responsibility in the Annual Report;

resolved to adopt the Committee's recommendation that the name of the Audit and Forecast Committee be changed to the Audit and Risk Committee, noting that the Terms of Reference will reflect the Committee's role to monitor forecast and quality assurance. PHARMAC staff will reflect this in the review of the Terms of Reference for Committee discussion in February 2021;

noted that the Committee may want to consider discussing in greater depth their functions and it was noted that the frequency and length of meetings will need to be considered to accommodate this; and

noted that the Committee reviewed the draft annual report of the Audit and Forecast Committee and the Board will receive the final report at the November Board meeting.

Jan White and Steve Maharey

(carried)

4. Interests Register

noted the interests register; and

noted any decisions by the Chair to manage actual or potential conflicts of interest, as follows:

[None required]

noted that the register will be updated to include the declared interest by the newly appointed Institute of Directors, Future Director Elizabeth Zhu. Elizabeth is a Medical Officer at Southern Cross Health Society.

The Board asked PHARMAC staff to consider if Senior Management conflicts should be recorded in the interests report to the Board along with the Board Committee Chairs interests (PTAC and CAC) DHB Representatives interests.

5. Matters Arising

noted the matters arising and actions progressed.

The Board requested an update paper early next year on progress made with implementation of the medicines for rare disorders policy that the Board approved in 2018.

6. Chair's Report

A verbal update was provided by the Board Chair. The Board:

noted and welcomed the Chief Advisor Māori, Trevor Simpson to the Senior Leadership Team;

noted and commended staff on the recent launch of the refreshed PHARMAC website; and

noted an update from staff on the FPIM.

6.1 Verbal Report

noted the Chair's verbal report.

6.2 Correspondence

noted the correspondence report.

7. Chief Executive's Report

noted the Chief Executive's Report;

noted the financials for August 2020; and

noted that a summary of the Board strategy workshop and next steps will be presented to the Board at the November Board meeting.

8. Key Items

8.1 PTAC Reappointments in 2020

The purpose of this paper is to seek agreement to recommend to the Director General of Health the reappointment of two members of PTAC for a third term. The Board:

agreed to recommend to the Director-General of Health the reappointment of Professor Jennifer Martin, Clinical Pharmacologist, MBChB, MA(Oxon.), FRACP, PhD of Newcastle, Australia to the Pharmacology and Therapeutics Advisory Committee (PTAC) for a 3rd term;

agreed to recommend to the Director-General of Health the reappointment of Doctor Simon Wynn Thomas, General Practitioner, BMedSci (UK), MRCP (UK), MRCGP (UK), DFFP, FRNZCGP of Christchurch, New Zealand be reappointed to PTAC for a 3rd term; and

noted that the PTAC Chair receives performance information on members as part of the reappointment considerations.

Ross Lawrenson and Nicole Anderson

(carried)

8.2 Update on actions post review of lamotrigine sole supply decision

This paper provides the Board with an update on actions PHARMAC has been undertaking to respond to the recommendations in the review of PHARMAC's lamotrigine sole supply decision. The Board:

noted the actions that PHARMAC staff have been undertaking in response to the recommendations of the independent review of the lamotrigine sole supply decision; and

noted that we are embedding these actions into our standard processes as part of continuous improvement, and we will continue to seek ways to strengthen our decision making and implementation processes.

noted input from the CAC Chair and the Acting PTAC Chair who were both supportive of PHARMAC staff's work to progress and embed these actions, with no other recommendations to add.

The DHB representative suggested staff may like to consider engaging with the DHB consumer councils.

8.3 Risk Report and Register

The risk register is presented to the Board each quarter, with a monthly update prepared in intervening months. The Board:

noted the risk report, which provides a summary of current and ongoing risks of relevance to the Board.

noted the attached Board Risk Register for quarter 1 (refer to Appendix One) has been prepared as at 30 September 2020;

noted Audit and Forecast Committee discussion at the October meeting relating to risk management framework; and

noted that the broader risk relating to public perception and our communication approach is embedded in most of our risks, currently a high risk.

8.4 Combined Pharmaceutical Budget Management Report

The purpose of this paper is to update the Board on the October 2020 CPB Forecast. It aims to enable a wider discussion by the Board regarding management's planned activities to achieve the 2020/21 CPB expenditure target and manage out-year expenditure. The Board:

noted that the Combined Pharmaceutical Budget (CPB) for 2020/21 is \$1,119 million (\$1,045 million, plus a \$74 million temporary COVID-19 uplift, which is ring-fenced for COVID-19-related CPB costs¹); and

noted that there continues to be considerable uncertainty in forecasting due to the impact of COVID-19 on dispensing patterns.

The Board requested staff consider adding information to this report which identifies medicines with high Māori need, noting that this is also recorded in the regular Prioritisation report to the Board.

11.40am Jan White, Deputy Chair left the meeting.

8.5 Preliminary 2021/22 Combined Pharmaceutical Budget Bid

This paper sets out the preliminary 2021/22 Combined Pharmaceutical Budget (CPB) bid and indicative out-year funding pathway that will be sent to District Health Boards (DHBs) for their formal feedback. The paper also sets out the annual DHB contribution to PHARMAC's operational budget. The Board:

noted the preliminary Combined Pharmaceutical Budget bid for 2021/22 (refer to Appendix One); and

resolved that PHARMAC recommends to District Health Boards that their annual contribution to PHARMAC's operational budget remains at \$1.99 million for 2021/22.

The DHB representative noted that there is still some education required for DHBs relating to how funding of medicines works, specifically medicines investment pathway.

Nicole Anderson and Ross Lawrenson

(carried)

9. Schedule and Funding

9.1 Pharmaceutical Transactions Report

noted the update from PHARMAC staff on the large and/or significant medicines transactions that are currently planned or in progress; and

¹ Note, COVID-19 costs include additional expenditure (e.g. price increases or freight costs) as well as lost or delayed savings opportunities

resolved to delegate decision-making for the proposal to accept Bayer New Zealand's Alternative Commercial Proposal on the anticoagulant rivaroxaban (Xarelto) to the Chief Executive.

PHARMAC staff provided an update to the Board on the proposal to fund two diabetes medicines, empagliflozin (with or without metformin) and dulaglutide for New Zealanders with type 2 diabetes, which was planned for Board decision at this meeting. Staff noted that while feedback received during consultation (approximately 60 individuals and groups) was positive about funding the two medicines, there were some concerns raised which is now being carefully considered and as a result a decision will be delayed. The Board:

noted staff are doing an analysis of the options to respond to the concerns raised in consultation feedback, particularly around access to these medicines, before presenting a funding proposal to the Board for approval. At this stage there is no firm timeframe for when a decision will be presented to the Board; and

noted that staff intend to release external communications as soon as possible and direct engagement with groups who have provided consultation feedback.

The CAC Chair acknowledged the issues within the broader health system relating to medicine access and encouraged staff not to shy away from opportunities to address these challenges.

Ross Lawrence and Claudia Wyss

(carried)

9.2 Prioritisation Report

This report describes prioritisation activity since the last report presented to the Board at its May 2020 meeting. The Board:

noted the prioritisation activity undertaken by PHARMAC staff since June 2020 and the progress of selected items from PHARMAC's prioritisation list; and

noted the action with staff to present a list of priority conditions which address equity in access and use for Māori in January Board report.

9.3 Named Patient Pharmaceutical Assessment Update

The purpose of this paper is to provide the Board with its annual update on PHARMAC's management of applications under the Exceptional Circumstances framework for 2019/20 and to highlight any particular areas where there have been changes in outcomes or approach since the last report. The Board:

noted the Named Patient Pharmaceutical Assessment (NPPA) activities since the previous update to the Board in October 2019.

9.4 Medical Devices Transaction and Investment Report

noted the update on progress with medical devices national contracting activity, one of PHARMAC's six strategic priorities;

noted the update on progress with medical devices national contracting activity;

noted that staff are incorporating messaging on the definition of medical devices into planned sector engagement activities; and

noted that the Board will receive progress updates on the medical devices programme and this is scheduled for February and July 2021, as reflected on the Board annual agenda.

10. Strategic Planning and Policy

10.1 Annual Report 2019/20

resolved, subject to any changes being made to reflect the Board's comments, to approve the Annual Report for 2019/20;

resolved that the Board Chair and the Audit and Forecast Committee Chair sign the Annual Report, Statement of Responsibility and the Letter of Representation for the year ended 30 June 2020;

noted the verbal update from the Audit and Forecast Committee; and

noted Audit NZ's final management report to the Board (included in Audit and Forecast Committee papers).

Nicole Anderson and Ross Lawrenson

(carried)

10.2 PHARMAC 2020/21 Quarter One Performance Report

This paper provides the Board with PHARMAC's 2020/21 Quarter One Performance Report. This provides the Board with assurance on PHARMAC's progress towards our strategic priorities. The Board:

noted the Quarter One Performance Report;

noted the following key insights:

1. PHARMAC is making good progress towards delivering its strategic direction for the first quarter of the new four-year strategy period.
2. Our work programme in the 2020/2021 Statement of Performance Expectations is ambitious and there are resourcing pressures emerging, which are under active discussion by the Senior Leadership Team.
3. There are two areas that have been rated amber and issues are under active management.
4. The following issues have been identified:
 - i) The need to ensure all our consumer-related initiatives have oversight and are working effectively together.
 - ii) The need to make greater progress with DHBs on resolving and mitigating service impacts on them from PHARMAC's pharmaceutical funding decisions.
 - iii) The need to respond to the Board's strong focus on the Data and Analytics Strategic Priority. Management have brought forward work on this programme and are working through how to appropriately resource this, especially in relation to developing a methodology for measuring health outcomes.

5. All but one of our external quarterly performance measures are on track to be achieved by the end of the financial year.

noted that the full set of performance measures are in the Statement of Performance Expectations 2021/21.

The Board commended staff on the revised format of the performance report.

10.3 Enhancing Key Functions strategic programme

This paper provides the Board with an overview of the Enhancing Key Functions strategic programme, the rationale for its design and details of key initiatives within it. The Board:

noted the overview of the Enhancing Key Functions strategic programme;

noted that PHARMAC staff plan to bring a paper the Board in early 2021 about our plan to undertake a public preferences survey in early 2021 which will support our work to change how we prioritise potential new investments; and

noted that the activity in this strategic programme is ambitious and the need for staff to consider how to prioritise our work and highlight the interdependencies across the strategy priority work programmes.

11. Regular Reports and Noting Papers

11.1 Confidential and Legally Privileged Legal Report

noted the legal report which provides an update on current legal issues of relevance to the Board.

11.2 Communications Report

This paper summarises communications activity for September 2020. The Board:

noted that there was a spike in media coverage in September due to the election and PHARMAC being mentioned in the second leaders' debate;

noted that the new PHARMAC website is now live and commended staff on their work;

noted that staff have received positive feedback on the new website and are now working through revising the content on the website to standardise the language and make it easier for the public to engage with; and

noted that while staff are being more proactive with media activities, getting our messages and information to the public while also being considerate and empathetic to patients and their whanau continues to be a challenging balance.

11.3 Summary of Decisions Made Under Delegated Authority – September 2020

noted the monthly summary of decisions made under Delegated Authority by the Chief Executive Director of Operations, Manager Pharmaceutical Funding, Senior Advisor/Team Leader and Senior Therapeutic Group Managers/Team Leaders.

12. Interest Articles

13. General Business

The Board thanked staff for the quality of the Board papers to support Board discussion and decisions.

Date of Next Meeting

The date for the next Board meeting is set for Friday 4 December 2020 (November meeting) in Wellington.

The meeting closed at 2.05pm.

Chair:

Date: