

BRIEFING

Recommendations from independent review of Pharmac

Date: 21 March 2022

To: Hon Andrew Little (Minister of Health)

Copies to: Director General of Health
Pharmac Board
Principal Advisor, Crown Entity Monitoring and Appointments,
Ministry of Health

Recommendations

It is recommended you:

- **note** the contents of this report.

Contact(s)

Sarah Fitt, Chief Executive
Steve Maharey, Board Chair

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Purpose

The purpose of this briefing is to provide you with Pharmac's preliminary feedback on the recommendations to you in the final report of the independent review of Pharmac.

Executive Summary

- The final report of the independent review of Pharmac was delivered to you on 28 February 2022 and contains 33 recommendations across a broad range of Pharmac's activities.
- Pharmac is very supportive of the recommendations for improvement of our work outlined in the report, and we already have programmes of work underway that align well with the recommendation themes, for example in the areas of equity and transparency.
- We welcome the health reforms and see Pharmac operating and working with other health entities in a more integrated and collaborative manner.
- We note the review recommends that responsibility for vaccines and medical devices is transferred to other agencies (the Interim Public Health Agency and Health NZ, respectively). We consider there would be significant value to the government and the health system from Pharmac continuing to have responsibility for vaccines and medical devices, and we are supportive of retaining these functions.
- Overall, Pharmac welcomes the opportunities for improvement outlined in the report and will be working to assess the resource, timing and cost impacts associated with the recommendations over the coming weeks.

Independent Review of Pharmac

We welcome the final report of the independent review of Pharmac as an opportunity to understand how our performance can be improved, how public trust and confidence in our work can be strengthened, and ultimately how the use of medicines and medical devices can better support the health and wellbeing of New Zealanders.

As wider context, we also welcome the Government's health reforms announced in April 2021. We look forward to Pharmac being part of the new integrated health and disability system and note that integration with the wider health system is a strong theme throughout the final report of the review.

The final report contains 33 formal recommendations as well as a number of other suggestions and recommendations for improvement for our work. We are very supportive of many of these and already making changes to how we operate. This includes progressing work programmes to:

- enhance our decision-making processes including undertaking a wide range of work to incorporate equity into our medicines assessment processes
- strengthen our partnership with Māori and how we give effect to Te Tiriti, including further building our capability to operate effectively in te ao Māori

- develop clear and consistent practices in our own work, and influence the work of others across the health system, to improve equity of access to medicines and improve health outcomes
- incorporate more effective consumer engagement in our operations
- better explain how our assessment criteria – the ‘factors for consideration’ – are applied and all the considerations that we take into account in our decisions.

Key points

We welcome the health reforms and see Pharmac operating and working with the Māori Health Authority, Health NZ, Ministry of Health and other health entities in a more integrated and collaborative manner. We are committed to further enhancing both our communication and engagement, and how we collaborate with others.

We note the review recommends that responsibility for vaccines and medical devices is transferred to other agencies (the Interim Public Health Agency and Health NZ, respectively). We consider there would be significant value to the government and the wider health system from Pharmac continuing to have responsibility for vaccines and medical devices, and we are supportive of retaining these functions – while working closely with our health system partners – as outlined below.

Vaccines

The recommendations in the final report of the review include transitioning the decision-making about which vaccines would be funded and their eligibility criteria to the newly established Interim Public Health Agency, while Pharmac would continue to negotiate the price, supply and terms of conditions of supply. Clarification of the roles and functions of the various health agencies with respect to vaccines is also recommended.

Pharmac supports clarification of roles and responsibilities related to vaccines, and we are pleased to see that the review report highlights a number of areas where closer collaboration with our colleagues at the Ministry of Health and other health entities would greatly enhance our understanding of system priorities and improve our decision-making processes and management of vaccines.

In doing so, we continue to see a central role for Pharmac in the assessment and decision-making for vaccines, given the strong fit with our capability and proven track record of successful management of the vaccine portfolio.

Pharmac has almost 10 years of experience assessing and managing funded vaccines since management responsibilities were transferred to us in mid-2012. During this time, we have:

- developed well-established relationships with suppliers (that in many cases integrate with existing relationships for their wider pharmaceutical portfolios)
- established and supported a well-respected expert clinical advisory committee – the Immunisation Advisory Committee – to provide clinical input to our assessments and decisions. Meetings of this committee are attended by the Deputy Director of Public Health and an advisor from MoH’s immunisation implementation team

- developed significant expertise in robust health technology assessment of vaccines
- made significant savings of over \$120 million that have funded:
 - investment in 9 new vaccines and wider access for 15 vaccines
 - increased vaccine uptake overall
- maintained the net total spending on vaccines at 2012 levels – funding more vaccines for more people for the same total cost.

We consider that splitting the responsibilities in the manner recommended in the report would lead to be inefficiencies of resource allocation due to the need for the Interim Public Health Agency to double up the health technology assessment expertise that already exists (and will continue to exist) in Pharmac.

There would also be inefficiencies of budget allocation due to applying different assessment methodologies and budgets to vaccines and medicines. Currently, we can be confident that the vaccines we invest in are good value for money for versus other uses of New Zealand's limited medicines budget; if the assessments and budgets were split this would no longer be the case.

Splitting the functions in the manner recommended could also potentially lead to higher prices of vaccines even if Pharmac continued to manage the procurement, noting that a key reason for Pharmac's success in managing vaccine prices currently is application of the entire Pharmac model, including prioritisation within a fixed budget and negotiating price based on access criteria. If access was pre-determined, before any commercial process, there would be little room for negotiation.

We are looking forward to the opportunities for closer collaboration on public health matters and greater clarity on vaccine funding priorities created by the formation of Health NZ and the Interim Public Health Agency, which we are confident will enhance the quality of vaccine assessment and decision-making.

We accept the review report's findings with respect to equity, and as noted above we are already working hard to incorporate equity considerations into our medicines assessment processes, including vaccines.

We note that Ministers have made an in-principle agreement to transfer responsibilities for the COVID -19 vaccine programme to Pharmac from 1 July 2022. Pharmac staff are working collaboratively with the Ministry of Health to determine the scope of roles and responsibilities that would be transferred, and we note that consistency of approach to roles and responsibilities for all vaccines would be desirable.

Medical devices

The recommendations in the final report of the review include transferring cataloguing and contracting medical devices from Pharmac to Health NZ.

Again, we fully support clarification of roles and responsibilities as part of implementation of health reforms and we look forward to working more closely with Health NZ around planning of health services. However, as for vaccines, we continue to see a central role for Pharmac in the management of hospital medical devices given a strong fit with our capability.

Of note:

- Pharmac has significantly improved transparency of the DHB medical devices market since beginning our work with hospital medical devices in late 2012, and has built much of a framework that can support fuller technology assessment, and manage medical device funding decision in an open and explicit way. Historically this has not been a priority when it has been integrated with health services, as it is seen as a smaller part of the costs being managed by service commissioning agencies
- while savings has not been the key focus of our activities to date (while we build the catalogue), we have nevertheless achieved some savings (in the order of \$100 million cumulated since 2014) across the medical devices portfolio. We have also generated more consistent visibility around price movement over time, which was essentially impossible to determine prior to our involvement
- over the past 10 years we have established good working relationships with all the key medical device suppliers. We are also building good relationships with the key clinical and technical groups, some of which cross over with the medicines space (e.g cardiology, nutrition)
- medical devices are essentially health technologies designed to create a health benefit for consumers, and in the context of limited resources it makes sense to explicitly consider their value against a standard framework to inform the choices that need to be made for the benefit of New Zealanders. We have considerable existing expertise in our health economics staff to perform health technology assessment of new medical devices and a robust decision-making framework, and are well placed to support such a process. Separating assessment and funding of medical devices from medicines is likely to result in allocative inefficiency, both in terms of resource and budget.

A more coordinated health service through the health reforms should lead to better management of medical devices, with better relationships across clinical and commissioning roles, and a more coordinated supply chain and information flows. We look forward to working with Health NZ to deliver better value from health interventions, and ensure we are providing the best health outcomes within the available resources.

Implementation

While we are excited by the opportunities for improvement afforded by the recommendations and suggestions in the final report, many of these would have a significant impact on Pharmac's current workload and we will be working to assess the resource, timing and cost impacts associated with the recommendations over the coming weeks.

It will be important for timeframes to be clarified for the recommendations you support, in particular to avoid complications with commercial processes for medical devices and vaccines, as well as being able to give clarity to impacted staff.



Sarah Fitt
Chief Executive



Steve Maharey
Board Chair