

**From:** Guan Lye Chua <GuanLye.Chua@health.govt.nz>  
**Sent:** Friday, 19 August 2022 11:44 AM  
**To:** Michael Johnson  
**Subject:** COMPLETED, THANK YOU -- RE: Updates to the Minister's Office Initiatives Tracker

Thanks Michael

FYI, I have updated your rows as follows (dark red text with light yellow shading indicates an updated cell).  
 Thanks for your help.

	A	B	C	D	E	F	G
1	Status	Announced	Minister	Minister's current political priority	Lead private secretary	Source	Initiative
141	Complete	Yes	Health (Little)			2021	Increase in the Combined Pharmaceutical Budget
170	In train	Yes	Health (Little)	Yes	Haley Ataera s9(2)(a) haley.ataera@parliament.govt.nz	2022	Increase in the Combined Pharmaceutical Budget

	I	J	K
1	Next milestone 1	Next milestone 1 Due date	Next milestone 2
141	We will provide the Minister with the 2021/22 year-end summary of total medicines funded as part of our quarter four performance report (early Aug 2022).	15-Aug-2022	N/A
170	Next monthly report in early September 2022	15-Sep-2022	Quarterly report in early/mid Octo

1 2	O	P
1	Other future milestones (and due dates)	General notes
141		
170	Monthly and quarterly reports in July 2023	Also note that figures (of medicines funded) are included in mor Office and are also copied to the Ministry. These also include rep

Ngā mihi,  
GL

---

**Guan Lye Chua (he/him)**

Principal Advisor

Financial Strategy and Budget, Corporate Services

s9(2)(a)

[guanlye.chua@health.govt.nz](mailto:guanlye.chua@health.govt.nz)

Manatū Hauora, 133 Molesworth Street Thorndon, Wellington 6011




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**From:** Michael Johnson <[michael.johnson@pharmac.govt.nz](mailto:michael.johnson@pharmac.govt.nz)>

**Sent:** Friday, 19 August 2022 10:58 am

**To:** Guan Lye Chua <[GuanLye.Chua@health.govt.nz](mailto:GuanLye.Chua@health.govt.nz)>

**Subject:** RE: Please ACTION by Friday 9 Sep 2022 -- Updates to the Minister's Office Initiatives Tracker

Hi GL

Made comments below in red

Michael

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**From:** Guan Lye Chua <[GuanLye.Chua@health.govt.nz](mailto:GuanLye.Chua@health.govt.nz)>

**Sent:** Friday, 19 August 2022 10:51 am

**To:** Michael Johnson <[michael.johnson@pharmac.govt.nz](mailto:michael.johnson@pharmac.govt.nz)>

**Subject:** RE: Please ACTION by Friday 9 Sep 2022 -- Updates to the Minister's Office Initiatives Tracker

Thanks Michael.

Just a couple of questions, please –

(1) Row 141, Budget 2021 – **Increase in the Combined Pharmaceutical Budget** –

Column P **General Notes**

Cell P141: The entry in this cell still refers to “31 May 2022”.

Do you need/wish to update this? **These comments can be deleted**

(2) Row 170, Budget 2022 – **Increase in the Combined Pharmaceutical Budget** –

Column I **Milestone 1**

Cell I170: The entry in this cell doesn't read like a milestone description – is this intentional? (or should it be in cell H170 instead and the milestone description updated in cell I170?) **Yes should be in cell H170**

Do you need/wish to update this?

(3) Confirmation of **sign-outs** (rows 141 and 170, column Q)

Can you please provide confirmation that these updates have been reviewed and approved by the appropriate person in Pharmac (ie, provide approver's name and approval date)? **Yes reviewed and approved by me.**

Thanks.

Ngā mihi,

GL

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**Guan Lye Chua (he/him)**

Principal Advisor

Financial Strategy and Budget, Corporate Services

s9(2)(a)

[guanlye.chua@health.govt.nz](mailto:guanlye.chua@health.govt.nz)

Manatū Hauora, 133 Molesworth Street Thorndon, Wellington 6011



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**From:** Michael Johnson <[michael.johnson@pharmac.govt.nz](mailto:michael.johnson@pharmac.govt.nz)>

**Sent:** Thursday, 18 August 2022 4:01 pm

**To:** Guan Lye Chua <[GuanLye.Chua@health.govt.nz](mailto:GuanLye.Chua@health.govt.nz)>

**Subject:** RE: Please ACTION by Friday 9 Sep 2022 -- Updates to the Minister's Office Initiatives Tracker

Hi Guan Lye

I have updated the spreadsheet from Pharmac's perspective. Rows 141 and 170 are the relevant ones that I put in additions.

Pretty straightforward but any questions please come back to me.

Kind regards

Michael.

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**From:** Guan Lye Chua <[GuanLye.Chua@health.govt.nz](mailto:GuanLye.Chua@health.govt.nz)>  
**Sent:** Wednesday, 17 August 2022 11:25 am  
**To:** Michael Johnson <[michael.johnson@pharmac.govt.nz](mailto:michael.johnson@pharmac.govt.nz)>; Deon York <[Deon.York@hqsc.govt.nz](mailto:Deon.York@hqsc.govt.nz)>  
**Subject:** FW: Please ACTION by Friday 9 Sep 2022 -- Updates to the Minister's Office Initiatives Tracker

Hi Michael and Deon,

Re: My email below

I know you cannot access the MOH system, so here's the file as an attachment.

Can you please let me know which rows (or cells) you have updated, so that it is easier for me to transfer the info into the master version here?

Thanks.

Ngā mihi,  
GL

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**Guan Lye Chua (he/him)**

Principal Advisor

Financial Strategy and Budget, Corporate Services

s9(2)(a)

[guanlye.chua@health.govt.nz](mailto:guanlye.chua@health.govt.nz)

Manatū Hauora, 133 Molesworth Street Thorndon, Wellington 6011

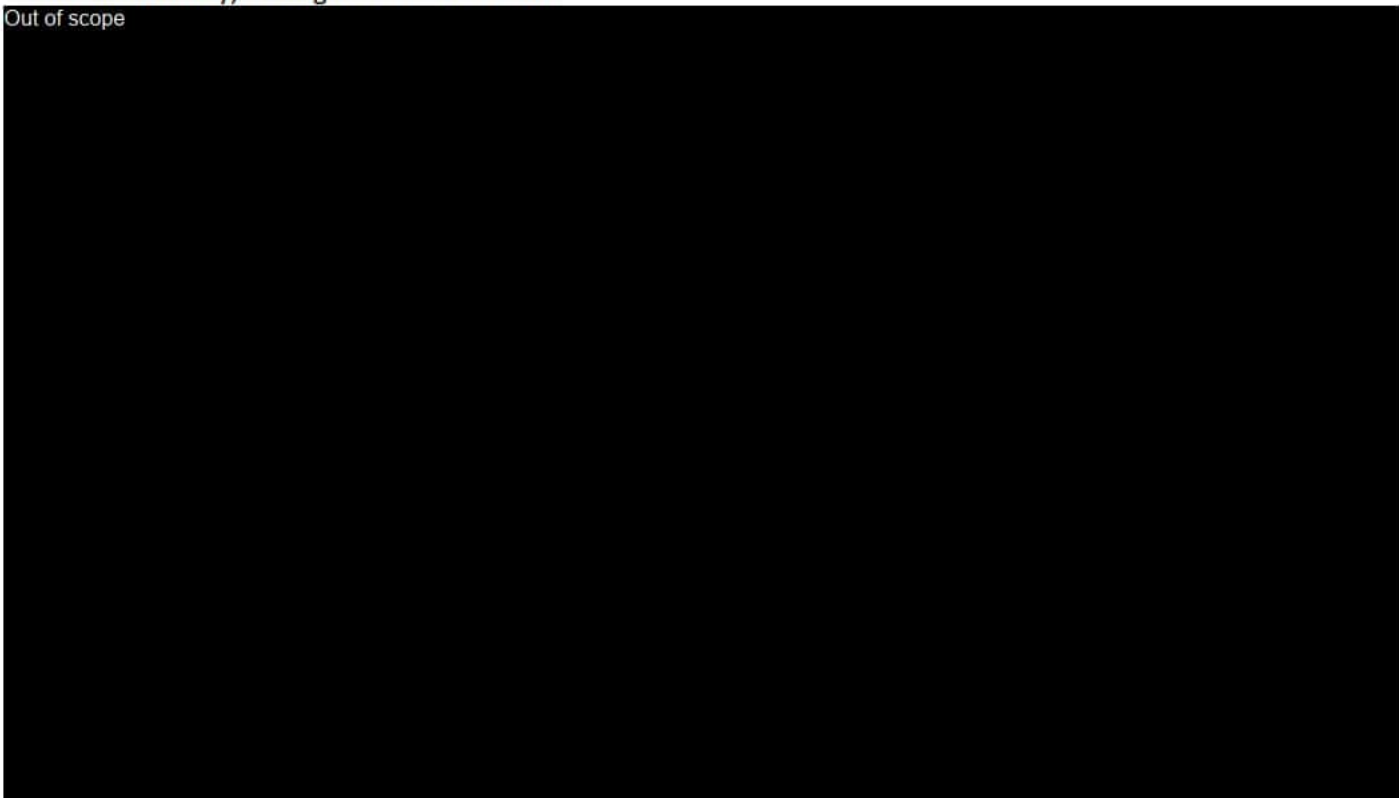


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**From:** Guan Lye Chua

**Sent:** Wednesday, 17 August 2022 11:15 am

Out of scope



Out of scope

<[michael.johnson@pharmac.govt.nz](mailto:michael.johnson@pharmac.govt.nz)>

Out of scope


Out of scope

**Subject:** Please ACTION by Friday 9 Sep 2022 -- Updates to the Minister's Office Initiatives Tracker



Kia ora,

Thank you for your previous update to the Minister's Office Initiatives Tracker in late June 2022.

### FEEDBACK FROM MINISTER'S OFFICE / DPMC ON THE PREVIOUS UPDATE

1. The Minister's Office and the DPMC have advised that the information we previously provided generally aligns with what they are looking for, subject to some refinements (below).
2. **In general**, for future updates, the Minister's Office/DPMC asks that –
  - a. **all agencies improve the quality of reporting** in the tracker (they found the quality of reporting relatively poor), because this is a key document that gives Ministers comfort and assurance that things are progressing well and Ministers also need to know when things are not going to track
  - b. **we have closer look at some "incomplete" 2018 - 2019 initiatives** that are still "in-train"
  - c. **we "complete" initiatives if services have been established** and on-going services are being delivered (ie, set the status to "completed")
  - d. **we provide more immediate term milestones** for tracking, for example if milestone 1 is a long way off (eg, December 2024)
  - e. **we provide dates only in the Milestone Due Date** columns.
3. **Specifically**, the Minister's Office/DPMC also asks that
  - f. 
  - g. For **capital investment** initiatives: "smaller" milestones for the capital investment/build, rather than the final completion dates.
4. **Regular reporting/updates to the tracker** will also be sought to align with the Joint Ministers' monthly meetings (their schedule is provided under the "Future Updates" heading below).

### THE REQUEST THIS TIME

- Please update this tracker file:  [Manifesto and Budget Tracker \(2018-2022\).xlsx](#)
- Identify the rows you need to update by looking for rows with your name in column T **Key Contact Person** and where column A **Status** states "In-Train" or "Not Started"  
This file walks you thru the steps to do this if you don't know how to:  [How to identify the rows you need to update.docx](#)
- On each identified row, your updates need to go into:

- Column A **Status** – set this to “Completed” if the initiative has been completed
- Column H **Completed Milestones** – move completed milestones from **Milestone 1/2/3** columns, and provide completion dates for each milestone
- Columns I/K/M **Milestone 1/2/3**– make sure **Milestone 1** describes the next immediate milestone, and “move up” milestones from **Milestone 2/3** as required
- Columns J/L/M **Due Dates 1/2/3** – make sure you only enter dates in these columns, and use approximate dates if necessary (eg, “15 Mar 2023”, instead of “mid-March 2023”)
- Column O **Future Milestones** – “move up” milestones into **Milestone 1/2/3**, and add any new ones on the “tail-end” of **Future Milestones** as required
- Column P **General Notes** update as required.
- On each identified row, please also check and ensure that you **address the requests from the Minister’s Office/DPMC** (described in points 2 and 3 above)
- **Please arrange for sign-out for your updates**, and email confirmation of that sign-out to [guanlye.chua@health.govt.nz](mailto:guanlye.chua@health.govt.nz)

### THE DEADLINE THIS TIME

- The deadline for you to complete your updates and provide sign-out confirmation is **5 PM, Friday 9 September 2022**

### NEXT STEPS, after Friday 9 September 2022

1. On Monday 12 September 2022: your updates will be reviewed by the Financial Strategy and Monitoring team in Manatū Haoura, and endorsed by the CFO.
2. On Tuesday 13 September 2022: the full tracker file will be forwarded to the Offices of Di Sarfati, Riana Manuel and Margie Apa for their information/review.
3. On Friday 16 September 2022: the full tracker file will be submitted to the Office of the Minister of Health
4. On Tuesday 20 September 2022: Joint Ministers will refer to milestones and due dates in the submitted tracker file in their meeting.

### FUTURE UPDATES AFTER THIS ONE

- You will need to provide updates to the Minister’s Office Tracker file for each future Joint Ministers’ meeting.
- We will send you a link to new instance of the tracker file for each such update (the link in this email will not work for those future updates).
- Future Joint Ministers’ meetings up to December 2022 are scheduled as follows:
  - 4 October 2022 – this means you need to provide another update to the tracker by **Friday, 23 September 2022**
  - 9 November 2022 this means your update for this meeting needs to be available by Friday, 28 October 2022
  - 7 December 2022 – this means your update for this meeting needs to be available by Friday, 25 November 2022.

Thank you.

Ngā mihi,  
GL

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**Guan Lye Chua (he/him)**

Principal Advisor  
Financial Strategy and Budget, Corporate Services

s9(2)(a)

[guanlye.chua@health.govt.nz](mailto:guanlye.chua@health.govt.nz)

Manatū Hauora, 133 Molesworth Street Thorndon, Wellington 6011



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**From:** Sarah Fitt  
**Sent:** Monday, 20 June 2022 12:12 PM  
**To:** Guan Lye Chua  
**Subject:** RE: Please UPDATE -- due 12 noon 22 June -- Minister's Office tracker -- milestones and due dates for manifesto commitments and Budget 2018-2022 initiatives

**Categories:** To file

Type	Decision type	No. of pharmaceuticals
CPB, Not related to COVID-19	Widened access <sup>1</sup>	16
	New listing <sup>2</sup>	6
	<b>Total</b>	<b>22</b>

Guan

This is the table for 21/22 up to 31 May 2022. The full year numbers will be reported in early August. For 22/23 listings from 1 July these are still in progress and we will report on those in early September. Also to note these figures are included in our monthly report which goes to the Minister's office and is also copied to the MOH.

They also include reporting on listing of COVID treatments

Ngā mihi,

Sarah

Sarah Fitt | Chief Executive

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PHARMAC | Te Pātaka Whaioranga | PO Box 10-254 | Level 9, 40 Mercer Street, Wellington  
s9(2)(g)(i) [www.pharmac.govt.nz](http://www.pharmac.govt.nz)

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**From:** Guan Lye Chua <GuanLye.Chua@health.govt.nz>  
**Sent:** Thursday, 16 June 2022 6:13 PM  
**To:** Michael Johnson <michael.johnson@pharmac.govt.nz>; Sarah Fitt <sarah.fitt@pharmac.govt.nz>  
**Subject:** Please UPDATE -- due 12 noon 22 June -- Minister's Office tracker -- milestones and due dates for manifesto commitments and Budget 2018-2022 initiatives  
**Importance:** High

Kia ora.

### Background

As you may remember, you provided an update to the Minister's Office progress tracker earlier this week. The tracker was for the Minister's Office use in updating the Prime Minister's Office (PMO) on manifesto commitments and Budget initiatives (Budgets 2018-2022).

The Minister's Office said that your updates to their tracker "landed really well with PMO".

The Minister's Office has now requested that we complete the remaining cells about milestones and due dates in their progress tracker.

## The Request

Please provide information on **milestones and due dates** for initiatives that are **“in train” or “not started”**.

Please note: This time **your Deputy Director-General needs to sign-out** your update.

Due date: **noon, Wednesday 22 June 2022** with your Deputy Director-General’s sign-out.

For your **milestone and due date** updates:

- The Minister’s Office has asked that you are as accurate as possible (because this will be used as the base for future progress tracking).
- Ministers understand the context and the delivery challenges in the sector, and would really value very transparent and free-and-frank commentary, especially if things are not going to plan.
- For initiatives that have not yet started and where there is no implementation plan yet, it is fine for the first milestone to be about developing a plan.

## What you need to do to provide your update:

1. Please use this file: [.Manifesto and Budget Tracker \(2018-2022\).xlsx](#)

1. The rows you need to **look at** are: **row 141, 170**.

(These rows pertain to the initiatives/manifesto commitments that you lead which are “in train” or “not started”.)

1. For each row, please provide:

- a. information about the **first three milestones and their due dates**, in columns M – R
- b. information about any other **subsequent milestones**, in column S
- c. any **other comments/notes**, in column T, to satisfy the Minister’s Office request for transparency and free-and-frank advice.

1. Please **don’t provide very dense/extensive write-ups** in the Minister’s Office tracker file (eg, if you have more than 3 rows of text in a cell).

If you must provide such extensive write-ups, please instead:

- a. provide a summary of key points in the Minister’s Office tracker file
- b. note in the Minister’s Office tracker file that there is an extensive write-up attached
- c. provide your extensive write-up in a Word document (one file for each row)
- d. email the Word documents through to me, clearly identifying which file pertains to which row.

1. This is an important step: Send me an **email to confirm that your DDG has signed-out the update**.

**What happens after your DDG signs-out your update?**

The next steps are:

- Thursday, 23 June 2022      9:00 AM Update goes to Fergus Welsh, CFO, for review
- 3:00 PM Update goes to Ashley Bloomfield, DG, and the Office of the DG for review
- Monday, 27 June 2022      5:00 PM Feedback from DG and his office
- Tuesday, 28 June 2022      5:00 PM Updated tracker submitted to the Minister’s Office

Thank you.

Ngā mihi,  
GL

**Guan Lye Chua** (he/him)  
**Principal Advisor**  
 Financial Strategy and Budget  
 Corporate Services  
 Ministry of Health | Manatū Hauora  
 a: 133 Molesworth Street, Wellington 6011

s9(2)(a)  
 [REDACTED]  
 e: [guanlye.chua@health.govt.nz](mailto:guanlye.chua@health.govt.nz)  
 [SEEMAIL]

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**From:** Guan Lye Chua <GuanLye.Chua@health.govt.nz>  
**Sent:** Wednesday, 15 June 2022 12:30 PM  
**To:** Michael Johnson  
**Cc:** Sarah Fitt  
**Subject:** THANK YOU (all done) -- Minister's Office Tracker sheet -- EOM

**Categories:** To file

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**From:** Michael Johnson <michael.johnson@pharmac.govt.nz>  
**Sent:** Wednesday, 15 June 2022 11:29 am  
**To:** Guan Lye Chua <GuanLye.Chua@health.govt.nz>  
**Cc:** Sarah Fitt <sarah.fitt@pharmac.govt.nz>  
**Subject:** RE: URGENT by 1PM Wed 15 Jun 2022 - Please update Minister's Office Tracker sheet

Hi Guan Lye

In terms of information needed for the spreadsheet, the table below details the number of new medicines and the number of medicines that are already funded that have had access widened that Pharmac has progressed with the funding increases to the Combined Pharmaceutical Budget (CPB). This means that for each of those initiatives (ie rows 6, 73, 105 and 107 in your spreadsheet) these are completed.

Year	New Listings	Widened access	Total
2020/21	13	19	32
2019/20	14	32	46
2018/19	10	10	20
2017/18	13	39	52

For row 141 this remains in progress for this financial year. We will provide the Minister with the 2021/22 year-end summary of total medicines funded as part of our quarter four performance report. This will be provided to the Minister in early August 2021. We have however reported on progress throughout the year as part of our regular monthly and quarterly performance reporting to the Minister.

For row 170 this is the most recent increase to the CPB made as part of Budget 2022. This is work in progress and we will provide the Minister with reports on progress throughout the 2022/23 financial year as part of our regular monthly and quarterly performance reporting.

I hope this is what you are looking for. If you need anything else then let me know

Cheers

Michael.

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**From:** Guan Lye Chua <[GuanLye.Chua@health.govt.nz](mailto:GuanLye.Chua@health.govt.nz)>  
**Sent:** Tuesday, 14 June 2022 2:16 pm  
**To:** Michael Johnson <[michael.johnson@pharmac.govt.nz](mailto:michael.johnson@pharmac.govt.nz)>  
**Cc:** Sarah Fitt <[sarah.fitt@pharmac.govt.nz](mailto:sarah.fitt@pharmac.govt.nz)>  
**Subject:** RE: URGENT by 1PM Wed 15 Jun 2022 - Please update Minister's Office Tracker sheet

Hi Michael / Sarah

Here's the file as requested-- thanks for your help.

Ngā mihi,  
GL

---  
**Guan Lye Chua** (he/him)  
**Principal Advisor** | Financial Strategy and Budget, Corporate Services | Ministry of Health | Manatū Hauora  
**a:** 133 Molesworth Street, Wellington 6011 | **s9(2)(a)** | **e:** [guanlye.chua@health.govt.nz](mailto:guanlye.chua@health.govt.nz)  
[SEEMAIL]

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**From:** Michael Johnson <[michael.johnson@pharmac.govt.nz](mailto:michael.johnson@pharmac.govt.nz)>  
**Sent:** Tuesday, 14 June 2022 1:55 pm  
**To:** Guan Lye Chua <[GuanLye.Chua@health.govt.nz](mailto:GuanLye.Chua@health.govt.nz)>  
**Cc:** Sarah Fitt <[sarah.fitt@pharmac.govt.nz](mailto:sarah.fitt@pharmac.govt.nz)>  
**Subject:** RE: URGENT by 1PM Wed 15 Jun 2022 - Please update Minister's Office Tracker sheet

Hi Guan Lye

We will get this completed and back to you tomorrow. I however cannot access the link you sent as it is MoH based system and don't have access.

Can you send to Sarah and myself in an alternative form and we will have a look at then

Cheers

Michael

Michael Johnson | Director of Strategic Initiatives

Pharmac | Te Pātaka Whaioranga | PO Box 10 254 | Level 9, 40 Mercer Street, Wellington  
**s9(2)(a)** | [www.pharmac.govt.nz](http://www.pharmac.govt.nz)

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**From:** Guan Lye Chua <[GuanLye.Chua@health.govt.nz](mailto:GuanLye.Chua@health.govt.nz)>  
**Sent:** Tuesday, 14 June 2022 1:37 pm  
**To:** Michael Johnson <[michael.johnson@pharmac.govt.nz](mailto:michael.johnson@pharmac.govt.nz)>  
**Subject:** URGENT by 1PM Wed 15 Jun 2022 - Please update Minister's Office Tracker sheet  
**Importance:** High

Kia ora Michael

**Background to this request:**

The Minister's Office has asked us to update a tracker worksheet of manifesto commitments and initiatives funded in Budgets 2018–2022, for their use in updating the Prime Minister's Office.

The tracker file is here → [•MO Budget Tracker \(as of 15Jun2022\).xlsx](#)

This information is required by 1 PM tomorrow – apologies for the short timeframe, but we were only told yesterday ourselves.

**What is asked of you:**

1. Can you please check and confirm/update the tracker worksheet from the Minister’s Office (provided in the link above)?

The rows you need to look at are rows: 6, 73, 105, 107, 141, 170.

1. Please complete this update by 1 PM tomorrow (Wednesday 15 June 2022).

**The updates that are required from you on the tracker sheet:**

1. Please look for all rows with your name in column J - you can do this easily by filtering for your name (as shown in the illustration on the right)



1. For each row that has your name on it:
  - a. confirm/update the *Status* (in column A) of the initiative/commitment

- *“Complete”* if the initiative/commitment has been fully delivered;
- *“In train”* if actions on the initiative/commitment has been started, but the initiative is not fully delivered;
- *“Not started”* if the actions on the initiative/commitment has yet been started;
- *“Overtaken”* if the need for the

	A	B	C	D	E	F	G
	Status	Announced	Minister	Minister's lead private secretary	Minister	Minister	Initiative
54						2023	The Kaupapa Whānau Kōwhiri Whānau Whānau: He Aka Pūoro Whānau Whānau Pūoro Whānau Whānau
55						2023	Whānau Health Innovation Development Package: Pathways to Ongoing Employment to Enable Sustainable Health Outcomes
56						2023	He Tūhono Te Ao Auaharanga Whānau Whānau: He Tahua Whānau Whānau Auaharanga Whānau Whānau   Increasing Te Ao Auaharanga Whānau Whānau Whānau Health Innovation Fund to Improve Whānau Health Outcomes

initiative/commitment has been overtaken by events.

- a. confirm/update whether it has been *Announced* (in column B) -
  - a. *“Yes”* if it has been made announced or knowledge of it is in the public domain
  - b. *“No”* otherwise
- a. confirm/update which *Minister (in column C)* is responsible
- b. and, if you need to **add notes** (if needed) in **column K (internal use)** or **column S (to be made known to the Minister/PM’ s Office)**

(see illustration on the right)

1. **For future updates (ie, not needed this time):**  
For initiatives/commitments that are not yet *“completed”*, please consider what their **milestones and due dates** (columns L - R) would be.
1. Please email [guanlye.chua@health.govt.nz](mailto:guanlye.chua@health.govt.nz) to inform us that you have completed your update

Thanks.

Ngā mihi,  
GL

---

**Guan Lye Chua** (he/him)

**Principal Advisor**

Financial Strategy and Budget

Corporate Services

Ministry of Health | Manatū Hauora

a: 133 Molesworth Street, Wellington 6011

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e: [guanlye.chua@health.govt.nz](mailto:guanlye.chua@health.govt.nz)

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**From:** Sarah Fitt  
**Sent:** Monday, 9 May 2022 10:28 AM  
**To:** GuanLye.Chua@health.govt.nz; Peter.Jane@health.govt.nz  
**Cc:** Haiou.Wang@health.govt.nz  
**Subject:** RE: Please REVIEW and SIGN-OFF by Monday 9May 12noon -- B22 comms "one-pager" -- Increase in CPB (x1)  
**Attachments:** 14007 Increase in the Combined Pharmaceutical Budget.docx

Hi Guan  
Michael is now on extended leave for the next 6 weeks so I have updated the attached document.  
Please come back to me if you have any further queries

Ngā mihi,

Sarah

Sarah Fitt | Chief Executive

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PHARMAC | Te Pātaka Whaioranga | PO Box 10-254 | Level 9, 40 Mercer Street, Wellington  
9(2)(a) [www.pharmac.govt.nz](http://www.pharmac.govt.nz)

**From:** Guan Lye Chua <[GuanLye.Chua@health.govt.nz](mailto:GuanLye.Chua@health.govt.nz)>  
**Sent:** Friday, May 6, 2022 4:33:00 PM  
**To:** Michael Johnson <[michael.johnson@pharmac.govt.nz](mailto:michael.johnson@pharmac.govt.nz)>; Peter Jane <[Peter.Jane@health.govt.nz](mailto:Peter.Jane@health.govt.nz)>  
**Cc:** Haiou Wang <[Haiou.Wang@health.govt.nz](mailto:Haiou.Wang@health.govt.nz)>  
**Subject:** Please REVIEW and SIGN-OFF by Monday 9May 12noon -- B22 comms "one-pager" -- Increase in CPB (x1)

Kia ora Michael

I attach the reviewed CPB-related "one-pager" for final review and sign-off by Pharmac.

Please note the additional three bullet points in the "Key Messages" section, which you need to review as part of your/Pharmac's sign-off.

Please, as soon as possible or latest by **Monday 12 noon**:

- do a **final review** of the attached one-pager from Pharmac's perspective
- **accept all tracked changes, unhighlight any highlighted text and delete resolved comments** that do not require further attention
- **make any further edits (tracked)** I hope there are no more (Note: we are trying to obtain the baseline figures, and will add these in later)
- **sign-off the updated** documents
- **return and attach** the updated documents to us.

We know this is rather rushed with short timeframes for turn-around, but our hands are a bit tied.  
We need to finalise the one-pagers and submit them to the Office of the DG and the Minister's Office on Monday next week.

The Minister's Office is "chasing" us for these one-pages.

**Full list of Pharmac-related B22 initiatives, with attachments for Pharmac's reviews and sign-offs:**

Ref	Initiative	Attachment
14007	Increase in the Combined Pharmaceutical Budget	

Thanks.

Ngā mihi,  
GL

---  
**Guan Lye Chua** (he/him)  
**Principal Advisor** | Financial Strategy and Budget, Corporate Services | Ministry of Health | Manatū Hauora  
a: 133 Molesworth Street, Wellington 6011 s9(2)(a) | e: [guanlye.chua@health.govt.nz](mailto:guanlye.chua@health.govt.nz)  
[SEEMAIL]

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## Increase in the Combined Pharmaceutical Budget

Category	Health Reform Package					
<b>Description:</b>						
This initiative provides funding to make more medicines available to more New Zealanders through an increase to the Combined Pharmaceutical Budget, which is the medicines budget managed by Pharmac. This will improve patients' access to new medicines or widen access to medicines already funded and contribute to improved equity and health outcomes.						
Funding (\$m)	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears	TOTAL
Operating	-	71.000	120.000	-	-	191.000
Capital	-	-	-	-	-	-

### What the initiative is buying

- More medicines are available for more New Zealanders.

### Expected impacts

- Improved health outcomes and increased equity in health outcomes across New Zealand communities.

### Expected outcomes

- People are living longer in good health and inequities in health are reduced.
- Impact on whānau and health services is reduced.
- Improved equity of access to medicines for Māori and other population groups.
- Achieve value for money by reinvesting all savings made in funding more, new medicines.

### Distribution impact/Equity analysis

- Pharmac will be considering how to best to reduce medicine inequity as it makes its funding decisions, and this significant increase to the medicine budget will benefit priority populations and help address some of these inequities
- Before making funding decisions, Pharmac publicly consults on all funding applications to get feedback from clinicians, consumer groups, whanau and individuals.
- **Māori** – direct targeted and tailored positive impact for Māori, because there are greater inequities in health due to Māori not getting a significant number of medicines despite the burden of disease, ie Māori currently receive medicines at lower rates than non-Māori despite their health needs often being higher
- **Pacific peoples** – direct positive impact for Pacific peoples and other population groups experiencing health disparities, because there are differences in the use of medicines by some population groups, particularly when looked at by ethnicity, ie not all New Zealanders are achieving 'best health outcomes' from medicines funded by Pharmac and they are missing out on the opportunity to improve their health through use of medicines.

### Alignment with Government Policy Statement (GPS) priorities on Health

- Keeping people well in their communities. Medicines prevent, treat or manage many illnesses or conditions and in turn will support people to live better lives, remain at home and potentially prevent hospital admission.
- Achieving equity in health outcomes. This initiative will have a direct positive impact for Māori, Pacific people and other population groups experiencing health disparities.
- Ensuring a financially sustainable health system. Support the health and disability system by achieving value for money in the purchasing and utilisation of medicines.

## Key messages

- This increase to the Combined Pharmaceutical Budget will enable Pharmac to widen access to existing medicines and invest in new ones. This will benefit patients receiving the medicines.
- Without additional funding Pharmac will have little ability to invest in new beneficial medicines. It would have to solely rely on achieving savings through its commercial activities.
- Pharmac has a robust process for making funding decisions which results in high value investment decisions.
- Pharmac will also provide further key messages in a separate consultation package of proposed medicines for funding that the Minister can announce.

## Q&A

- Pharmac will provide detailed Q&A to align with the consultation package mentioned above.

## Existing baseline

	Operating Funding profile (\$m)					
	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears	Total (4 years)
Existing operating funding for this/similar initiatives	1,085.000	1,115.000	1,125.000	1,130.000	1,130.000	5,585.000
Operating funding provided for this initiative	-	71.000	120.000	-	-	191.000

## Key costing assumptions

- Due to the commercially sensitive nature of Pharmac's Options for Investment list (a confidential prioritised list of potential medicine investments), Pharmac cannot disclose the number of or cost of individual new medicines that will be progressed using an uplift in funding. Pharmac will conduct commercial negotiations and procurement processes to ensure it can achieve the best pricing possible in order to maximise the number of items it can fund from its Options for Investment list.
- Pharmac's decisions are made independently to ensure they are based on clinical evidence and expert decision making. The appraisal process is rigorous.
- Pharmac uses a prioritisation process to compare and rank potential investment options against other unfunded medicines that have completed assessment. As possible opportunities for new medicines investment will always exceed the budget Pharmac has available, prioritisation is an intrinsic part of Pharmac's decision-making process.

<b>Responsible Minister:</b>	Hon Andrew Little, Minister of Health	
<b>Ministry/Transition Unit contact:</b>	Kathryn McInteer Director of Corporate Services Pharmac	Email: <a href="mailto:kathryn.mcinteer@pharmac.govt.nz">kathryn.mcinteer@pharmac.govt.nz</a> s9(2)(a)
	Peter Jane Principal Advisor Crown Entity Monitoring and Appointments Office of the Director-General Ministry of Health	Email: <a href="mailto:peter.jane@health.govt.nz">peter.jane@health.govt.nz</a> s9(2)(a)

## Increase in the Combined Pharmaceutical Budget

Category	Health Reform Package					
<b>Description:</b>						
This initiative provides funding to make more medicines available to more New Zealanders through an increase to the Combined Pharmaceutical Budget, which is the medicines budget managed by Pharmac. This will improve patients' access to new medicines or widen access to medicines already funded and contribute to improved equity and health outcomes.						
<b>Funding (\$m)</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26 &amp; outyears</b>	<b>TOTAL</b>
Operating	-	71.000	120.000	-	-	191.000
Capital	-	-	-	-	-	-
<b>What the initiative is buying</b>						
<ul style="list-style-type: none"> <li>More medicines are available for more New Zealanders.</li> </ul>						
<b>Expected impacts</b>						
<ul style="list-style-type: none"> <li>Improved health outcomes and increased equity in health outcomes across New Zealand communities.</li> </ul>						
<b>Expected outcomes</b>						
<ul style="list-style-type: none"> <li>People are living longer in good health and inequities in health are reduced.</li> <li>Impact on whānau and health services is reduced.</li> <li>Improved equity of access to medicines for Māori and other population groups.</li> <li>Achieve value for money by reinvesting all savings made in funding more, new medicines.</li> </ul>						
<b>Distribution impact/Equity analysis</b>						
<ul style="list-style-type: none"> <li>Pharmac will be considering how to best to reduce medicine inequity as it makes its funding decisions, and this significant increase to the medicine budget will benefit priority populations and help address some of these inequities</li> <li>Before making funding decisions, Pharmac publicly consults on all funding applications to get feedback from clinicians, consumer groups, whanau and individuals.</li> <li><b>Māori</b> – direct targeted and tailored positive impact for Māori, because there are greater inequities in health due to Māori not getting a significant number of medicines despite the burden of disease, ie Māori currently receive medicines at lower rates than non-Māori despite their health needs often being higher</li> <li><b>Pacific peoples</b> – direct positive impact for Pacific peoples and other population groups experiencing health disparities, because there are differences in the use of medicines by some population groups, particularly when looked at by ethnicity, ie not all New Zealanders are achieving 'best health outcomes' from medicines funded by Pharmac and they are missing out on the opportunity to improve their health through use of medicines.</li> </ul>						
<b>Alignment with Government Policy Statement (GPS) priorities on Health</b>						
<ul style="list-style-type: none"> <li>Keeping people well in their communities. Medicines prevent, treat or manage many illnesses or conditions and in turn will support people to live better lives, remain at home and potentially prevent hospital admission.</li> <li>Achieving equity in health outcomes. This initiative will have a direct positive impact for Māori, Pacific people and other population groups experiencing health disparities.</li> <li>Ensuring a financially sustainable health system. Support the health and disability system by achieving value for money in the purchasing and utilisation of medicines.</li> </ul>						

## Key messages

- This increase to the Combined Pharmaceutical Budget will enable Pharmac to widen access to existing medicines and invest in new ones. This will benefit patients receiving the medicines.
- Without additional funding Pharmac will have little ability to invest in new beneficial medicines. It would have to solely rely on achieving savings through its commercial activities.
- Pharmac has a robust process for making funding decisions which results in high value investment decisions.
- Pharmac will also provide further key messages in a separate consultation package of proposed medicines for funding that the Minister can announce.

## Q&A

- Pharmac will provide detailed Q&A to align with the consultation package mentioned above.

## Existing baseline

	Operating Funding profile (\$m)					
	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears	Total (4 years)
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Operating funding provided for this initiative	-	71.000	120.000	-	-	191.000

## Key costing assumptions

- Due to the commercially sensitive nature of Pharmac's Options for Investment list (a confidential prioritised list of potential medicine investments), Pharmac cannot disclose the number of or cost of individual new medicines that will be progressed using an uplift in funding. Pharmac will conduct commercial negotiations and procurement processes to ensure it can achieve the best pricing possible in order to maximise the number of items it can fund from its Options for Investment list.
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- Pharmac uses a prioritisation process to compare and rank potential investment options against other unfunded medicines that have completed assessment. As possible opportunities for new medicines investment will always exceed the budget Pharmac has available, prioritisation is an intrinsic part of Pharmac's decision-making process.

<b>Responsible Minister:</b>	Hon Andrew Little, Minister of Health	
<b>Ministry/Transition Unit contact:</b>	Kathryn McInteer Director of Corporate Services Pharmac	Email: <a href="mailto:kathryn.mcinteer@pharmac.govt.nz">kathryn.mcinteer@pharmac.govt.nz</a> s9(2)(a)
	Peter Jane Principal Advisor Crown Entity Monitoring and Appointments Office of the Director-General Ministry of Health	Email: <a href="mailto:peter.jane@health.govt.nz">peter.jane@health.govt.nz</a> s9(2)(a)

## Increase in the Combined Pharmaceutical Budget

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<b>Description:</b>						
This initiative provides funding to make more medicines available to more New Zealanders through an increase to the Combined Pharmaceutical Budget, which is the medicines budget managed by Pharmac. This will improve patients' access to new medicines or widen access to medicines already funded and contribute to improved health outcomes.						
Funding (\$m)	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears	TOTAL
Operating	-	71.000	120.000	-	-	191.000
Capital	-	-	-	-	-	-

### What the initiative is buying

- More medicines are available for more New Zealanders.

### Expected impacts

- Improved health outcomes for New Zealanders

### Expected outcomes

- People are living longer in good health.
- Impact on whānau and health services is reduced.
- Improved equity of access to medicines for Māori and other population groups.
- Achieve value for money by reinvesting all savings made in funding more, new medicines.

### Distribution impact/Equity analysis

- This initiative will have a direct targeted and tailored positive impact for Māori – Māori currently receive medicines at lower rates than non-Māori, despite their health need often being higher, contributing to greater inequities in health. When the burden of disease is considered, there is a significant number of medicines that Māori are not getting.
- This initiative will also have a direct positive impact for Pacific people and other population groups experiencing health disparities – Not all New Zealanders are achieving 'best health outcomes' from medicines funded by Pharmac and are missing out on the opportunity to improve their health through use of medicines. We know that there are differences in the use of medicines by some population groups, particularly when looked at by ethnicity.

### Alignment with Government Policy Statement (GPS) priorities on Health

- Keeping people well in their communities
- Achieving equity in health outcomes
- Ensuring a financially sustainable health system

### Key messages



- To be provided. We are currently working on a consultation package of proposed medicines for funding that the Minister can announce and we will have final details next week.

## Q&A

- We will provide detailed Q&A to align with the consultation package mentioned above.

## Existing baseline

	Operating Funding profile (\$m)					
	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears	Total (4 years)
Existing operating funding for this/similar initiatives	1,085.000	1,115.000	1,125.000	1,130.000	1,130.000	5,585.000
Operating funding provided for this initiative	-	71.000	120.000	-	-	191.000

## Key costing assumptions

- Due to commercially sensitive nature of Pharmac's Options for Investment list (a confidential prioritised list of potential medicine investments) Pharmac cannot disclose the number of or cost of individual new medicines that will be progressed using an uplift in funding. Pharmac will conduct commercial negotiations and procurement processes to ensure it can achieve the best pricing possible in order to maximise the number of items it can fund from its Options for Investment list.
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<b>Responsible Minister:</b>	Hon Andrew Little, Minister of Health	
<b>Ministry/Transition Unit contact:</b>	Kathryn McInteer Director of Corporate Services Pharmac	Email: kathryn.mcinteer@pharmac.govt.nz s9(2)(a)
	Peter Jane Principal Advisor Crown Entity Monitoring and Appointments Office of the Director-General Ministry of Health	Email: peter.jane@health.govt.nz s9(2)(a)

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**From:** Helen Anderson [TSY] <Helen.Anderson@treasury.govt.nz>  
**Sent:** Thursday, 14 April 2022 1:52 PM  
**To:** Michael Johnson  
**Cc:** Jess Hewat [TSY]; Sebastian Doelle [TSY]  
**Subject:** Budget 22 follow-up

[SEEMAIL] [SENSITIVE]

Kia ora Michael,

This is to advise you of Cabinet's decision on Budget 22 funding for the Combined Pharmaceutical Budget in 2022/23 and 2023/24, as per the indicative funding information previously provided by Ministers. Obviously this information is still subject to the Budget confidentiality undertakings as agreed.

Please let me know if you need anything else.

Thank you,

Ngā mihi  
Helen



**TE TAI ŌHANGA**  
**THE TREASURY**

Helen Anderson ([she/her](#)) | Kaitātari – Senior Analyst | Health and ACC | Te Tai Ōhanga – The Treasury

s9(2)(a)

Īmēra: [helen.anderson@treasury.govt.nz](mailto:helen.anderson@treasury.govt.nz)

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**From:** Michael Johnson  
**Sent:** Monday, 4 April 2022 9:07 AM  
**To:** Jess Hewat [TSY]; Fergus.Welsh@health.govt.nz  
**Subject:** Budget Sensitive - Budget 2022

Kia Jess and Ferg

As you will be both be aware, we recently received a letter from the Ministers of Finance and Health regarding the Government's indicative decision to increase the level of the CPB in Budget 2022. This information was Budget Sensitive as the allocation has not yet been formally signed off by Cabinet. We were asked to get a small number of staff at Pharmac to sign confidentiality agreements not to disclose information.

Our Finance Manager (who has not signed a confidentiality agreement) received this morning an email from a member of staff in your team Ferg asking to confirm appropriation numbers for the CPB and operational budget. I have subsequently got our Finance Manager and another member of staff who he forwarded this email too to sign confidentiality agreements. Just wanted you both to be aware the position as we take this very seriously and from our perspective are respecting the arrangements that we were asked to comply with.

Kind regards

Michael.

Michael Johnson | Director of Strategic Initiatives

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Pharmac | Te Pātaka Whaioranga | PO Box 10 254 | Level 9, 40 Mercer Street, Wellington

s9(2)(a)

[www.pharmac.govt.nz](http://www.pharmac.govt.nz)

## BUDGET-SENSITIVE

### Hon Grant Robertson

MP for Wellington Central  
Deputy Prime Minister  
Minister of Finance  
Minister for Infrastructure  
Minister for Sport and Recreation  
Minister for Racing

### Hon Andrew Little

Minister of Health  
Minister Responsible for the GCSB  
Minister Responsible for the NZSIS  
Minister for Treaty of Waitangi Negotiations  
Minister Responsible for Pike River Re-entry



Hon Steve Maharey  
Chair, Pharmac

29 MAR 2022

Sarah Fitt  
Chief Executive, Pharmac

Tēnā kōrua Steve and Sarah

#### ***Budget 2022 – Indicative decision on Combined Pharmaceutical Budget funding***

As you will know, the Government is currently considering funding decisions for Budget 2022, including the request for additional funding for the Combined Pharmaceutical Budget (CPB).

This letter shares with you the Government's indicative decision on additional CPB funding at Budget 2022. This information is being provided to enable Pharmac to start negotiations with suppliers to purchase new medicines, with a view to the Government publicly releasing information on Budget Day (19 May) about the expected use of this funding.

**This information is BUDGET SENSITIVE and we expect it to be held in strict confidence by you and a small number of responsible officials in your entity, who will need to sign confidentiality agreements relating to the information. We expect that you will take utmost care not to reveal Budget-sensitive information in your negotiations with third parties.**

The expected funding increase for the CPB at Budget 2022 is \$191 million over two years, as shown in the table below.

\$ million	2022/23	2023/24	2024/25	2025/26
CPB baseline (excluding COVID-19 funding)	1,090	1,100	1,105	1,105
Indicative Budget 2022 funding	71	120	0	0

**This allocation has not been formally signed off by Cabinet.** The outcome of Cabinet's final Budget 2022 decision will be provided to you in mid-April.

BUDGET-SENSITIVE

**BUDGET-SENSITIVE**

While recognising the need for additional CPB funding to enable New Zealanders to access more new medicines, we expect Pharmac to continue its efforts to reduce the costs of the medicines it funds.

We look forward to working with you and your officials in the lead-up to Budget Day.

Yours sincerely



Hon Grant Robertson  
**Minister of Finance**



Hon Andrew Little  
**Minister of Health**

---

**From:** Michael Johnson  
**Sent:** Wednesday, 16 February 2022 11:54 AM  
**To:** Andrew Powell  
**Cc:** Kevin Davies  
**Subject:** RE: PHARMAC's advice to Minister on what additional Budget funding would purchase

Hi Andrew

Hope you are well.

Pharmac has not provided any information directly to the Minister of Health on the budget bid. The only information that we have provided over and above the budget bid template that we sent to you is some information to the Cancer Control Agency (CCA). The CCA were seeking to respond to a request made to them from Minister Little about the CPB budget bid and what this would mean for funding new cancer medicines. The CCA did not have this information and asked us directly to provide information to them to respond to the Minister's request. The information that we provided to the CCA is below:

The budget advice that we were asked to submit for Budget 2022 was a budget bid of \$191 million over four years for an increase to the CPB. If this was to eventuate Pharmac this could mean we would be able to fund (amongst other things) approximately 6 new cancer treatments. s9(2)(i)

s9(2)(j)

Our original advice to the MoH was for a budget bid of \$191 million over two years for an increase to the CPB. If this was to eventuate this could mean that we would be able to fund (amongst other things) 9(2)(b)(ii) and 9(2)(j)

9(2)(b)(ii) and 9(2)(j)

Hope that is helpful. If you need anything further please let me know

Michael.

Michael Johnson | Director of Strategic Initiatives

Pharmac | Te Pātaka Whaioranga | PO Box 10 254 | Level 9, 40 Mercer Street, Wellington  
s9(2)(g)(i) [www.pharmac.govt.nz](http://www.pharmac.govt.nz)

---

**From:** Andrew Powell <Andrew.Powell@health.govt.nz>  
**Sent:** Wednesday, 16 February 2022 10:20 am  
**To:** Michael Johnson <michael.johnson@pharmac.govt.nz>  
**Cc:** Kevin Davies <Kevin.Davies@health.govt.nz>  
**Subject:** PHARMAC's advice to Minister on what additional Budget funding would purchase

Hi Michael,

Ministers have asked the Ministry to provide further advice on the CPB allocation in Budget so if we can work together on this.

As a first step, we understand PHARMAC has provided advice to Minister on what additional Budget funding would purchase.

Could we get a copy of this?

Cheers,

**Andrew Powell**

**Manager**

Financial Strategy and Budget

Corporate Services

Ministry of Health | Manatū Hauora

a: 133 Molesworth Street, Wellington 6011

s9(2)(a)

e: [andrew.powell@health.govt.nz](mailto:andrew.powell@health.govt.nz)

\*\*\*\*\*

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## *Increase in the Combined Pharmaceutical Budget*

### Section 1: Overview

*This section must be completed for all initiatives.*

#### Section 1A: Basic Initiative Information

<b>Lead Minister</b>	Hon Andrew Little, Minister of Health				
<b>Department</b>	Ministry of Health				
<b>What type of initiative is this?</b>	<i>Critical cost pressure initiative</i>	X	<i>Manifesto commitment initiative</i>	<i>Health and Disability System Reform initiative</i>	
	<i>Climate Emergency Response Fund initiative</i>		<i>Savings initiative</i>	<i>Non-Spending initiative</i>	
<b>Initiative description [max 800 Characters]</b>	<i>This initiative provides funding to ensure more medicines are available to more New Zealanders through an increase to the Combined Pharmaceutical Budget, which is the medicines budget managed by Pharmac. This will improve patients' access to well-evidenced treatments that will improve health and wellbeing through use of medicines.</i>				
<b>Is this a Cross-Vote initiative?</b>	N				
<b>Department contact</b>	Peter Jane <a href="mailto:peter.jane@health.govt.nz">peter.jane@health.govt.nz</a> <span style="background-color: black; color: black;">s9(2)(a)</span>				
<b>Treasury contact</b>	Justin Alsleben, Vote Analyst, Health and ACC				

#### Section 1B: Total Funding Sought

Operating funding sought (\$m)	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears	Total
	-	40.000	45.000	50.000	56.000	191.000

Capital funding sought (\$m)	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	Total
	-	-	-	-	-	-	-	-	-	-	-



## BUDGET SENSITIVE

### Section 1C: Initiative Classifications

Is this initiative seeking funding from the Climate Emergency Response Fund (CERF)? [max 300 characters in CFISnet].	N	
Is this initiative climate-related, but not seeking funding from the CERF? [max 300 characters in CFISnet].	N	
Does this initiative align with the Crown's obligations under the Treaty of Waitangi?	Strong	Not all New Zealanders are achieving 'best health outcomes' from medicines funded by Pharmac and some are missing out on the opportunity to improve their health and wellbeing through use of medicines. We know that there are differences in the use of medicines by some population groups, particularly when looked at by ethnicity. Research shows significant differences in the way Māori receive medicines in comparison to other New Zealanders. When the burden of disease is considered, there is a significant amount of medicines that Māori are not getting.
Specify if this initiative will help reduce child poverty and describe the impact [max 300 characters in CFISnet].	Low impact	Equitable medicines access for populations experiencing health disparities may reduce downstream financial costs and loss of income from ill health, which in turn may contribute to a reduction in child poverty.
Does this initiative align with the Child and Youth Wellbeing Strategy?	N	
Does the initiative include funding to procure from NGOs?	N	
Does the initiative include funding to support digital and data related investments?	N	
Is this a regulatory or legislative initiative (according to the guidance provided)?	N	
Is this a significant investment initiative per the definition at section 4.8 of the Budget 2022 guidance?	N	
		Data / Digital / ICT      Physical Infrastructure      Organisational Transformation      Specialised Equipment
		<b><u>See Annex A for further questions – mandatory to complete for all significant initiatives</u></b>

### Section 3: Value

*Section 3 must be completed for all initiatives, unless exempted by the Minister of Finance in the invitation letter. Further information on the questions in this section can be found at Annex Two of the Budget 2022 guidance.*

This section explains the initiative's value, drawing on elements of He Ara Waiora (section 3A) and the Living Standards Framework (Section 3D). For explanations of these two frameworks, please see the accompanying guidance.

#### Explanation

Intervention logic terms such as outputs, impacts, and goals can have different definitions. Please see table below for how the Treasury defines these concepts.

Explanation Table		
<i>This explanation table is for your reference only. Do not fill out the sections.</i>		
	Definition	Example
<b>Outputs</b>		<p>The purchased goods are localised curriculum resources in te reo Māori, as well as the services of publishers, designers and story tellers.</p> <p>Costs cover the design, development, distribution and maintenance of online tools, interactive electronic and hard copy resources to promote and provide teachers, students and whānau, and external providers with quality tools and resources to enable effective teaching and learning from offsite or the workplace using a range of online, distance and place-based delivery modes.</p>
<b>Impact</b>		<ul style="list-style-type: none"> <li>• Increased whānau involvement in education which is a key driver to lifting student engagement and achievement.</li> <li>• Improved student engagement and achievement in education that better reflects their identity, language and culture.</li> <li>• Increased visibility of te reo Māori at schools and in the community.</li> <li>• Learning programmes supported by quality te reo Māori resources.</li> </ul>
<b>Goals</b>		<ul style="list-style-type: none"> <li>• Normalisation of te reo Māori used by teachers in the classroom, wider school and home.</li> <li>• Increased student and whānau participation in and retention of te reo Māori learning.</li> <li>• Increase in the quality of te reo Māori used by teachers and students.</li> <li>• Attitudinal shift in the wider education community that te reo Māori is recognised as being for everyone.</li> </ul>

## BUDGET SENSITIVE

### Section 3A: Opportunity/Problem

#### Opportunity/Problem

*What is the overarching opportunity or problem this initiative is responding to?*

The Combined Pharmaceutical Budget funds medicines and related products given in public hospitals and dispensed from community pharmacies. It also funds vaccines (except the COVID-19 vaccine).

Medicines prevent, treat or manage many illnesses or conditions and are the most common intervention in health care. By providing more funding for the Combined Pharmaceutical Budget this will support Pharmac to fund more new medicines or widen access to medicines already funded.

When a medicine is funded it is equally available to all New Zealanders who meet the criteria for its use, and in whom the medicine is indicated and appropriate.

### Section 3B: He Ara Waiora

**Tikanga-** decisions are made by the right decision-makers, following a tikanga process, according to tikanga values

*Outline how the policy and implementation plan for this initiative have been or will be designed, developed and/or delivered in partnership with iwi and Māori, relevant agencies, and with affected communities and groups. If not, please indicate the reasons why.*

Māori advice and guidance are provided to Te Pātaka Whaioranga Pharmac through its advisory committees and advisory groups. An inaugural external Māori Advisory Rōpū has been formed and will be providing advice and guidance to the Board and Senior Leadership Team. The trend of increasing equitable Māori representation on the Board and advisory committees has commenced- 2 new Māori Board members appointed, Consumer Advisory Board (4 Māori members) and Responsible Use Advisory Group have equitable representation with 4 members. The Pharmaceutical and Therapeutics Advisory Committee is chaired by a Māori and work is underway to increase the level of representation on this committee.

Te Pātaka Whaioranga has a Chief Advisor Māori at the Senior Leadership Team level.

Te Pātaka Whaioranga has tikanga Māori values woven into the organisational values to provide contextualised Māori world views. The values are whakarongo, tūhono, wānanga, māia and kaitiakitanga. A programme of work is being implemented to embed the values across the organisation.

**Manaakitanga-** focus on improved wellbeing and enhanced mana for iwi and Māori, and for other affected communities and groups, demonstrating an ethic of care and mutual respect

*Demonstrate the department's understanding of the distinctive priorities, values and aspirations of iwi and Māori, and affected communities and groups, in relation to this initiative, and how these are being accommodated. If not, please indicate the reasons why.*

Māori health considerations are an integral part of Pharmac's decision-making framework (Factors for Consideration) for funding medicines and are applied throughout Pharmac's assessment and transaction process with the goal of upholding the articles of Te Tiriti o Waitangi, and advancing Māori health and aspirations: Tino Rangatiratanga; Partnership; Active protection; Options and Equity.

### Section 3C: Outputs – The good or service the initiative purchases - please see intervention logic at end of proposal.

#### Output

#### Description

## BUDGET SENSITIVE

**More publicly funded medicines are available.**

By providing additional funding for the Combined Pharmaceutical Budget this will enable Pharmac to invest in evidence-based, clinically appropriate, good value medicines.

### Section 3D: Impacts – The direct effect of the initiative

*Please repeat these questions for each impact*

<b>Impact 1</b>	<b>Description of the impact</b>	Improved health outcomes for New Zealanders who meet the criteria for the medicines use, and in whom the medicine is indicated and appropriate.
	<b>Quantification</b>	Pharmac have longstanding processes to ensure our funding decisions are based on maximising expected health gains. We are currently progressing work to determine the level of actual health outcomes achieved.
	<b>Supporting Evidence</b>	Pages 43 of Pharmac's 2020/21 Annual Report <a href="https://pharmac.govt.nz/assets/Annual-Report-2020-2021.pdf">https://pharmac.govt.nz/assets/Annual-Report-2020-2021.pdf</a>  During 2020/21, Pharmac considered a range of approaches and methodologies to measure actual health outcomes and then moved on to completing an assessment for one medicine of outcomes achieved compared with what had been expected to test our approach. We expect to release the results of that work in 2021/22, revise our approach based on our learnings, and progress two more test medicines.
	<b>Gaps in Evidence</b>	This is a complex piece of work that involves multiple stakeholders and disparate data sets to assess the overall health outcomes achieved. In addition, there are issues of availability of data at the patient level to determine whether expected results were achieved, the extent to which a health gain or loss is attributable to a medicine, and a range of health sector considerations, such as the alignment of prescribing with other health interventions, such as primary or surgical services.
	<b>Assumptions</b>	The determinants of health and wellbeing are multi-factorial and it is not possible to solely attribute to people living longer to medicine alone.
	<b>Implications</b>	
<b>Impact 2</b>	<b>Description of the Impact</b>	People are living longer in good health
	<b>Quantification</b>	The Health and Independence Report produced by the Ministry of Health presents an annual overview of the state of health and wellbeing of New Zealanders on behalf of the Director-General of Health.
	<b>Supporting Evidence</b>	The latest Health and Independence report from 2019 presents the latest data on measures of health, including life expectancy, causes of health loss, and determinants of health. <a href="https://www.health.govt.nz/publication/health-and-independence-report-2019">https://www.health.govt.nz/publication/health-and-independence-report-2019</a>
	<b>Gaps in Evidence</b>	There has not been a report since 2019. The impacts of COVID-19 on the health and disability system, and people's health and wellbeing have therefore not been evidenced yet.

## BUDGET SENSITIVE

	<b>Assumptions</b>	The determinants of health and wellbeing are multi-factorial and it is not possible to solely attribute to people living longer to medicine alone.
	<b>Implications</b>	Improved life expectancy and health expectancy.
<b>Impact 3</b>	<b>Description of the Impact</b>	Health equity for Māori and other population groups.
	<b>Quantification</b>	As part of Pharmac's work on equitable access and use of medicines Pharmac have sought for the first time to undertake measurement of possession rates, access rates and persistence rates for medicines for Māori and non-Māori.
	<b>Supporting Evidence</b>	Pages 39-41 of Pharmac's 2020/21 Annual Report <a href="https://pharmac.govt.nz/assets/Annual-Report-2020-2021.pdf">https://pharmac.govt.nz/assets/Annual-Report-2020-2021.pdf</a>
	<b>Gaps in Evidence</b>	The health inequities for Māori and other population groups are well evidenced and researched across the health and disability system.
	<b>Assumptions</b>	Refer to Pharmac 2020/21 Annual Report.
	<b>Implications</b>	Pharmac developed new measures and methodology in 2020/21 with the focus being on closing the equity gaps for Maori and other population groups medicines that Pharmac already fund.
	<b>Impact 4</b>	<b>Description of the Impact</b>
<b>Quantification</b>		Pharmac annually publish in Annual Report the price, volume, mix of medicines in New Zealand over the last 10 years.
<b>Supporting Evidence</b>		Refer to Appendix One.
<b>Gaps in Evidence</b>		N/A
<b>Assumptions</b>		The data comes from the raw data in Pharmac's forecasting system, from which the "Price Volume Mix" (PVM) model is created.
<b>Implications</b>		The price, volume mix graph shows that the number of medicines (volume index) and the variety of medicines (mix index) have increased - meaning we are seeing more, and varied, medicines in New Zealand. At the same time, the cost of medicines (the cost index) has increased but the actual price paid (the subsidy index) has decreased – showing Pharmac is getting more medicines for less money.

### Section 3E: Goals – What this initiative aims to achieve

*Please repeat these questions for each goal*

<b>Goal 1</b>	<b>Description</b>	More medicines are available for more New Zealanders.
	<b>Quantification</b>	Pharmac publish annually a 'Year in Review' which provides more detailed information than its Annual Report on the work and impact of Pharmac <a href="https://pharmac.govt.nz/assets/images/YIR-2021/Year-in-Review-2021.pdf">https://pharmac.govt.nz/assets/images/YIR-2021/Year-in-Review-2021.pdf</a>
	<b>Timeframes</b>	Annual publication
	<b>Evidence and Assumptions</b>	Refer to Year in Review publication. Whilst the publication is a retrospective look at the previous financial year, as part of quarterly reporting to the Minister of Health Pharmac provide a summary update of investment decisions which includes new medicines funded and estimated new patients that would benefit from the medicines.

## BUDGET SENSITIVE

	<b>Implications</b>	More New Zealanders are receiving publicly funded medicines. The number of new medicines funded or have widened access increases annually.
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Section 3F: Distributional Analysis								
<b>Question 1: Does the initiative have the following types of distributional impacts for Māori?</b>	A	Direct	X	Indirect		No Impact		
	<i>If direct, please complete Question 1B. If indirect or no impact, please progress to Question 2.</i>							
	B	Targeted and tailored for Māori		Disproportionate positive impact	X		Other (explain)	
<p><i>Please explain why the initiative falls under the category identified in B above [max. 300 characters in CFISnet].</i></p> <p>Māori receive medicines at lower rates, than non-Māori, despite their health need being higher – contributing to greater inequities in health. When the burden of disease is considered, there's a significant amount of medicines that Māori are not getting.</p>								
<b>Question 2: Does the initiative have the following types of distributional impacts for Pacific Peoples?</b>	A	Direct	X	Indirect		No Impact		
	<i>If direct, please complete Question 2B. If indirect or no impact, please progress to Question 3.</i>							
	B	Targeted and tailored for Pacific Peoples		Disproportionate positive impact	X		Other (explain)	
<p><i>Please explain why the initiative falls under the category identified in B above [max. 300 characters in CFISnet].</i></p> <p>Not all New Zealanders are achieving 'best health outcomes' from medicines funded by Pharmac and are missing out on the opportunity to improve their health through use of medicines. We know that there are differences in the use of medicines by some population groups, particularly when looked at by ethnicity. This is also likely for Pacific peoples and other population groups experiencing inequities.</p>								
<b>Question 3: Does the initiative have the following types of distributional impacts for children?</b>	A	Direct		Indirect	X – possible impact through funded medicines	No Impact		
	<i>If direct, please complete Question 3B. If indirect or no impact, please progress to Question 4.</i>							
	B	Targeted and tailored for children		Disproportionate positive impact			Other (explain)	
<p><i>Please explain why the initiative falls under the category identified in B above [max. 300 characters in CFISnet].</i></p> <p>Equitable medicines access for populations experiencing health disparities may reduce downstream financial costs and loss of income from ill health, which in turn may contribute to a reduction in child poverty.</p>								
<b>Question 4: Does the initiative have direct impacts on any other population groups?</b>	N	<i>If yes, please list population groups impacted, e.g. "People with disabilities" [max 300 characters in CFISet]. When a medicine is funded, it is available to all New Zealanders who meet the criteria for its use, and in whom the medicine is indicated and appropriate.</i>						
<b>Question 5: What region is this initiative expected to impact?</b>	X	All of New Zealand		Gisborne		Northland		Tasman
		Areas outside regions		Hawke's Bay		Offshore		Waikato
		Auckland		Manawatu-Whanganui		Otago		Wellington
		Bay of Plenty		Marlborough		Southland		West Coast
		Canterbury		Nelson		Taranaki		

## Section 4: Alignment

*Section 4 must be completed for all initiatives, unless exempted by the Minister of Finance in the invitation letter. Further information on the questions in this section can be found at Annex Two of the Budget 2022 guidance.*

Section 4A: Strategic Alignment	
How does this initiative link with your strategic intentions/statement of intent?	<p><i>Outline how the initiative aligns with agency strategy.</i></p> <p>By providing additional funding for the Combined Pharmaceutical Budget this will support more medicines being available for more New Zealanders. This aligns with Pharmac's current strategic direction as outlined in its 2020/21 – 2023/4 Statement of Intent and the following three health system outcomes that Pharmac's strategic direction is seeking to achieve:</p> <ul style="list-style-type: none"> <li>• People are living longer in good health</li> <li>• People have an improved quality of life</li> <li>• Health equity for Māori and other people.</li> </ul>
Does this initiative link with other sectoral or whole-of-government strategies (e.g. the Pacific Wellbeing Outcomes Frameworks)?	<p><i>If yes, state the name of the strategy and briefly describe how the initiative aligns to or contributes to the strategy.</i></p> <p>By improving access for Māori and Pacific Peoples access to publicly funded medicines this will support the Ministry of Health's Māori Health Action Plan 2020 – 2025 and Ola Manuia: The Pacific Health and Wellbeing Action Plan 2020 -2025.</p>
Does this initiative impact other agencies directly or indirectly? If so, how?	<p><i>Outline impacts and interdependencies of your initiative on other organisations and individuals in the policy areas, sectors, or systems your agency operates in.</i></p> <p>This initiative will have a direct impact across the entire health and disability system.</p>

## Section 4B: Alignment to Government's goals

The Government's goals for this term are:

- 1) Continuing to keep New Zealand safe from COVID-19
- 2) Accelerating the recovery and rebuild from the impacts of COVID-19
- 3) Laying the foundations for the future, including addressing key issues such as our climate change response, housing affordability and child poverty

**Alignment to Government goals**

*What Government goal(s) does this initiative align with? Answers must not exceed 1-2 paragraphs.*

N/A.

## Section 4C: Contribution to the Government's Wellbeing Objectives

The Government's five wellbeing Objectives are:

- **Just Transition:** supporting the transition to a climate-resilient, sustainable, and low-emissions economy.
- **Future of Work:** enabling all New Zealanders and New Zealand businesses to benefit from new technologies and lift productivity and wages through innovation
- **Physical and Mental Wellbeing:** supporting improved health outcomes for all New Zealanders, including protecting New Zealanders from the impacts of COVID-19.



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- **Māori and Pacific:** lifting Māori and Pacific incomes, skills, and opportunities, including through access to affordable, safe, and stable housing
  - **Child Wellbeing:** reducing child poverty and improving child wellbeing, including through access to affordable, safe, and stable housing.
- \*Please note: these objectives have been agreed by Cabinet subject to wider consultation. The final versions of the objectives will be published in the Budget Policy Statement in December 2021.*

<b>Contribution to Wellbeing Objective(s)</b>	<p><i>Which wellbeing objective(s) does this initiative contribute to and how? Is it a direct or indirect contribution? Answers must not exceed 1-2 paragraphs.</i></p> <p>Medicines prevent, treat or manage many illnesses or conditions and are the most common intervention in health care. By increasing the level of the Combined Pharmaceutical Budget this would support the Government's physical and mental health wellbeing objective.</p>
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### Section 5: Delivery

Section 5 must be completed for all initiatives. Further information on the questions in this section can be found at **Annex Two** of the Budget 2022 guidance.

#### Section 5A: Fit with existing activity

*The answer must not exceed 1-2 paragraphs.*

<b>How does the initiative link with existing initiatives with similar objectives?</b>	<p><i>Describe how the initiative links with existing services or initiatives, including non-spending arrangements, with similar objectives.</i></p> <p>The existing level of the Combined Pharmaceutical Budget for 2022/23 is \$1090 million (excluding the temporary funding provided for COVID-19 Combined Pharmaceutical Budget related expenditure). The initiative will increase the level of the Combined Pharmaceutical Budget to support an increase in more medicines being available for more New Zealanders.</p>	
<b>Is the initiative an expansion or a cost pressure for an existing initiative?</b>	Y	<p><b><i>If yes, provide a concise overview of how this initiative will expand on or maintain existing services.</i></b></p> <p>This initiative will ensure more medicines are available to more New Zealanders through an increase to the Combined Pharmaceutical Budget.</p>

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Provide an overview of existing funding levels for this initiative, and/or initiatives with similar objectives, in the two tables below.

	Operating Funding profile (\$m)					Total					
	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears						
Existing funding for this/similar initiatives	1,085	1,090	1,100	1,105	1,105	1,105					
Total funding sought for this initiative	-	40.000	45.000	50.000	56.000	191.000					
% change between existing funding and funding sought	0%	3.7%	0.4%	0.4%	0.5%						
Comments (optional)	Provide explanatory comments to help interpretation of the above baseline figures.										
	Capital Funding profile (\$m)										Total
	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	
Existing funding for this/similar initiatives											
Total funding sought for this initiative											
% change between existing funding and funding sought											
Comments (optional)	Provide explanatory comments to help interpretation of the above baseline figures.										

### Section 5B: Funding sought by input

Provide a breakdown of what the requested funding will purchase. Briefly explain the formula used, or key assumptions made, to calculate the cost of each output. Add additional rows to the table as needed to capture each output separately. Please include which Vote(s) will be impacted by each component.

<p><b>Formula and assumptions underlying costings</b></p>	<p>Due to commercially sensitive nature of Pharmac's Options for Investment list (a confidential prioritised list of potential medicine investments) Pharmac cannot disclose the number or cost of individual new medicines.</p> <p>Pharmac's decisions are made independently to ensure they are based on clinical evidence and expert decision making. The appraisal process is rigorous. Pharmac staff consider the clinical advice, undertake cost utility and budget impact assessments and seek additional information as required to ensure that a comprehensive assessment occurs using our decision-making framework – the Factors for Consideration.</p> <p>Pharmac uses a prioritisation process to compare and rank potential investment options against other unfunded medicines that have completed assessment. The output of the prioritisation process is a list of potential medicine investments – the Options for Investment list. As possible opportunities for new medicines investment will always exceed the budget Pharmac has available, prioritisation is an intrinsic part of Pharmac's decision-making process.</p>					
Input – Operating [Enter one number value per field only into CFISnet]	Funding profile (\$m)					Total
	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears	Number values only, i.e. 15 or 100000. Do not enter any text, \$ signs or % signs.
Input Information						

## BUDGET SENSITIVE

New Medicines or widened access to currently funded medicines	-	40.000	45.000	50.000	56.000	191.000					
<b>FTE-specific Input Information (if applicable)</b>											
New FTE funding											
New contractor funding											
Additional FTE overhead funding											
<b>Total</b>	-										
<b># of FTE's (employees and/or contractors)</b>											
<b>What's the % increase in FTE compared to baseline FTE numbers</b>											
	<b>Funding profile (\$m)</b>										<b>Total</b>
<b>Input – Capital</b>	<b>21/22</b>	<b>22/23</b>	<b>23/24</b>	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>	<b>28/29</b>	<b>29/30</b>	<b>30/31</b>	
<b>Total</b>											
<b>Appropriations</b>	<i>As part of the changes to the Vote Health appropriation structure a new appropriation for pharmaceuticals (ie the CPB) is being established from 1 July 2022 that will be managed directly by Pharmac.</i>										

### Section 5C: Options analysis

*The answer must not exceed 1-2 paragraphs.*

**Options analysis** One alternative option was considered. If there was no CPB funding uplift there would be no new medicines funded or widening of access to medicines already funded. Pharmac expect the current CPB funding path and Pharmac's ongoing work to reduce expenditure and manage costs of funded medicines would be fully committed to managing cost pressures from existing funded medicines.

**Counter-factual question** This is covered by the options analysis.

### Section 5D: Scaled option

*The answer must not exceed 1-2 paragraphs.*

**Option overview** No scaled option has been considered.

## BUDGET SENSITIVE

*Provide a breakdown of what the minimum viable option would purchase. If the formula used or key assumptions made differ from those used for the primary option, briefly explain these. Add additional rows to the table as needed to capture each output separately.*

Formula and Assumptions	Explain if different from primary option.										
	<b>Operating Funding profile (\$m)</b>										
Input - Operating	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears						Total
Total											
	<b>Capital Funding profile (\$m)</b>										
Input - Capital	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	Total
Total											
Appropriations	Indicate whether this funding would increase existing appropriations, establish any new appropriations, or alter the scope of an existing appropriation with effect from 1 July 2022.										

### Section 5E: Monitoring and Evaluation

*The answer must not exceed 1-2 paragraphs.*

*Outline the overall evaluation and monitoring methodology for the initiative; how often and to whom monitoring and performance reports will be provided; and when the first report back is expected. If not indicated in the cost breakdown in section 5B, please indicate here what funding is proposed to be allocated to monitoring and evaluation.*

*Describe the performance measures that will be in place for this initiative. Performance measures should be specific, measurable, achievable, relevant and timely (SMART). You can use these measures as the basis for your estimate performance information.*

Pharmac provides monthly and quarterly reports to the Minister of Health and the Ministry of Health on its performance which includes detailed information on the number and cost of new medicines investments and instances in which access to existing funded medicines is widened.

Pharmac also produces an annual report to Parliament and this report provides information on Pharmac's overall performance for the previous financial year, including the uses of new funding for new medicines or widening access to existing funded medicines.

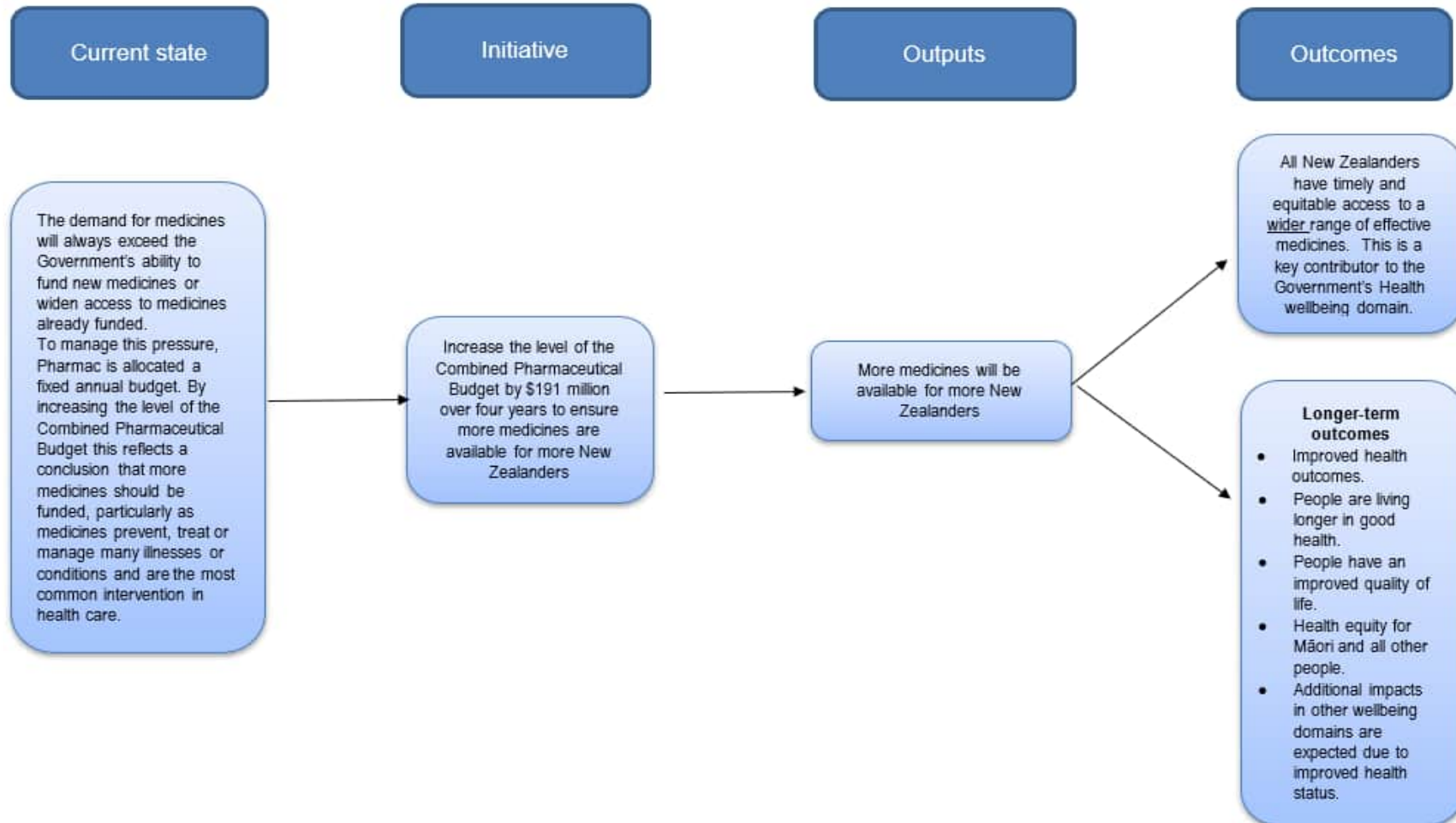
**Section 5F: Implementation readiness**

*The answer to each question must not exceed 1-2 paragraphs.*

<b>Workforce: Are additional FTEs or contractors required?</b>	<b>N</b>	Additional staff is likely to be required to implement the National Strategy. Cost of additional staff is anticipated to be covered by the funding sought in this bid.
<b>Workforce: Resourcing considerations</b>	<p><i>If the Public Service Commissioner's Public Service Pay Guidance is relevant to the initiative, how has this been considered in the development of this initiative? Any planned mitigations to reduce any resourcing issues (for example, work programme reprioritisation, in-house training, retention strategies)?</i></p> <p>This is not relevant.</p>	
<b>Timeframes</b>	<p><i>What are the timeframes for delivery? Are there any dependencies to delivering this initiative?</i></p> <p>Pharmac will be able to commence funding new medicines from 1 July 2022.</p>	
<b>Delivery Risks</b>	<p><i>What are the key risks to delivering this initiative and what are your plans to mitigate these to ensure delivery? Please outline the risks and associated mitigating actions.</i></p> <p>Pharmac have developed a high-level implementation plan for how it would invest the new funding for the Combined Pharmaceutical Budget. For each new transaction Pharmac manage operational risks as part of its regular core business eg price, availability, timing. Pharmac manage these risks by agreeing contractual arrangements with the pharmaceutical supplier ahead of funding the new medicine or widening access.</p>	
<b>Market capacity</b>	<p><i>Explain any market capacity constraints in the production of this initiative's outputs, and any planned mitigations to reduce these issues (including procurement plans).</i></p> <p>This is not relevant.</p>	
<b>Previous delivery experience</b>	<p><i>Describe delivery of any previous similar activities, in particular how delivery aligned or differed from the proposed plan (e.g. if significant delays, price overruns or changes to delivery outputs occurred), and key processes in place to ensure delivery (e.g., risk management, governance structures, project management).</i></p> <p>This initiative is an expansion of existing activity.</p>	

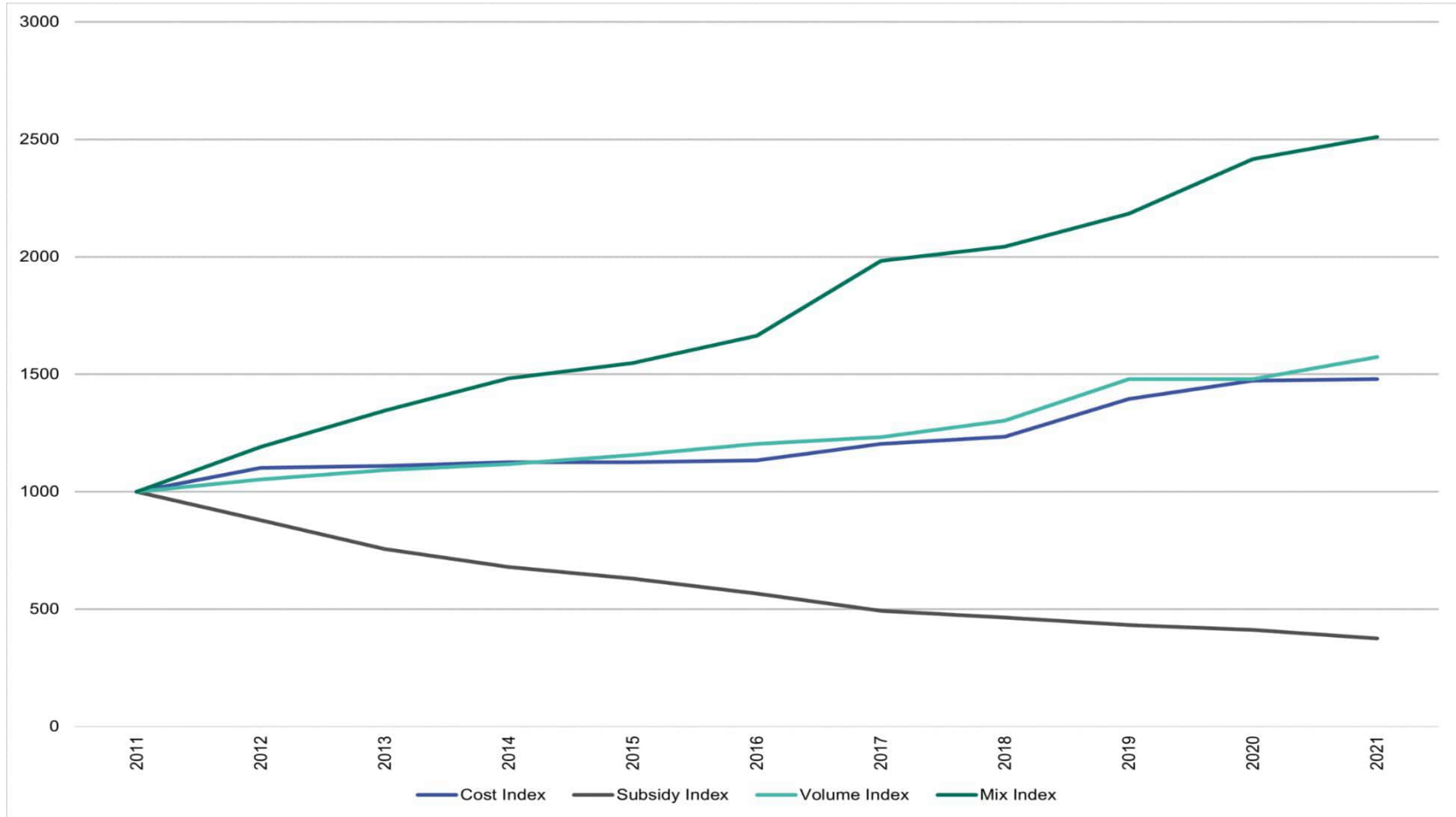
Intervention Logic Map (Related to Section 3)

**Context:** Currently all publicly funded medicines are funded through the Combined Pharmaceutical Budget (CPB). Pharmac is responsible for making choices about which medicines will provide the best overall health outcomes for the New Zealand public from available funding. When CPB funds become available to invest in new medicines or widen access to medicines already funded, Pharmac works through a priority list (the Options for Investment List).



**BUDGET-SENSITIVE**

**Appendix One – Pharmac Price, volume, mix**



---

**From:** Michael Johnson  
**Sent:** Wednesday, 19 January 2022 7:52 AM  
**To:** 'Haiou Wang'  
**Cc:** Guan Lye Chua; Andrew Powell; Kevin Davies  
**Subject:** RE: Budget 2022 - Increase in the Combined Pharmaceutical Budget -- BUDGET SENSITIVE  
**Attachments:** 2022-01-19 Increase in CPB Budget Bid 2022 23\_Final for Submission.docx

Hi Haiou

Please find attached revised template without operational funding.

Cheers

Michael.

Michael Johnson | Director of Strategic Initiatives

---

Pharmac | Te Pātaka Whaioranga | PO Box 10 254 | Level 9, 40 Mercer Street, Wellington  
s9(2)(a) [www.pharmac.govt.nz](http://www.pharmac.govt.nz)

[SEEMail]

---

**From:** Haiou Wang <Haiou.Wang@health.govt.nz>  
**Sent:** Tuesday, 18 January 2022 3:57 pm  
**To:** Michael Johnson <michael.johnson@pharmac.govt.nz>  
**Cc:** Guan Lye Chua <GuanLye.Chua@health.govt.nz>; Andrew Powell <Andrew.Powell@health.govt.nz>; Kevin Davies <Kevin.Davies@health.govt.nz>  
**Subject:** RE: Budget 2022 - Increase in the Combined Pharmaceutical Budget -- BUDGET SENSITIVE

Hi Michael,

I take it that you mean Pharmac also wants to seek s9(2)(f) operating funding, which is separate to the \$191m for CPB? Unfortunately the \$191m for CPB increase was what has been invited by the Minister and at this stage of the Budget process, the Ministry doesn't have any flexibility to increase the funding request amount or add another bid into the process (in theory this operating funding need shall be a separate request) so we have to stick to what has been submitted/invited, for now at least.

cheers,  
Haiou

---

**From:** Michael Johnson <michael.johnson@pharmac.govt.nz>  
**Sent:** Tuesday, 18 January 2022 3:06 pm  
**To:** Guan Lye Chua <GuanLye.Chua@health.govt.nz>  
**Cc:** Haiou Wang <Haiou.Wang@health.govt.nz>  
**Subject:** Re: Budget 2022 - Increase in the Combined Pharmaceutical Budget -- BUDGET SENSITIVE

The figures are different because we are also seeking operating funding on the back of our review. CPB funding is separate from our operating funding and from different appropriations.

I will not get to this today sorry



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**From:** Guan Lye Chua <[GuanLye.Chua@health.govt.nz](mailto:GuanLye.Chua@health.govt.nz)>

**Sent:** Tuesday, January 18, 2022 3:02:18 PM

**To:** Michael Johnson <[michael.johnson@pharmac.govt.nz](mailto:michael.johnson@pharmac.govt.nz)>

**Cc:** Haiou Wang <[Haiou.Wang@health.govt.nz](mailto:Haiou.Wang@health.govt.nz)>

**Subject:** RE: Budget 2022 - Increase in the Combined Pharmaceutical Budget -- BUDGET SENSITIVE

Hi Michael

Can you please review (update) Section 1B of the template, and re-submit your entire email to us?

The template currently shows figures that are different from Section 5A – see illustration below.

The package before the Minister shows a total of \$191m sought over the five year forecast period to 2025/26, and not 9(2)(f)(iv)

Thanks.

***This is what is shown in your template between Sections 1B and 5A:***

Section 1B: Total Funding Sought

Operating funding sought (\$m)	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears	Total
	-	43.000	48.000	53.000	59.000	9(2)(f)(iv)

Capital funding sought (\$m)	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	Total
	-	-	-	-	-	-	-	-	-	-	-

Section 5A: Fit with existing activity

Provide an overview of existing funding levels for this initiative, and/or initiatives with similar objectives, in the two tables below.

	Operating Funding profile (\$m)					Total					
	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears						
Existing funding for this/similar initiatives	1,085	1,090	1,100	1,105	1,105	1,105					
Total funding sought for this initiative	-	40.000	45.000	50.000	56.000	191.000 ←					
% change between existing funding and funding sought	0%	3.7%	0.4%	0.4%	0.5%						
Comments (optional)	Provide explanatory comments to help interpretation of the above baseline figures.										
	Capital Funding profile (\$m)										Total
	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	
Existing funding for this/similar initiatives											
Total funding sought for this initiative											
% change between existing funding and funding sought											
Comments (optional)	Provide explanatory comments to help interpretation of the above baseline figures.										

This is what is submitted in Treasury's CFIS system:

	2021/22	2022/23	2023/24	2024/25	2025/26
Operating (\$000):					
Gross:	0	40000	45000	50000	56000
Savings/Revenue:	0	0	0	0	0
Net:	0	0	0	0	0

Ngā mihi,  
GL

Guan Lye Chua (he/him)

Principal Advisor | Financial Strategy and Budget, Corporate Services | Ministry of Health | Manatū Hauora

a: 133 Molesworth Street, Wellington 6011 s9(2)(a) | e: [guanlye.chua@health.govt.nz](mailto:guanlye.chua@health.govt.nz)

[SEEMAIL]

**From:** Michael Johnson <[michael.johnson@pharmac.govt.nz](mailto:michael.johnson@pharmac.govt.nz)>  
**Sent:** Tuesday, 18 January 2022 12:16 pm  
**To:** Guan Lye Chua <[GuanLye.Chua@health.govt.nz](mailto:GuanLye.Chua@health.govt.nz)>  
**Cc:** Kevin Davies <[Kevin.Davies@health.govt.nz](mailto:Kevin.Davies@health.govt.nz)>; Andrew Powell <[Andrew.Powell@health.govt.nz](mailto:Andrew.Powell@health.govt.nz)>; Peter Jane <[Peter.Jane@health.govt.nz](mailto:Peter.Jane@health.govt.nz)>  
**Subject:** RE: PLEASE ACTION TODAY -- Budget 2022 - Budget initiative templates outstanding (not yet received)

Hi Guan Lye

Please find attached completed budget template for the CPB. This as per advice from the Ministry of Health that Minister Little sought a bid of \$191 million over 4 years.

As you may be aware the Cancer Control Agency (CCA) have been doing some work looking at availability of cancer medicines in New Zealand. At their last meeting with Minister Little pre-Xmas the Minister stated that it may be useful if the CCA analysis could support a budget bid for more funding for Pharmac. We have only received information from the CCA today and have not been able given timeframes to include any information in the attached template and will be unable to do so by the end of the week.

Our previous budget submission that we sent to the MoH in September 2021, which is Pharmac's preferred position, is attached. This states that for an increase of \$191 million to the CPB over two years this would support the funding of eleven cancer treatments. I have provided below the four year cost. A total of 9(2)(f)(iv) over 4 years.

2022/23	2023/24	2024/25	2025/26
71m	120m	9(2)(f)(iv)	

I am sure that the Ministry will have questions for us. Happy to help

Kind regards

Michael.

Michael Johnson | Director of Strategic Initiatives

Pharmac | Te Pātaka Whaioranga | PO Box 10 254 | Level 9, 40 Mercer Street, Wellington  
9(2)(a) [www.pharmac.govt.nz](http://www.pharmac.govt.nz)

[SEEMAIL]

\*\*\*\*\*

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# Budget 2022 Initiative Summary – Main Budget Process

**Note to agencies:** delete any sections that are not applicable before submitting this template. Where a CFISnet character limit is specified, this applies to entry in the CFISnet field only. There are no character or word limits for the Word version of this template.

## *Increase in the Combined Pharmaceutical Budget*

### Section 1: Overview

*This section must be completed for all initiatives.*

#### Section 1A: Basic Initiative Information

<b>Lead Minister</b>	Hon Andrew Little, Minister of Health				
<b>Department</b>	Ministry of Health				
<b>What type of initiative is this?</b>	<i>Critical cost pressure initiative</i>	X	<i>Manifesto commitment initiative</i>	<i>Health and Disability System Reform initiative</i>	
	<i>Climate Emergency Response Fund initiative</i>		<i>Savings initiative</i>	<i>Non-Spending initiative</i>	
<b>Initiative description [max 800 Characters]</b>	This initiative provides funding to ensure more medicines are available to more New Zealanders through an increase to the Combined Pharmaceutical Budget, which is the medicines budget managed by Pharmac. This will improve patients' access to well-evidenced treatments that will improve health and wellbeing through use of medicines.				
<b>Is this a Cross-Vote initiative?</b>	N				
<b>Department contact</b>	Peter Jane <a href="mailto:peter.jane@health.govt.nz">peter.jane@health.govt.nz</a> s9(2)(a)				
<b>Treasury contact</b>	Justin Alsleben, Vote Analyst, Health and ACC				

#### Section 1B: Total Funding Sought

Operating funding sought (\$m)	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears	Total
	-	40.000	45.000	50.000	56.000	191.000

Capital funding sought (\$m)	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	Total
	-	-	-	-	-	-	-	-	-	-	-

## BUDGET SENSITIVE

### Section 1C: Initiative Classifications

Is this initiative seeking funding from the Climate Emergency Response Fund (CERF)? [max 300 characters in CFISnet].	N					
Is this initiative climate-related, but not seeking funding from the CERF? [max 300 characters in CFISnet].	N					
Does this initiative align with the Crown's obligations under the Treaty of Waitangi?	Strong	Not all New Zealanders are achieving 'best health outcomes' from medicines funded by Pharmac and some are missing out on the opportunity to improve their health and wellbeing through use of medicines. We know that there are differences in the use of medicines by some population groups, particularly when looked at by ethnicity. Research shows significant differences in the way Māori receive medicines in comparison to other New Zealanders. When the burden of disease is considered, there is a significant amount of medicines that Māori are not getting.				
Specify if this initiative will help reduce child poverty and describe the impact [max 300 characters in CFISnet].	Low impact	Equitable medicines access for populations experiencing health disparities may reduce downstream financial costs and loss of income from ill health, which in turn may contribute to a reduction in child poverty.				
Does this initiative align with the Child and Youth Wellbeing Strategy?	N					
Does the initiative include funding to procure from NGOs?	N					
Does the initiative include funding to support digital and data related investments?	N					
Is this a regulatory or legislative initiative (according to the guidance provided)?	N					
Is this a significant investment initiative per the definition at section 4.8 of the Budget 2022 guidance?	N					
		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%;">Data / Digital / ICT</td> <td style="width: 25%;">Physical Infrastructure</td> <td style="width: 25%;">Organisational Transformation</td> <td style="width: 25%;">Specialised Equipment</td> </tr> </table>	Data / Digital / ICT	Physical Infrastructure	Organisational Transformation	Specialised Equipment
Data / Digital / ICT	Physical Infrastructure	Organisational Transformation	Specialised Equipment			
<b><u>See Annex A for further questions – mandatory to complete for all significant initiatives</u></b>						

### Section 3: Value

*Section 3 must be completed for all initiatives, unless exempted by the Minister of Finance in the invitation letter. Further information on the questions in this section can be found at Annex Two of the Budget 2022 guidance.*

This section explains the initiative's value, drawing on elements of He Ara Waiora (section 3A) and the Living Standards Framework (Section 3D). For explanations of these two frameworks, please see the accompanying guidance.

#### Explanation

Intervention logic terms such as outputs, impacts, and goals can have different definitions. Please see table below for how the Treasury defines these concepts.

Explanation Table		
<i>This explanation table is for your reference only. Do not fill out the sections.</i>		
	Definition	Example
<b>Outputs</b>		<p>The purchased goods are localised curriculum resources in te reo Māori, as well as the services of publishers, designers and story tellers.</p> <p>Costs cover the design, development, distribution and maintenance of online tools, interactive electronic and hard copy resources to promote and provide teachers, students and whānau, and external providers with quality tools and resources to enable effective teaching and learning from offsite or the workplace using a range of online, distance and place-based delivery modes.</p>
<b>Impact</b>		<ul style="list-style-type: none"> <li>• Increased whānau involvement in education which is a key driver to lifting student engagement and achievement.</li> <li>• Improved student engagement and achievement in education that better reflects their identity, language and culture.</li> <li>• Increased visibility of te reo Māori at schools and in the community.</li> <li>• Learning programmes supported by quality te reo Māori resources.</li> </ul>
<b>Goals</b>		<ul style="list-style-type: none"> <li>• Normalisation of te reo Māori used by teachers in the classroom, wider school and home.</li> <li>• Increased student and whānau participation in and retention of te reo Māori learning.</li> <li>• Increase in the quality of te reo Māori used by teachers and students.</li> <li>• Attitudinal shift in the wider education community that te reo Māori is recognised as being for everyone.</li> </ul>

## BUDGET SENSITIVE

### Section 3A: Opportunity/Problem

#### Opportunity/Problem

*What is the overarching opportunity or problem this initiative is responding to?*

The Combined Pharmaceutical Budget funds medicines and related products given in public hospitals and dispensed from community pharmacies. It also funds vaccines (except the COVID-19 vaccine).

Medicines prevent, treat or manage many illnesses or conditions and are the most common intervention in health care. By providing more funding for the Combined Pharmaceutical Budget this will support Pharmac to fund more new medicines or widen access to medicines already funded.

When a medicine is funded it is equally available to all New Zealanders who meet the criteria for its use, and in whom the medicine is indicated and appropriate.

### Section 3B: He Ara Waiora

**Tikanga-** decisions are made by the right decision-makers, following a tikanga process, according to tikanga values

*Outline how the policy and implementation plan for this initiative have been or will be designed, developed and/or delivered in partnership with iwi and Māori, relevant agencies, and with affected communities and groups. If not, please indicate the reasons why.*

Māori advice and guidance are provided to Te Pātaka Whaioranga Pharmac through its advisory committees and advisory groups. An inaugural external Māori Advisory Rōpū has been formed and will be providing advice and guidance to the Board and Senior Leadership Team. The trend of increasing equitable Māori representation on the Board and advisory committees has commenced- 2 new Māori Board members appointed, Consumer Advisory Board (4 Māori members) and Responsible Use Advisory Group have equitable representation with 4 members. The Pharmaceutical and Therapeutics Advisory Committee is chaired by a Māori and work is underway to increase the level of representation on this committee.

Te Pātaka Whaioranga has a Chief Advisor Māori at the Senior Leadership Team level.

Te Pātaka Whaioranga has tikanga Māori values woven into the organisational values to provide contextualised Māori world views. The values are whakarongo, tūhono, wānanga, māia and kaitiakitanga. A programme of work is being implemented to embed the values across the organisation.

**Manaakitanga-** focus on improved wellbeing and enhanced mana for iwi and Māori, and for other affected communities and groups, demonstrating an ethic of care and mutual respect

*Demonstrate the department's understanding of the distinctive priorities, values and aspirations of iwi and Māori, and affected communities and groups, in relation to this initiative, and how these are being accommodated. If not, please indicate the reasons why.*

Māori health considerations are an integral part of Pharmac's decision-making framework (Factors for Consideration) for funding medicines and are applied throughout Pharmac's assessment and transaction process with the goal of upholding the articles of Te Tiriti o Waitangi, and advancing Māori health and aspirations: Tino Rangatiratanga; Partnership; Active protection; Options and Equity.

### Section 3C: Outputs – The good or service the initiative purchases - please see intervention logic at end of proposal.

#### Output

#### Description



## BUDGET SENSITIVE

**More publicly funded medicines are available.**

By providing additional funding for the Combined Pharmaceutical Budget this will enable Pharmac to invest in evidence-based, clinically appropriate, good value medicines.

### Section 3D: Impacts – The direct effect of the initiative

*Please repeat these questions for each impact*

<b>Impact 1</b>	<b>Description of the impact</b>	Improved health outcomes for New Zealanders who meet the criteria for the medicines use, and in whom the medicine is indicated and appropriate.
	<b>Quantification</b>	Pharmac have longstanding processes to ensure our funding decisions are based on maximising expected health gains. We are currently progressing work to determine the level of actual health outcomes achieved.
	<b>Supporting Evidence</b>	Pages 43 of Pharmac's 2020/21 Annual Report <a href="https://pharmac.govt.nz/assets/Annual-Report-2020-2021.pdf">https://pharmac.govt.nz/assets/Annual-Report-2020-2021.pdf</a>  During 2020/21, Pharmac considered a range of approaches and methodologies to measure actual health outcomes and then moved on to completing an assessment for one medicine of outcomes achieved compared with what had been expected to test our approach. We expect to release the results of that work in 2021/22, revise our approach based on our learnings, and progress two more test medicines.
	<b>Gaps in Evidence</b>	This is a complex piece of work that involves multiple stakeholders and disparate data sets to assess the overall health outcomes achieved. In addition, there are issues of availability of data at the patient level to determine whether expected results were achieved, the extent to which a health gain or loss is attributable to a medicine, and a range of health sector considerations, such as the alignment of prescribing with other health interventions, such as primary or surgical services.
	<b>Assumptions</b>	The determinants of health and wellbeing are multi-factorial and it is not possible to solely attribute to people living longer to medicine alone.
	<b>Implications</b>	
	<b>Impact 2</b>	<b>Description of the Impact</b>
	<b>Quantification</b>	The Health and Independence Report produced by the Ministry of Health presents an annual overview of the state of health and wellbeing of New Zealanders on behalf of the Director-General of Health.
	<b>Supporting Evidence</b>	The latest Health and Independence report from 2019 presents the latest data on measures of health, including life expectancy, causes of health loss, and determinants of health. <a href="https://www.health.govt.nz/publication/health-and-independence-report-2019">https://www.health.govt.nz/publication/health-and-independence-report-2019</a>
	<b>Gaps in Evidence</b>	There has not been a report since 2019. The impacts of COVID-19 on the health and disability system, and people's health and wellbeing have therefore not been evidenced yet.

## BUDGET SENSITIVE

	<b>Assumptions</b>	The determinants of health and wellbeing are multi-factorial and it is not possible to solely attribute to people living longer to medicine alone.
	<b>Implications</b>	Improved life expectancy and health expectancy.
<b>Impact 3</b>	<b>Description of the Impact</b>	Health equity for Māori and other population groups.
	<b>Quantification</b>	As part of Pharmac's work on equitable access and use of medicines Pharmac have sought for the first time to undertake measurement of possession rates, access rates and persistence rates for medicines for Māori and non-Māori.
	<b>Supporting Evidence</b>	Pages 39-41 of Pharmac's 2020/21 Annual Report <a href="https://pharmac.govt.nz/assets/Annual-Report-2020-2021.pdf">https://pharmac.govt.nz/assets/Annual-Report-2020-2021.pdf</a>
	<b>Gaps in Evidence</b>	The health inequities for Māori and other population groups are well evidenced and researched across the health and disability system.
	<b>Assumptions</b>	Refer to Pharmac 2020/21 Annual Report.
	<b>Implications</b>	Pharmac developed new measures and methodology in 2020/21 with the focus being on closing the equity gaps for Maori and other population groups medicines that Pharmac already fund.
	<b>Impact 4</b>	<b>Description of the Impact</b>
<b>Quantification</b>		Pharmac annually publish in Annual Report the price, volume, mix of medicines in New Zealand over the last 10 years.
<b>Supporting Evidence</b>		Refer to Appendix One.
<b>Gaps in Evidence</b>		N/A
<b>Assumptions</b>		The data comes from the raw data in Pharmac's forecasting system, from which the "Price Volume Mix" (PVM) model is created.
<b>Implications</b>		The price, volume mix graph shows that the number of medicines (volume index) and the variety of medicines (mix index) have increased - meaning we are seeing more, and varied, medicines in New Zealand. At the same time, the cost of medicines (the cost index) has increased but the actual price paid (the subsidy index) has decreased – showing Pharmac is getting more medicines for less money.

### Section 3E: Goals – What this initiative aims to achieve

*Please repeat these questions for each goal*

<b>Goal 1</b>	<b>Description</b>	More medicines are available for more New Zealanders.
	<b>Quantification</b>	Pharmac publish annually a 'Year in Review' which provides more detailed information than its Annual Report on the work and impact of Pharmac <a href="https://pharmac.govt.nz/assets/images/YIR-2021/Year-in-Review-2021.pdf">https://pharmac.govt.nz/assets/images/YIR-2021/Year-in-Review-2021.pdf</a>
	<b>Timeframes</b>	Annual publication
	<b>Evidence and Assumptions</b>	Refer to Year in Review publication. Whilst the publication is a retrospective look at the previous financial year, as part of quarterly reporting to the Minister of Health Pharmac provide a summary update of investment decisions which includes new medicines funded and estimated new patients that would benefit from the medicines.

## BUDGET SENSITIVE

	<b>Implications</b>	More New Zealanders are receiving publicly funded medicines. The number of new medicines funded or have widened access increases annually.
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## BUDGET SENSITIVE

Section 3F: Distributional Analysis						
<b>Question 1: Does the initiative have the following types of distributional impacts for Māori?</b>	A	Direct	X	Indirect		No Impact
	<i>If direct, please complete Question 1B. If indirect or no impact, please progress to Question 2.</i>					
	B	Targeted and tailored for Māori		Disproportionate positive impact	X	
<p><i>Please explain why the initiative falls under the category identified in B above [max. 300 characters in CFISnet].</i></p> <p>Māori receive medicines at lower rates, than non-Māori, despite their health need being higher – contributing to greater inequities in health. When the burden of disease is considered, there's a significant amount of medicines that Māori are not getting.</p>						
<b>Question 2: Does the initiative have the following types of distributional impacts for Pacific Peoples?</b>	A	Direct	X	Indirect		No Impact
	<i>If direct, please complete Question 2B. If indirect or no impact, please progress to Question 3.</i>					
	B	Targeted and tailored for Pacific Peoples		Disproportionate positive impact	X	
<p><i>Please explain why the initiative falls under the category identified in B above [max. 300 characters in CFISnet].</i></p> <p>Not all New Zealanders are achieving 'best health outcomes' from medicines funded by Pharmac and are missing out on the opportunity to improve their health through use of medicines. We know that there are differences in the use of medicines by some population groups, particularly when looked at by ethnicity. This is also likely for Pacific peoples and other population groups experiencing inequities.</p>						
<b>Question 3: Does the initiative have the following types of distributional impacts for children?</b>	A	Direct		Indirect	X – possible impact through funded medicines	No Impact
	<i>If direct, please complete Question 3B. If indirect or no impact, please progress to Question 4.</i>					
	B	Targeted and tailored for children		Disproportionate positive impact		
<p><i>Please explain why the initiative falls under the category identified in B above [max. 300 characters in CFISnet].</i></p> <p>Equitable medicines access for populations experiencing health disparities may reduce downstream financial costs and loss of income from ill health, which in turn may contribute to a reduction in child poverty.</p>						
<b>Question 4: Does the initiative have direct impacts on any other population groups?</b>	N	<p><i>If yes, please list population groups impacted, e.g. "People with disabilities" [max 300 characters in CFISet]. When a medicine is funded, it is available to all New Zealanders who meet the criteria for its use, and in whom the medicine is indicated and appropriate.</i></p>				
<b>Question 5: What region is this initiative expected to impact?</b>	X	All of New Zealand	Gisborne	Northland	Tasman	
		Areas outside regions	Hawke's Bay	Offshore	Waikato	
		Auckland	Manawatu-Whanganui	Otago	Wellington	
		Bay of Plenty	Marlborough	Southland	West Coast	
		Canterbury	Nelson	Taranaki		

## Section 4: Alignment

*Section 4 must be completed for all initiatives, unless exempted by the Minister of Finance in the invitation letter. Further information on the questions in this section can be found at Annex Two of the Budget 2022 guidance.*

Section 4A: Strategic Alignment	
How does this initiative link with your strategic intentions/statement of intent?	<p><i>Outline how the initiative aligns with agency strategy.</i></p> <p>By providing additional funding for the Combined Pharmaceutical Budget this will support more medicines being available for more New Zealanders. This aligns with Pharmac's current strategic direction as outlined in its 2020/21 – 2023/4 Statement of Intent and the following three health system outcomes that Pharmac's strategic direction is seeking to achieve:</p> <ul style="list-style-type: none"> <li>• People are living longer in good health</li> <li>• People have an improved quality of life</li> <li>• Health equity for Māori and other people.</li> </ul>
Does this initiative link with other sectoral or whole-of-government strategies (e.g. the Pacific Wellbeing Outcomes Frameworks)?	<p><i>If yes, state the name of the strategy and briefly describe how the initiative aligns to or contributes to the strategy.</i></p> <p>By improving access for Māori and Pacific Peoples access to publicly funded medicines this will support the Ministry of Health's Māori Health Action Plan 2020 – 2025 and Ola Manuia: The Pacific Health and Wellbeing Action Plan 2020 -2025.</p>
Does this initiative impact other agencies directly or indirectly? If so, how?	<p><i>Outline impacts and interdependencies of your initiative on other organisations and individuals in the policy areas, sectors, or systems your agency operates in.</i></p> <p>This initiative will have a direct impact across the entire health and disability system.</p>

## Section 4B: Alignment to Government's goals

The Government's goals for this term are:

- 1) Continuing to keep New Zealand safe from COVID-19
- 2) Accelerating the recovery and rebuild from the impacts of COVID-19
- 3) Laying the foundations for the future, including addressing key issues such as our climate change response, housing affordability and child poverty

**Alignment to Government goals**

*What Government goal(s) does this initiative align with? Answers must not exceed 1-2 paragraphs.*

N/A.

## Section 4C: Contribution to the Government's Wellbeing Objectives

The Government's five wellbeing Objectives are:

- **Just Transition:** supporting the transition to a climate-resilient, sustainable, and low-emissions economy.
- **Future of Work:** enabling all New Zealanders and New Zealand businesses to benefit from new technologies and lift productivity and wages through innovation
- **Physical and Mental Wellbeing:** supporting improved health outcomes for all New Zealanders, including protecting New Zealanders from the impacts of COVID-19.

- **Māori and Pacific:** lifting Māori and Pacific incomes, skills, and opportunities, including through access to affordable, safe, and stable housing
  - **Child Wellbeing:** reducing child poverty and improving child wellbeing, including through access to affordable, safe, and stable housing.
- \*Please note: these objectives have been agreed by Cabinet subject to wider consultation. The final versions of the objectives will be published in the Budget Policy Statement in December 2021.*

<b>Contribution to Wellbeing Objective(s)</b>	<p><i>Which wellbeing objective(s) does this initiative contribute to and how? Is it a direct or indirect contribution? Answers must not exceed 1-2 paragraphs.</i></p> <p>Medicines prevent, treat or manage many illnesses or conditions and are the most common intervention in health care. By increasing the level of the Combined Pharmaceutical Budget this would support the Government's physical and mental health wellbeing objective.</p>
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**Section 5: Delivery**

*Section 5 must be completed for all initiatives. Further information on the questions in this section can be found at **Annex Two** of the Budget 2022 guidance.*

**Section 5A: Fit with existing activity**

*The answer must not exceed 1-2 paragraphs.*

<b>How does the initiative link with existing initiatives with similar objectives?</b>	<p><i>Describe how the initiative links with existing services or initiatives, including non-spending arrangements, with similar objectives.</i></p> <p>The existing level of the Combined Pharmaceutical Budget for 2022/23 is \$1090 million (excluding the temporary funding provided for COVID-19 Combined Pharmaceutical Budget related expenditure). The initiative will increase the level of the Combined Pharmaceutical Budget to support an increase in more medicines being available for more New Zealanders.</p>	
<b>Is the initiative an expansion or a cost pressure for an existing initiative?</b>	Y	<p><i>If yes, provide a concise overview of how this initiative will expand on or maintain existing services.</i></p> <p>This initiative will ensure more medicines are available to more New Zealanders through an increase to the Combined Pharmaceutical Budget.</p>

## BUDGET SENSITIVE

Provide an overview of existing funding levels for this initiative, and/or initiatives with similar objectives, in the two tables below.

	Operating Funding profile (\$m)					Total					
	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears						
Existing funding for this/similar initiatives	1,085	1,090	1,100	1,105	1,105	1,105					
Total funding sought for this initiative	-	40.000	45.000	50.000	56.000	191.000					
% change between existing funding and funding sought	0%	3.7%	0.4%	0.4%	0.5%						
Comments (optional)	Provide explanatory comments to help interpretation of the above baseline figures.										
	Capital Funding profile (\$m)										Total
	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	
Existing funding for this/similar initiatives											
Total funding sought for this initiative											
% change between existing funding and funding sought											
Comments (optional)	Provide explanatory comments to help interpretation of the above baseline figures.										

### Section 5B: Funding sought by input

Provide a breakdown of what the requested funding will purchase. Briefly explain the formula used, or key assumptions made, to calculate the cost of each output. Add additional rows to the table as needed to capture each output separately. Please include which Vote(s) will be impacted by each component.

<b>Formula and assumptions underlying costings</b>	<p>Due to commercially sensitive nature of Pharmac's Options for Investment list (a confidential prioritised list of potential medicine investments) Pharmac cannot disclose the number or cost of individual new medicines.</p> <p>Pharmac's decisions are made independently to ensure they are based on clinical evidence and expert decision making. The appraisal process is rigorous. Pharmac staff consider the clinical advice, undertake cost utility and budget impact assessments and seek additional information as required to ensure that a comprehensive assessment occurs using our decision-making framework – the Factors for Consideration.</p> <p>Pharmac uses a prioritisation process to compare and rank potential investment options against other unfunded medicines that have completed assessment. The output of the prioritisation process is a list of potential medicine investments – the Options for Investment list. As possible opportunities for new medicines investment will always exceed the budget Pharmac has available, prioritisation is an intrinsic part of Pharmac's decision-making process.</p>					
Input – Operating [Enter one number value per field only into CFISnet]	Funding profile (\$m)					Total
	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears	Number values only, i.e. 15 or 100000. Do not enter any text, \$ signs or % signs.

Input Information

## BUDGET SENSITIVE

New Medicines or widened access to currently funded medicines	-	40.000	45.000	50.000	56.000	191.000					
<b>FTE-specific Input Information (if applicable)</b>											
New FTE funding											
New contractor funding											
Additional FTE overhead funding											
<b>Total</b>	-										
<b># of FTE's (employees and/or contractors)</b>											
<b>What's the % increase in FTE compared to baseline FTE numbers</b>											
	<b>Funding profile (\$m)</b>										<b>Total</b>
<b>Input – Capital</b>	<b>21/22</b>	<b>22/23</b>	<b>23/24</b>	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>	<b>28/29</b>	<b>29/30</b>	<b>30/31</b>	
<b>Total</b>											
<b>Appropriations</b>	<i>As part of the changes to the Vote Health appropriation structure a new appropriation for pharmaceuticals (ie the CPB) is being established from 1 July 2022 that will be managed directly by Pharmac.</i>										

### Section 5C: Options analysis

*The answer must not exceed 1-2 paragraphs.*

<b>Options analysis</b>	One alternative option was considered. If there was no CPB funding uplift there would be no new medicines funded or widening of access to medicines already funded. Pharmac expect the current CPB funding path and Pharmac's ongoing work to reduce expenditure and manage costs of funded medicines would be fully committed to managing cost pressures from existing funded medicines.
<b>Counter-factual question</b>	This is covered by the options analysis.

### Section 5D: Scaled option

*The answer must not exceed 1-2 paragraphs.*

<b>Option overview</b>	No scaled option has been considered.
------------------------	---------------------------------------



## BUDGET SENSITIVE

*Provide a breakdown of what the minimum viable option would purchase. If the formula used or key assumptions made differ from those used for the primary option, briefly explain these. Add additional rows to the table as needed to capture each output separately.*

Formula and Assumptions	Explain if different from primary option.										
	<b>Operating Funding profile (\$m)</b>										
Input - Operating	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears						Total
Total											
	<b>Capital Funding profile (\$m)</b>										
Input - Capital	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	Total
Total											
Appropriations	Indicate whether this funding would increase existing appropriations, establish any new appropriations, or alter the scope of an existing appropriation with effect from 1 July 2022.										

### Section 5E: Monitoring and Evaluation

*The answer must not exceed 1-2 paragraphs.*

*Outline the overall evaluation and monitoring methodology for the initiative; how often and to whom monitoring and performance reports will be provided; and when the first report back is expected. If not indicated in the cost breakdown in section 5B, please indicate here what funding is proposed to be allocated to monitoring and evaluation.*

*Describe the performance measures that will be in place for this initiative. Performance measures should be specific, measurable, achievable, relevant and timely (SMART). You can use these measures as the basis for your estimate performance information.*

Pharmac provides monthly and quarterly reports to the Minister of Health and the Ministry of Health on its performance which includes detailed information on the number and cost of new medicines investments and instances in which access to existing funded medicines is widened.

Pharmac also produces an annual report to Parliament and this report provides information on Pharmac's overall performance for the previous financial year, including the uses of new funding for new medicines or widening access to existing funded medicines.

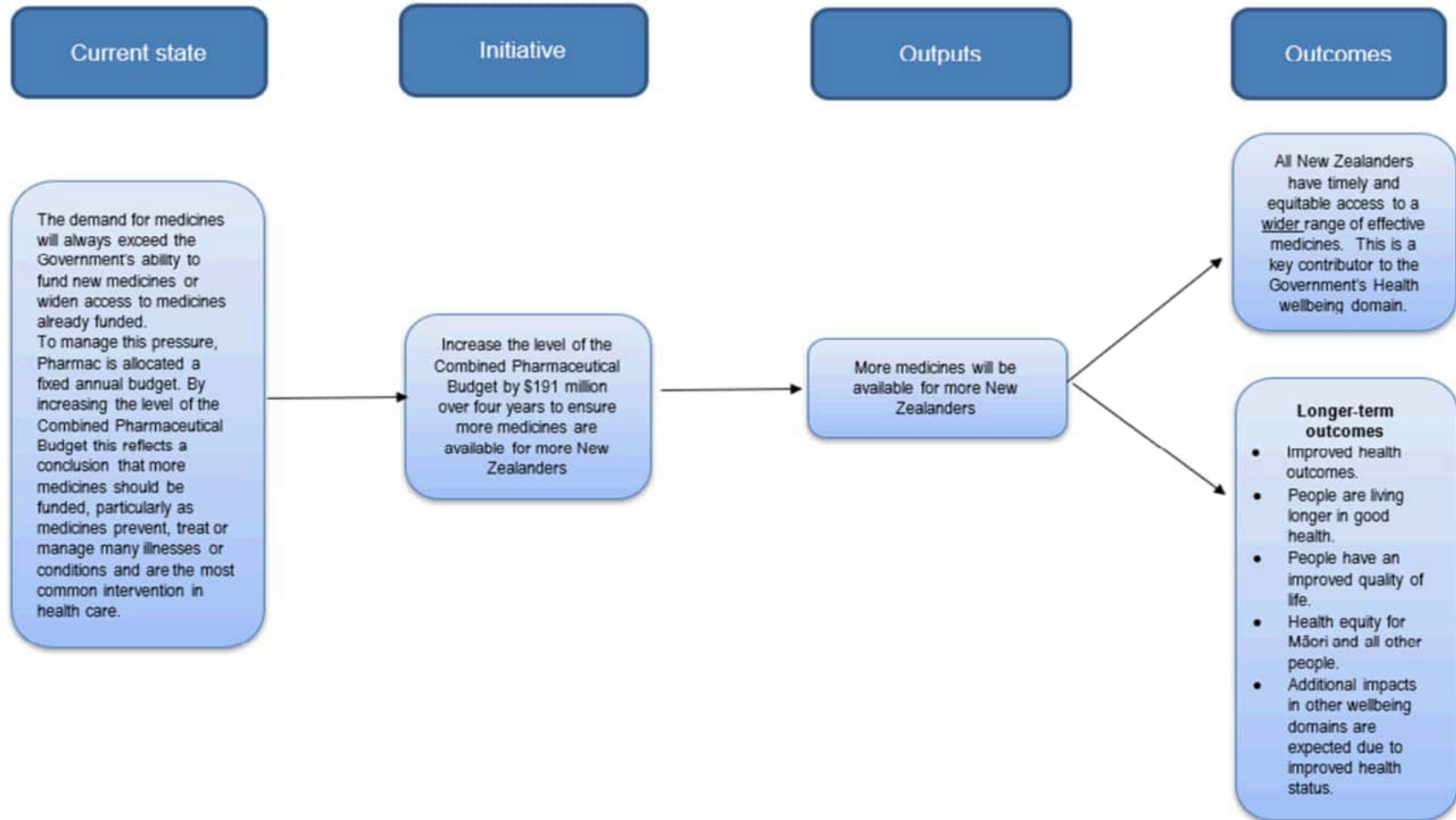
**Section 5F: Implementation readiness**

*The answer to each question must not exceed 1-2 paragraphs.*

<b>Workforce: Are additional FTEs or contractors required?</b>	<b>N</b>	Additional staff is likely to be required to implement the National Strategy. Cost of additional staff is anticipated to be covered by the funding sought in this bid.
<b>Workforce: Resourcing considerations</b>	<p><i>If the Public Service Commissioner's Public Service Pay Guidance is relevant to the initiative, how has this been considered in the development of this initiative? Any planned mitigations to reduce any resourcing issues (for example, work programme reprioritisation, in-house training, retention strategies)?</i></p> <p>This is not relevant.</p>	
<b>Timeframes</b>	<p><i>What are the timeframes for delivery? Are there any dependencies to delivering this initiative?</i></p> <p>Pharmac will be able to commence funding new medicines from 1 July 2022.</p>	
<b>Delivery Risks</b>	<p><i>What are the key risks to delivering this initiative and what are your plans to mitigate these to ensure delivery? Please outline the risks and associated mitigating actions.</i></p> <p>Pharmac have developed a high-level implementation plan for how it would invest the new funding for the Combined Pharmaceutical Budget. For each new transaction Pharmac manage operational risks as part of its regular core business eg price, availability, timing. Pharmac manage these risks by agreeing contractual arrangements with the pharmaceutical supplier ahead of funding the new medicine or widening access.</p>	
<b>Market capacity</b>	<p><i>Explain any market capacity constraints in the production of this initiative's outputs, and any planned mitigations to reduce these issues (including procurement plans).</i></p> <p>This is not relevant.</p>	
<b>Previous delivery experience</b>	<p><i>Describe delivery of any previous similar activities, in particular how delivery aligned or differed from the proposed plan (e.g. if significant delays, price overruns or changes to delivery outputs occurred), and key processes in place to ensure delivery (e.g., risk management, governance structures, project management).</i></p> <p>This initiative is an expansion of existing activity.</p>	

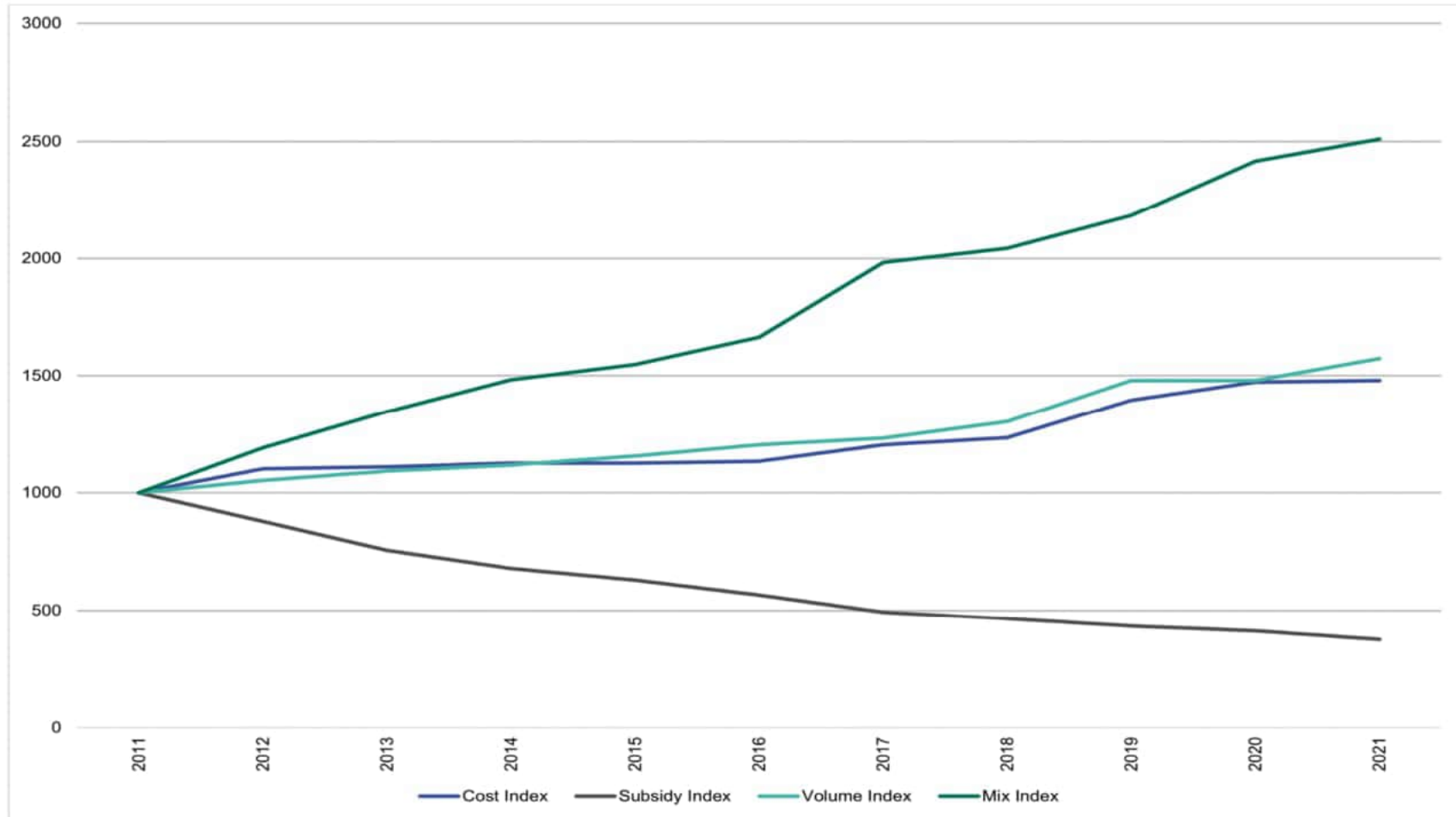
Intervention Logic Map (Related to Section 3)

**Context:** Currently all publicly funded medicines are funded through the Combined Pharmaceutical Budget (CPB). Pharmac is responsible for making choices about which medicines will provide the best overall health outcomes for the New Zealand public from available funding. When CPB funds become available to invest in new medicines or widen access to medicines already funded, Pharmac works through a priority list (the Options for Investment List).



# BUDGET-SENSITIVE

## Appendix One – Pharmac Price, volume, mix



---

**From:** Haiou Wang <Haiou.Wang@health.govt.nz>  
**Sent:** Tuesday, 18 January 2022 3:57 PM  
**To:** Michael Johnson  
**Cc:** Guan Lye Chua; Andrew Powell; Kevin Davies  
**Subject:** RE: Budget 2022 - Increase in the Combined Pharmaceutical Budget -- BUDGET SENSITIVE

Hi Michael,

I take it that you mean Pharmac also wants to seek <sup>9(2)(f)</sup><sub>(iv)</sub> operating funding, which is separate to the \$191m for CPB? Unfortunately the \$191m for CPB increase was what has been invited by the Minister and at this stage of the Budget process, the Ministry doesn't have any flexibility to increase the funding request amount or add another bid into the process (in theory this operating funding need shall be a separate request) so we have to stick to what has been submitted/invited, for now at least.

cheers,  
Haiou

---

**From:** Michael Johnson <michael.johnson@pharmac.govt.nz>  
**Sent:** Tuesday, 18 January 2022 3:06 pm  
**To:** Guan Lye Chua <GuanLye.Chua@health.govt.nz>  
**Cc:** Haiou Wang <Haiou.Wang@health.govt.nz>  
**Subject:** Re: Budget 2022 - Increase in the Combined Pharmaceutical Budget -- BUDGET SENSITIVE

The figures are different because we are also seeking operating funding on the back of our review. CPB funding is separate from our operating funding and from different appropriations.

I will not get to this today sorry

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**From:** Guan Lye Chua <GuanLye.Chua@health.govt.nz>  
**Sent:** Tuesday, January 18, 2022 3:02:18 PM  
**To:** Michael Johnson <michael.johnson@pharmac.govt.nz>  
**Cc:** Haiou Wang <Haiou.Wang@health.govt.nz>  
**Subject:** RE: Budget 2022 - Increase in the Combined Pharmaceutical Budget -- BUDGET SENSITIVE

Hi Michael

Can you please review (update) Section 1B of the template, and re-submit your entire email to us? The template currently shows figures that are different from Section 5A – see illustration below. The package before the Minister shows a total of \$191m sought over the five year forecast period to 2025/26, and no <sup>9(2)(f)</sup><sub>(iv)</sub>

Thanks.

*This is what is shown in your template between Sections 1B and 5A:*

Section 1B: Total Funding Sought

Operating funding sought (\$m)	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears	Total
	-	43.000	48.000	53.000	59.000	9(2)(f)(iv)

Capital funding sought (\$m)	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	Total
	-	-	-	-	-	-	-	-	-	-	-

Section 5A: Fit with existing activity

Provide an overview of existing funding levels for this initiative, and/or initiatives with similar objectives, in the two tables below.

	Operating Funding profile (\$m)					Total					
	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears						
Existing funding for this/similar initiatives	1,085	1,090	1,100	1,105	1,105	1,105					
Total funding sought for this initiative	-	40.000	45.000	50.000	56.000	191.000 ←					
% change between existing funding and funding sought	0%	3.7%	0.4%	0.4%	0.5%						
Comments (optional)	Provide explanatory comments to help interpretation of the above baseline figures.										
	Capital Funding profile (\$m)										Total
	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	
Existing funding for this/similar initiatives											
Total funding sought for this initiative											
% change between existing funding and funding sought											
Comments (optional)	Provide explanatory comments to help interpretation of the above baseline figures.										

This is what is submitted in Treasury's CFIS system:

	2021/22	2022/23	2023/24	2024/25	2025/26
Operating (\$000):					
Gross:	0	40000	45000	50000	56000
Savings/Revenue:	0	0	0	0	0
Net:	0	0	0	0	0

Ngā mihi,  
GL

Guan Lye Chua (he/him)

Principal Advisor | Financial Strategy and Budget, Corporate Services | Ministry of Health | Manatū Hauora  
a: 133 Molesworth Street, Wellington 6011 | ddi: 04 466 5392 | m: 027 657 1998 | e: [guanlye.chua@health.govt.nz](mailto:guanlye.chua@health.govt.nz)

[SEEMAIL]

**From:** Michael Johnson <[michael.johnson@pharmac.govt.nz](mailto:michael.johnson@pharmac.govt.nz)>  
**Sent:** Tuesday, 18 January 2022 12:16 pm  
**To:** Guan Lye Chua <[GuanLye.Chua@health.govt.nz](mailto:GuanLye.Chua@health.govt.nz)>  
**Cc:** Kevin Davies <[Kevin.Davies@health.govt.nz](mailto:Kevin.Davies@health.govt.nz)>; Andrew Powell <[Andrew.Powell@health.govt.nz](mailto:Andrew.Powell@health.govt.nz)>; Peter Jane <[Peter.Jane@health.govt.nz](mailto:Peter.Jane@health.govt.nz)>  
**Subject:** RE: PLEASE ACTION TODAY -- Budget 2022 - Budget initiative templates outstanding (not yet received)

Hi Guan Lye

Please find attached completed budget template for the CPB. This as per advice from the Ministry of Health that Minister Little sought a bid of \$191 million over 4 years.

As you may be aware the Cancer Control Agency (CCA) have been doing some work looking at availability of cancer medicines in New Zealand. At their last meeting with Minister Little pre-Xmas the Minister stated that it may be useful if the CCA analysis could support a budget bid for more funding for Pharmac. We have only received information from the CCA today and have not been able given timeframes to include any information in the attached template and will be unable to do so by the end of the week.

Our previous budget submission that we sent to the MoH in September 2021, which is Pharmac's preferred position, is attached. This states that for an increase of \$191 million to the CPB over two years this would support the funding of eleven cancer treatments. I have provided below the four year cost. A total of <sup>9(2)(f)(iv)</sup> over 4 years.

2022/23	2023/24	2024/25	2025/26
71m	120m	<sup>9(2)(f)(iv)</sup>	

I am sure that the Ministry will have questions for us. Happy to help

Kind regards

Michael.

Michael Johnson | Director of Strategic Initiatives

Pharmac | Te Pātaka Whaioranga | PO Box 10 254 | Level 9, 40 Mercer Street, Wellington  
[www.pharmac.govt.nz](http://www.pharmac.govt.nz)

[SEEMAIL]

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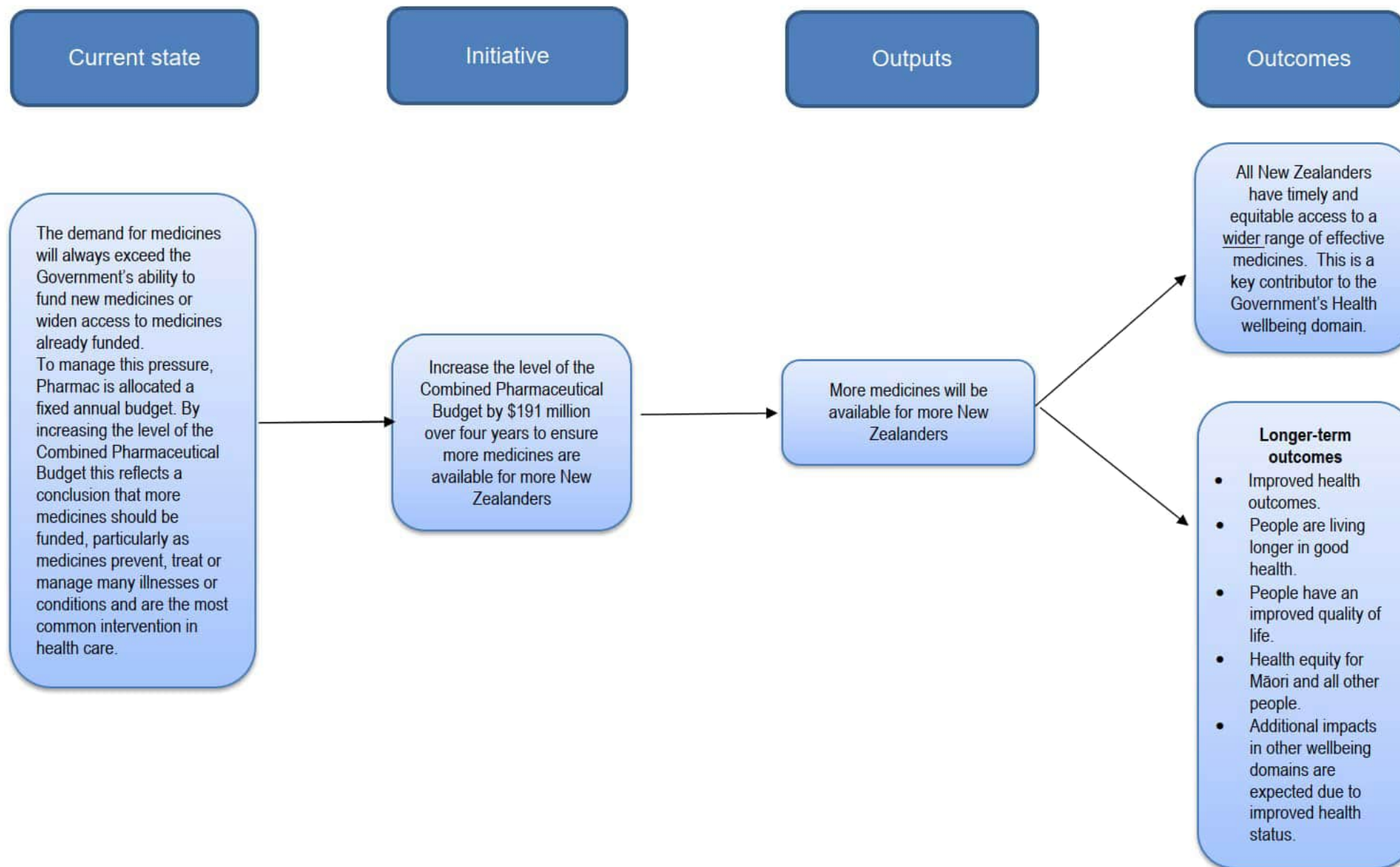
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**Context:** Currently all publicly funded medicines are funded through the Combined Pharmaceutical Budget (CPB). Pharmac is responsible for making choices about which medicines will provide the best overall health outcomes for the New Zealand public from available funding. When CPB funds become available to invest in new medicines or widen access to medicines already funded, Pharmac works through a priority list (the Options for Investment List).





**Note to agencies:** delete any sections that are not applicable before submitting this template. Where a CFISnet character limit is specified, this applies to entry in the CFISnet field only. There are no character or word limits for the Word version of this template.

## *Increase in the Combined Pharmaceutical Budget*

### Section 1: Overview

*This section must be completed for all initiatives.*

#### Section 1A: Basic Initiative Information

<b>Lead Minister</b>	Hon Andrew Little, Minister of Health				
<b>Department</b>	Ministry of Health				
<b>What type of initiative is this?</b>	<i>Critical cost pressure initiative</i>	X	<i>Manifesto commitment initiative</i>	<i>Health and Disability System Reform initiative</i>	
	<i>Climate Emergency Response Fund initiative</i>		<i>Savings initiative</i>	<i>Non-Spending initiative</i>	
<b>Initiative description [max 800 Characters]</b>	<i>This initiative provides funding to ensure more medicines are available to more New Zealanders through an increase to the Combined Pharmaceutical Budget, which is the medicines budget managed by Pharmac. This will improve patients' access to well-evidenced treatments that will improve health and wellbeing through use of medicines.</i>				
<b>Is this a Cross-Vote initiative?</b>	N				
<b>Department contact</b>	Peter Jane <a href="mailto:peter.jane@health.govt.nz">peter.jane@health.govt.nz</a> <span style="background-color: black; color: white;">s9(2)(a)</span>				
<b>Treasury contact</b>	Justin Alsleben, Vote Analyst, Health and ACC				

#### Section 1B: Total Funding Sought

Operating funding sought (\$m)	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears	Total
	-	41.500	46.500	9(2)(f)(iv)		

Capital funding sought (\$m)	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	Total
	-	-	-	-	-	-	-	-	-	-	-

## BUDGET SENSITIVE

### Section 1C: Initiative Classifications

Is this initiative seeking funding from the Climate Emergency Response Fund (CERF)? [max 300 characters in CFISnet].	N					
Is this initiative climate-related, but not seeking funding from the CERF? [max 300 characters in CFISnet].	N					
Does this initiative align with the Crown’s obligations under the Treaty of Waitangi?	Strong	Not all New Zealanders are achieving ‘best health outcomes’ from medicines funded by Pharmac and some are missing out on the opportunity to improve their health and wellbeing through use of medicines. We know that there are differences in the use of medicines by some population groups, particularly when looked at by ethnicity. Research shows significant differences in the way Māori receive medicines in comparison to other New Zealanders. When the burden of disease is considered, there is a significant amount of medicines that Māori are not getting.				
Specify if this initiative will help reduce child poverty and describe the impact [max 300 characters in CFISnet].	Low impact	Equitable medicines access for populations experiencing health disparities may reduce downstream financial costs and loss of income from ill health, which in turn may contribute to a reduction in child poverty.				
Does this initiative align with the Child and Youth Wellbeing Strategy?	N					
Does the initiative include funding to procure from NGOs?	N					
Does the initiative include funding to support digital and data related investments?	N					
Is this a regulatory or legislative initiative (according to the guidance provided)?	N					
Is this a significant investment initiative per the definition at section 4.8 of the Budget 2022 guidance?	N					
		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%; text-align: center;">Data / Digital / ICT</td> <td style="width: 25%; text-align: center;">Physical Infrastructure</td> <td style="width: 25%; text-align: center;">Organisational Transformation</td> <td style="width: 25%; text-align: center;">Specialised Equipment</td> </tr> </table>	Data / Digital / ICT	Physical Infrastructure	Organisational Transformation	Specialised Equipment
Data / Digital / ICT	Physical Infrastructure	Organisational Transformation	Specialised Equipment			
<b><u>See Annex A for further questions – mandatory to complete for all significant initiatives</u></b>						

### Section 3: Value

*Section 3 must be completed for all initiatives, unless exempted by the Minister of Finance in the invitation letter. Further information on the questions in this section can be found at Annex Two of the Budget 2022 guidance.*

This section explains the initiative's value, drawing on elements of He Ara Waiora (section 3A) and the Living Standards Framework (Section 3D). For explanations of these two frameworks, please see the accompanying guidance.

#### Explanation

Intervention logic terms such as outputs, impacts, and goals can have different definitions. Please see table below for how the Treasury defines these concepts.

Explanation Table		
<i>This explanation table is for your reference only. Do not fill out the sections.</i>		
	Definition	Example
<b>Outputs</b>		<p>The purchased goods are localised curriculum resources in te reo Māori, as well as the services of publishers, designers and story tellers.</p> <p>Costs cover the design, development, distribution and maintenance of online tools, interactive electronic and hard copy resources to promote and provide teachers, students and whānau, and external providers with quality tools and resources to enable effective teaching and learning from offsite or the workplace using a range of online, distance and place-based delivery modes.</p>
<b>Impact</b>		<ul style="list-style-type: none"> <li>• Increased whānau involvement in education which is a key driver to lifting student engagement and achievement.</li> <li>• Improved student engagement and achievement in education that better reflects their identity, language and culture.</li> <li>• Increased visibility of te reo Māori at schools and in the community.</li> <li>• Learning programmes supported by quality te reo Māori resources.</li> </ul>
<b>Goals</b>		<ul style="list-style-type: none"> <li>• Normalisation of te reo Māori used by teachers in the classroom, wider school and home.</li> <li>• Increased student and whānau participation in and retention of te reo Māori learning.</li> <li>• Increase in the quality of te reo Māori used by teachers and students.</li> <li>• Attitudinal shift in the wider education community that te reo Māori is recognised as being for everyone.</li> </ul>

## BUDGET SENSITIVE

### Section 3A: Opportunity/Problem

#### Opportunity/Problem

*What is the overarching opportunity or problem this initiative is responding to?*

The Combined Pharmaceutical Budget funds medicines and related products given in public hospitals and dispensed from community pharmacies. It also funds vaccines (except the COVID-19 vaccine).

Medicines prevent, treat or manage many illnesses or conditions and are the most common intervention in health care. By providing more funding for the Combined Pharmaceutical Budget this will support Pharmac to fund more new medicines or widen access to medicines already funded.

When a medicine is funded it is equally available to all New Zealanders who meet the criteria for its use, and in whom the medicine is indicated and appropriate.

### Section 3B: He Ara Waiora

**Tikanga-** decisions are made by the right decision-makers, following a tikanga process, according to tikanga values

*Outline how the policy and implementation plan for this initiative have been or will be designed, developed and/or delivered in partnership with iwi and Māori, relevant agencies, and with affected communities and groups. If not, please indicate the reasons why.*

Māori advice and guidance are provided to Te Pātaka Whaioranga Pharmac through its advisory committees and advisory groups. An inaugural external Māori Advisory Rōpū has been formed and will be providing advice and guidance to the Board and Senior Leadership Team. The trend of increasing equitable Māori representation on the Board and advisory committees has commenced- 2 new Māori Board members appointed, Consumer Advisory Board (4 Māori members) and Responsible Use Advisory Group have equitable representation with 4 members. The Pharmaceutical and Therapeutics Advisory Committee is chaired by a Māori and work is underway to increase the level of representation on this committee.

Te Pātaka Whaioranga has a Chief Advisor Māori at the Senior Leadership Team level.

Te Pātaka Whaioranga has tikanga Māori values woven into the organisational values to provide contextualised Māori world views. The values are whakarongo, tūhono, wānanga, māia and kaitiakitanga. A programme of work is being implemented to embed the values across the organisation.

**Manaakitanga-** focus on improved wellbeing and enhanced mana for iwi and Māori, and for other affected communities and groups, demonstrating an ethic of care and mutual respect

*Demonstrate the department's understanding of the distinctive priorities, values and aspirations of iwi and Māori, and affected communities and groups, in relation to this initiative, and how these are being accommodated. If not, please indicate the reasons why.*

Māori health considerations are an integral part of Pharmac's decision-making framework (Factors for Consideration) for funding medicines and are applied throughout Pharmac's assessment and transaction process with the goal of upholding the articles of Te Tiriti o Waitangi, and advancing Māori health and aspirations: Tino Rangatiratanga; Partnership; Active protection; Options and Equity.

### Section 3C: Outputs – The good or service the initiative purchases - please see intervention logic at end of proposal.

#### Output

#### Description

## BUDGET SENSITIVE

**More publicly funded medicines are available.**

By providing additional funding for the Combined Pharmaceutical Budget this will enable Pharmac to invest in evidence-based, clinically appropriate, good value medicines.

### Section 3D: Impacts – The direct effect of the initiative

*Please repeat these questions for each impact*

<b>Impact 1</b>	<b>Description of the impact</b>	Improved health outcomes for New Zealanders who meet the criteria for the medicines use, and in whom the medicine is indicated and appropriate.
	<b>Quantification</b>	Pharmac have longstanding processes to ensure our funding decisions are based on maximising expected health gains. We are currently progressing work to determine the level of actual health outcomes achieved.
	<b>Supporting Evidence</b>	Pages 43 of Pharmac's 2020/21 Annual Report <a href="https://pharmac.govt.nz/assets/Annual-Report-2020-2021.pdf">https://pharmac.govt.nz/assets/Annual-Report-2020-2021.pdf</a>  During 2020/21, Pharmac considered a range of approaches and methodologies to measure actual health outcomes and then moved on to completing an assessment for one medicine of outcomes achieved compared with what had been expected to test our approach. We expect to release the results of that work in 2021/22, revise our approach based on our learnings, and progress two more test medicines.
	<b>Gaps in Evidence</b>	This is a complex piece of work that involves multiple stakeholders and disparate data sets to assess the overall health outcomes achieved. In addition, there are issues of availability of data at the patient level to determine whether expected results were achieved, the extent to which a health gain or loss is attributable to a medicine, and a range of health sector considerations, such as the alignment of prescribing with other health interventions, such as primary or surgical services.
	<b>Assumptions</b>	The determinants of health and wellbeing are multi-factorial and it is not possible to solely attribute to people living longer to medicine alone.
	<b>Implications</b>	
<b>Impact 2</b>	<b>Description of the Impact</b>	People are living longer in good health
	<b>Quantification</b>	The Health and Independence Report produced by the Ministry of Health presents an annual overview of the state of health and wellbeing of New Zealanders on behalf of the Director-General of Health.
	<b>Supporting Evidence</b>	The latest Health and Independence report from 2019 presents the latest data on measures of health, including life expectancy, causes of health loss, and determinants of health. <a href="https://www.health.govt.nz/publication/health-and-independence-report-2019">https://www.health.govt.nz/publication/health-and-independence-report-2019</a>
	<b>Gaps in Evidence</b>	There has not been a report since 2019. The impacts of COVID-19 on the health and disability system, and people's health and wellbeing have therefore not been evidenced yet.

## BUDGET SENSITIVE

	<b>Assumptions</b>	The determinants of health and wellbeing are multi-factorial and it is not possible to solely attribute to people living longer to medicine alone.
	<b>Implications</b>	Improved life expectancy and health expectancy.
<b>Impact 3</b>	<b>Description of the Impact</b>	Health equity for Māori and other population groups.
	<b>Quantification</b>	As part of Pharmac's work on equitable access and use of medicines Pharmac have sought for the first time to undertake measurement of possession rates, access rates and persistence rates for medicines for Māori and non-Māori.
	<b>Supporting Evidence</b>	Pages 39-41 of Pharmac's 2020/21 Annual Report <a href="https://pharmac.govt.nz/assets/Annual-Report-2020-2021.pdf">https://pharmac.govt.nz/assets/Annual-Report-2020-2021.pdf</a>
	<b>Gaps in Evidence</b>	The health inequities for Māori and other population groups are well evidenced and researched across the health and disability system.
	<b>Assumptions</b>	Refer to Pharmac 2020/21 Annual Report.
	<b>Implications</b>	Pharmac developed new measures and methodology in 2020/21 with the focus being on closing the equity gaps for Maori and other population groups medicines that Pharmac already fund.
	<b>Impact 4</b>	<b>Description of the Impact</b>
<b>Quantification</b>		Pharmac annually publish in Annual Report the price, volume, mix of medicines in New Zealand over the last 10 years.
<b>Supporting Evidence</b>		Refer to Appendix One.
<b>Gaps in Evidence</b>		N/A
<b>Assumptions</b>		The data comes from the raw data in Pharmac's forecasting system, from which the "Price Volume Mix" (PVM) model is created.
<b>Implications</b>		The price, volume mix graph shows that the number of medicines (volume index) and the variety of medicines (mix index) have increased - meaning we are seeing more, and varied, medicines in New Zealand. At the same time, the cost of medicines (the cost index) has increased but the actual price paid (the subsidy index) has decreased – showing Pharmac is getting more medicines for less money.

### Section 3E: Goals – What this initiative aims to achieve

*Please repeat these questions for each goal*

<b>Goal 1</b>	<b>Description</b>	More medicines are available for more New Zealanders.
	<b>Quantification</b>	Pharmac publish annually a 'Year in Review' which provides more detailed information than its Annual Report on the work and impact of Pharmac <a href="https://pharmac.govt.nz/assets/images/YIR-2021/Year-in-Review-2021.pdf">https://pharmac.govt.nz/assets/images/YIR-2021/Year-in-Review-2021.pdf</a>
	<b>Timeframes</b>	Annual publication
	<b>Evidence and Assumptions</b>	Refer to Year in Review publication. Whilst the publication is a retrospective look at the previous financial year, as part of quarterly reporting to the Minister of Health Pharmac provide a summary update of investment decisions which includes new medicines funded and estimated new patients that would benefit from the medicines.

## BUDGET SENSITIVE

	<b>Implications</b>	More New Zealanders are receiving publicly funded medicines. The number of new medicines funded or have widened access increases annually.
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## BUDGET SENSITIVE

Section 3F: Distributional Analysis								
<b>Question 1: Does the initiative have the following types of distributional impacts for Māori?</b>	A	Direct	X	Indirect		No Impact		
	<i>If direct, please complete Question 1B. If indirect or no impact, please progress to Question 2.</i>							
	B	Targeted and tailored for Māori		Disproportionate positive impact	X		Other (explain)	
<p><i>Please explain why the initiative falls under the category identified in B above [max. 300 characters in CFISnet].</i></p> <p>Māori receive medicines at lower rates, than non-Māori, despite their health need being higher – contributing to greater inequities in health. When the burden of disease is considered, there's a significant amount of medicines that Māori are not getting.</p>								
<b>Question 2: Does the initiative have the following types of distributional impacts for Pacific Peoples?</b>	A	Direct	X	Indirect		No Impact		
	<i>If direct, please complete Question 2B. If indirect or no impact, please progress to Question 3.</i>							
	B	Targeted and tailored for Pacific Peoples		Disproportionate positive impact	X		Other (explain)	
<p><i>Please explain why the initiative falls under the category identified in B above [max. 300 characters in CFISnet].</i></p> <p>Not all New Zealanders are achieving 'best health outcomes' from medicines funded by Pharmac and are missing out on the opportunity to improve their health through use of medicines. We know that there are differences in the use of medicines by some population groups, particularly when looked at by ethnicity. This is also likely for Pacific peoples and other population groups experiencing inequities.</p>								
<b>Question 3: Does the initiative have the following types of distributional impacts for children?</b>	A	Direct		Indirect	X – possible impact through funded medicines	No Impact		
	<i>If direct, please complete Question 3B. If indirect or no impact, please progress to Question 4.</i>							
	B	Targeted and tailored for children		Disproportionate positive impact			Other (explain)	
<p><i>Please explain why the initiative falls under the category identified in B above [max. 300 characters in CFISnet].</i></p> <p>Equitable medicines access for populations experiencing health disparities may reduce downstream financial costs and loss of income from ill health, which in turn may contribute to a reduction in child poverty.</p>								
<b>Question 4: Does the initiative have direct impacts on any other population groups?</b>	N	<i>If yes, please list population groups impacted, e.g. "People with disabilities" [max 300 characters in CFISet]. When a medicine is funded, it is available to all New Zealanders who meet the criteria for its use, and in whom the medicine is indicated and appropriate.</i>						
<b>Question 5: What region is this initiative expected to impact?</b>	X	All of New Zealand		Gisborne		Northland		Tasman
		Areas outside regions		Hawke's Bay		Offshore		Waikato
		Auckland		Manawatu-Whanganui		Otago		Wellington
		Bay of Plenty		Marlborough		Southland		West Coast
		Canterbury		Nelson		Taranaki		

## Section 4: Alignment

*Section 4 must be completed for all initiatives, unless exempted by the Minister of Finance in the invitation letter. Further information on the questions in this section can be found at Annex Two of the Budget 2022 guidance.*

Section 4A: Strategic Alignment	
How does this initiative link with your strategic intentions/statement of intent?	<p><i>Outline how the initiative aligns with agency strategy.</i></p> <p>By providing additional funding for the Combined Pharmaceutical Budget this will support more medicines being available for more New Zealanders. This aligns with Pharmac's current strategic direction as outlined in its 2020/21 – 2023/4 Statement of Intent and the following three health system outcomes that Pharmac's strategic direction is seeking to achieve:</p> <ul style="list-style-type: none"> <li>• People are living longer in good health</li> <li>• People have an improved quality of life</li> <li>• Health equity for Māori and other people.</li> </ul>
Does this initiative link with other sectoral or whole-of-government strategies (e.g. the Pacific Wellbeing Outcomes Frameworks)?	<p><i>If yes, state the name of the strategy and briefly describe how the initiative aligns to or contributes to the strategy.</i></p> <p>By improving access for Māori and Pacific Peoples access to publicly funded medicines this will support the Ministry of Health's Māori Health Action Plan 2020 – 2025 and Ola Manuia: The Pacific Health and Wellbeing Action Plan 2020 -2025.</p>
Does this initiative impact other agencies directly or indirectly? If so, how?	<p><i>Outline impacts and interdependencies of your initiative on other organisations and individuals in the policy areas, sectors, or systems your agency operates in.</i></p> <p>This initiative will have a direct impact across the entire health and disability system.</p>

## Section 4B: Alignment to Government's goals

The Government's goals for this term are:

- 1) Continuing to keep New Zealand safe from COVID-19
- 2) Accelerating the recovery and rebuild from the impacts of COVID-19
- 3) Laying the foundations for the future, including addressing key issues such as our climate change response, housing affordability and child poverty

**Alignment to Government goals**

*What Government goal(s) does this initiative align with? Answers must not exceed 1-2 paragraphs.*

N/A.

## Section 4C: Contribution to the Government's Wellbeing Objectives

The Government's five wellbeing Objectives are:

- **Just Transition:** supporting the transition to a climate-resilient, sustainable, and low-emissions economy.
- **Future of Work:** enabling all New Zealanders and New Zealand businesses to benefit from new technologies and lift productivity and wages through innovation
- **Physical and Mental Wellbeing:** supporting improved health outcomes for all New Zealanders, including protecting New Zealanders from the impacts of COVID-19.

## BUDGET SENSITIVE

- **Māori and Pacific:** lifting Māori and Pacific incomes, skills, and opportunities, including through access to affordable, safe, and stable housing
  - **Child Wellbeing:** reducing child poverty and improving child wellbeing, including through access to affordable, safe, and stable housing.
- \*Please note: these objectives have been agreed by Cabinet subject to wider consultation. The final versions of the objectives will be published in the Budget Policy Statement in December 2021.*

<b>Contribution to Wellbeing Objective(s)</b>	<p><i>Which wellbeing objective(s) does this initiative contribute to and how? Is it a direct or indirect contribution? Answers must not exceed 1-2 paragraphs.</i></p> <p>Medicines prevent, treat or manage many illnesses or conditions and are the most common intervention in health care. By increasing the level of the Combined Pharmaceutical Budget this would support the Government's physical and mental health wellbeing objective.</p>
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### Section 5: Delivery

Section 5 must be completed for all initiatives. Further information on the questions in this section can be found at **Annex Two** of the Budget 2022 guidance.

#### Section 5A: Fit with existing activity

*The answer must not exceed 1-2 paragraphs.*

<b>How does the initiative link with existing initiatives with similar objectives?</b>	<p><i>Describe how the initiative links with existing services or initiatives, including non-spending arrangements, with similar objectives.</i></p> <p>The existing level of the Combined Pharmaceutical Budget for 2022/23 is \$1090 million (excluding the temporary funding provided for COVID-19 Combined Pharmaceutical Budget related expenditure). The initiative will increase the level of the Combined Pharmaceutical Budget to support an increase in more medicines being available for more New Zealanders.</p>	
<b>Is the initiative an expansion or a cost pressure for an existing initiative?</b>	Y	<p><b><i>If yes, provide a concise overview of how this initiative will expand on or maintain existing services.</i></b></p> <p>This initiative will ensure more medicines are available to more New Zealanders through an increase to the Combined Pharmaceutical Budget.</p>

## BUDGET SENSITIVE

Provide an overview of existing funding levels for this initiative, and/or initiatives with similar objectives, in the two tables below.

	Operating Funding profile (\$m)					Total					
	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears						
Existing funding for this/similar initiatives	1,085	1,090	1,100	1,105	1,105	1,105					
Total funding sought for this initiative	-	40.000	45.000	50.000	56.000	191.000					
% change between existing funding and funding sought	0%	3.7%	0.4%	0.4%	0.5%						
Comments (optional)	Provide explanatory comments to help interpretation of the above baseline figures.										
	Capital Funding profile (\$m)										Total
	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	
Existing funding for this/similar initiatives											
Total funding sought for this initiative											
% change between existing funding and funding sought											
Comments (optional)	Provide explanatory comments to help interpretation of the above baseline figures.										

### Section 5B: Funding sought by input

Provide a breakdown of what the requested funding will purchase. Briefly explain the formula used, or key assumptions made, to calculate the cost of each output. Add additional rows to the table as needed to capture each output separately. Please include which Vote(s) will be impacted by each component.

<b>Formula and assumptions underlying costings</b>	<p>Due to commercially sensitive nature of Pharmac's Options for Investment list (a confidential prioritised list of potential medicine investments) Pharmac cannot disclose the number or cost of individual new medicines.</p> <p>Pharmac's decisions are made independently to ensure they are based on clinical evidence and expert decision making. The appraisal process is rigorous. Pharmac staff consider the clinical advice, undertake cost utility and budget impact assessments and seek additional information as required to ensure that a comprehensive assessment occurs using our decision-making framework – the Factors for Consideration.</p> <p>Pharmac uses a prioritisation process to compare and rank potential investment options against other unfunded medicines that have completed assessment. The output of the prioritisation process is a list of potential medicine investments – the Options for Investment list. As possible opportunities for new medicines investment will always exceed the budget Pharmac has available, prioritisation is an intrinsic part of Pharmac's decision-making process.</p>					
Input – Operating [Enter one number value per field only into CFISnet]	Funding profile (\$m)					Total
	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears	Number values only, i.e. 15 or 100000. Do not enter any text, \$ signs or % signs.
Input Information						

## BUDGET SENSITIVE

New Medicines or widened access to currently funded medicines	-	40.000	45.000	50.000	56.000	191.000					
<b>FTE-specific Input Information (if applicable)</b>											
New FTE funding		1.500	1.500	1.500	1.500	6.000					
New contractor funding											
Additional FTE overhead funding											
<b>Total</b>	-	41.500	46.500	9(2)(f)(iv)							
<b># of FTE's (employees and/or contractors)</b>											
<b>What's the % increase in FTE compared to baseline FTE numbers</b>											
	<b>Funding profile (\$m)</b>										<b>Total</b>
<b>Input – Capital</b>	<b>21/22</b>	<b>22/23</b>	<b>23/24</b>	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>	<b>28/29</b>	<b>29/30</b>	<b>30/31</b>	
<b>Total</b>											
<b>Appropriations</b>	<i>As part of the changes to the Vote Health appropriation structure a new appropriation for pharmaceuticals (ie the CPB) is being established from 1 July 2022 that will be managed directly by Pharmac.</i>										

### Section 5C: Options analysis

*The answer must not exceed 1-2 paragraphs.*

<b>Options analysis</b>	One alternative option was considered. If there was no CPB funding uplift there would be no new medicines funded or widening of access to medicines already funded. Pharmac expect the current CPB funding path and Pharmac's ongoing work to reduce expenditure and manage costs of funded medicines would be fully committed to managing cost pressures from existing funded medicines.
<b>Counter-factual question</b>	This is covered by the options analysis.

### Section 5D: Scaled option

*The answer must not exceed 1-2 paragraphs.*

<b>Option overview</b>	No scaled option has been considered.
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## BUDGET SENSITIVE

*Provide a breakdown of what the minimum viable option would purchase. If the formula used or key assumptions made differ from those used for the primary option, briefly explain these. Add additional rows to the table as needed to capture each output separately.*

Formula and Assumptions	Explain if different from primary option.											
	<b>Operating Funding profile (\$m)</b>											
Input - Operating	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears							Total
Total												
	<b>Capital Funding profile (\$m)</b>											
Input - Capital	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31		Total
Total												
Appropriations	Indicate whether this funding would increase existing appropriations, establish any new appropriations, or alter the scope of an existing appropriation with effect from 1 July 2022.											

### Section 5E: Monitoring and Evaluation

*The answer must not exceed 1-2 paragraphs.*

*Outline the overall evaluation and monitoring methodology for the initiative; how often and to whom monitoring and performance reports will be provided; and when the first report back is expected. If not indicated in the cost breakdown in section 5B, please indicate here what funding is proposed to be allocated to monitoring and evaluation.*

*Describe the performance measures that will be in place for this initiative. Performance measures should be specific, measurable, achievable, relevant and timely (SMART). You can use these measures as the basis for your estimate performance information.*

Pharmac provides monthly and quarterly reports to the Minister of Health and the Ministry of Health on its performance which includes detailed information on the number and cost of new medicines investments and instances in which access to existing funded medicines is widened.

Pharmac also produces an annual report to Parliament and this report provides information on Pharmac's overall performance for the previous financial year, including the uses of new funding for new medicines or widening access to existing funded medicines.

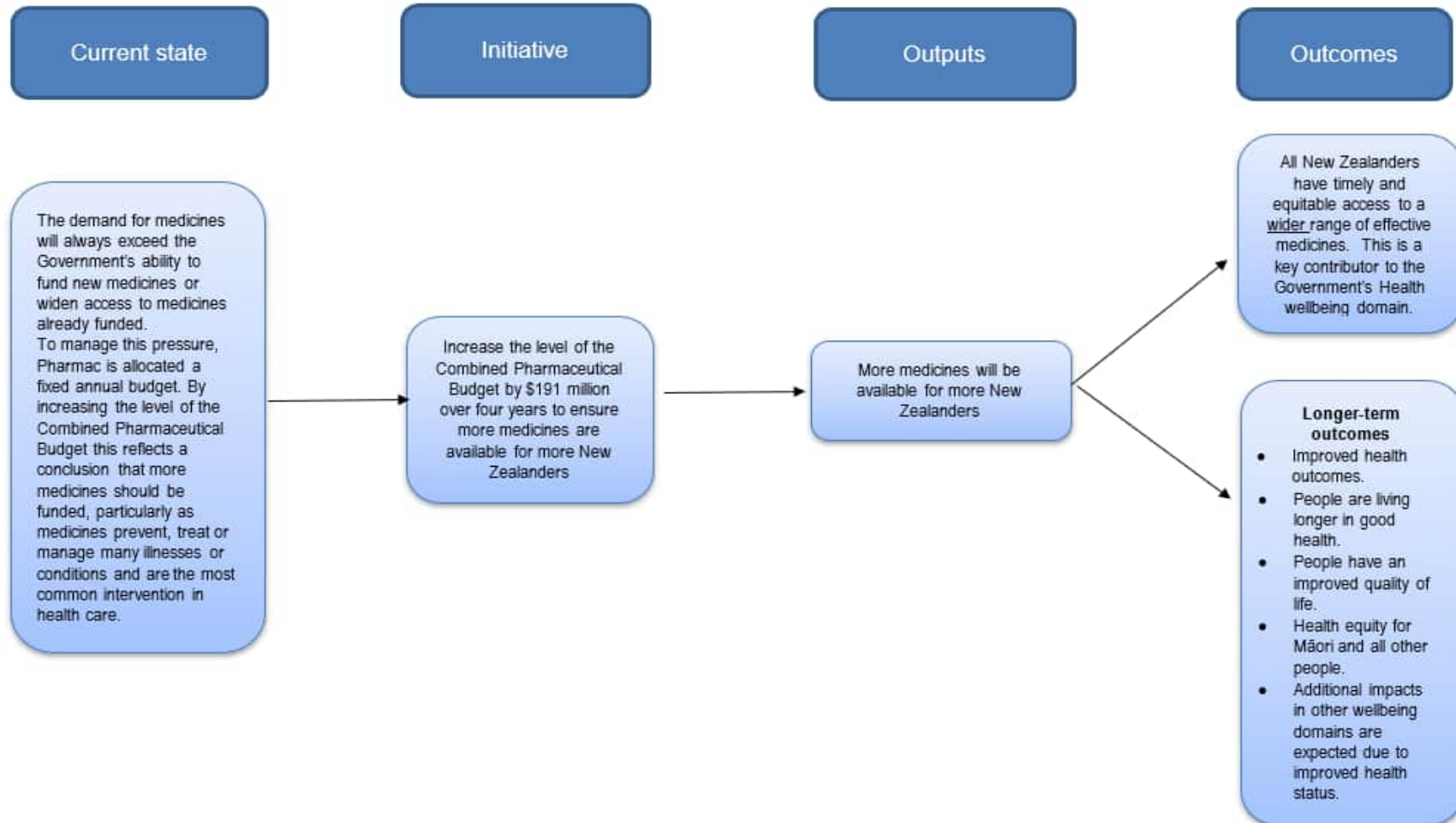
**Section 5F: Implementation readiness**

*The answer to each question must not exceed 1-2 paragraphs.*

<b>Workforce: Are additional FTEs or contractors required?</b>	<b>Y</b>	Additional staff is likely to be required to implement the National Strategy. Cost of additional staff is anticipated to be covered by the funding sought in this bid.
		<p>An additional \$1.5 million per annum in operating funding to address issues raised in the Independent External Pharmac Review Interim Report released in December 2021.</p> <p>Pharmac's operational budget is managed separately from the Combined Pharmaceutical Budget and cannot be used to fund medicines.</p>
<b>Workforce: Resourcing considerations</b>		<p><i>If the Public Service Commissioner's Public Service Pay Guidance is relevant to the initiative, how has this been considered in the development of this initiative? Any planned mitigations to reduce any resourcing issues (for example, work programme reprioritisation, in-house training, retention strategies)?</i></p> <p>This is not relevant.</p>
<b>Timeframes</b>		<p><i>What are the timeframes for delivery? Are there any dependencies to delivering this initiative?</i></p> <p>Pharmac will be able to commence funding new medicines from 1 July 2022.</p>
<b>Delivery Risks</b>		<p><i>What are the key risks to delivering this initiative and what are your plans to mitigate these to ensure delivery? Please outline the risks and associated mitigating actions.</i></p> <p>Pharmac have developed a high-level implementation plan for how it would invest the new funding for the Combined Pharmaceutical Budget. For each new transaction Pharmac manage operational risks as part of its regular core business eg price, availability, timing. Pharmac manage these risks by agreeing contractual arrangements with the pharmaceutical supplier ahead of funding the new medicine or widening access.</p>
<b>Market capacity</b>		<p><i>Explain any market capacity constraints in the production of this initiative's outputs, and any planned mitigations to reduce these issues (including procurement plans).</i></p> <p>This is not relevant.</p>
<b>Previous delivery experience</b>		<p><i>Describe delivery of any previous similar activities, in particular how delivery aligned or differed from the proposed plan (e.g. if significant delays, price overruns or changes to delivery outputs occurred), and key processes in place to ensure delivery (e.g., risk management, governance structures, project management).</i></p> <p>This initiative is an expansion of existing activity.</p>

Intervention Logic Map (Related to Section 3)

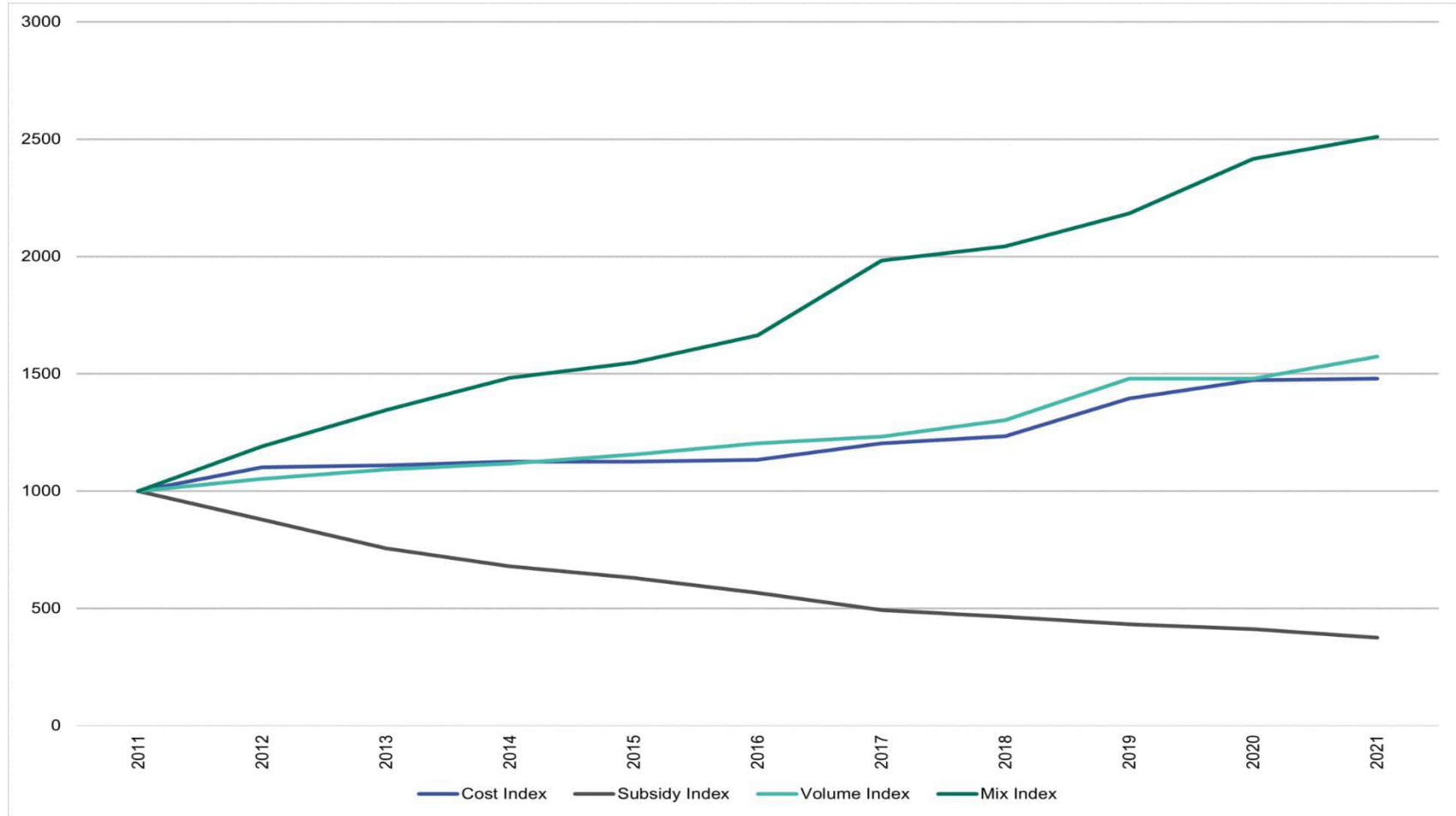
**Context:** Currently all publicly funded medicines are funded through the Combined Pharmaceutical Budget (CPB). Pharmac is responsible for making choices about which medicines will provide the best overall health outcomes for the New Zealand public from available funding. When CPB funds become available to invest in new medicines or widen access to medicines already funded, Pharmac works through a priority list (the Options for Investment List).





**BUDGET-SENSITIVE**

**Appendix One – Pharmac Price, volume, mix**



## Budget Sensitive

### Updated September advice

#### Budget Sensitive: Budget 2022 – Combined Pharmaceutical Budget

The table below summarises early planning for an indicative Budget 2022 bid for the Combined Pharmaceutical Budget (CPB). A total bid of \$191 million over two years was indicated in September 2021. We have provided two-year funding package to align with the transitional funding arrangements at Budget 2022 as part of the new multi-year funding framework for health

\$ millions	2021/22	2022/23	2023/24	Two YR total
<b>Current CPB baseline (1) (2)</b>	1,085	1,090	1,100	-
<b>New medicine investments (3)</b>	-	61.5	85.4	146.9

#### Notes

**1** – CPB baseline takes into account \$200 million over four years allocated in Budget 2021.

**2** – The CPB baseline does not include COVID-19 related CPB costs. Pharmac were allocated additional funding from the COVID-19 Relief Fund in 2020/21 and 2021/22 for CPB related COVID-19 costs. The amount allocated for 2021/22 is \$76 million. Pharmac expect to have ongoing impacts to outyear baseline expenditure and will be in a better position later in this financial year to quantify this pressure.

**3** – An increase in the CPB would enable investment in a number of very good value medicines that would include 14 cancer treatments, a vaccine and multiple autoimmune treatments as well a number of other good value medicines.

The investment would also support a number of new medicines where there is a higher burden of disease or other epidemiological disease feature (incidence, prevalence, mortality or disability rate) for Māori, Pacific or other groups who experience health disparities. Equity considerations refer to the health need of the population and does not indicate if proposed medicine would address this inequity.

## Budget Sensitive

### Detailed breakdown for internal use

Updated Budget bid analysis for new investments (updating tables previously presented to the Board based on latest ranking)

Staff provided the 'good value' investment line as an indication of our early thinking. These amounts at the time indicated funding for Budget 2022 and Budget 2023 ie. \$191 million over two years. This reflects a budget uplift to progress new investments only. It does not reflect costs pressures outlined further down.

Incorporating our latest prioritisation of proposals as at 1 November 2021, the options have changed significantly.

s9(2)(j)



### Updated detailed analysis of OFI at differing levels of funding

We have considered how far we could progress down the current OFI list, and what new investments could be achieved, for various levels of additional funding. The following tables provide more detailed analysis of the options considered.

Table 4 presents options based on the anticipated value of investments within those various levels of funding. The average QALY per million across proposals is used in the table below as a proxy indicator of value. Table 5 presents options based on the

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<sup>1</sup> Costs are cumulative. Option B includes costs from A. Option C includes costs from A and B.

## Budget Sensitive

cumulative impact of splitting the OFI into thirds – the last option includes all proposals on the OFI.

s9(2)(j)



s9(2)(j)



### Notes:

- DHB costs include additional testing and service impact costs outside of the CPB.
- Equity refers to proposals where there is a higher burden of disease or other epidemiological disease feature (incidence, prevalence, mortality or disability rate) for Māori, Pacific or other groups who experience health disparities. Equity considerations refer to the health need of the population and does not indicate if proposed medicine would address this inequity.

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- The OFI list can include multiple variations on the same medicine or proposal so overlapping proposals are excluded. Items that are likely to be progressed prior to 2022/23 are also excluded. This means that Option A would enable us to progress up to number 54 on the current OFI, however this would only result in 25 proposals from the OFI being funded once exclusions are applied. Overlapping proposals no longer required would then be removed from the OFI.

For reference

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In September 2021 provided the following advice to MoH

- The initial Combined Pharmaceutical Budget (CPB) increase that we advised was a total bid of \$191 million over two years which sought a clear investment pathway.
- If there was no CPB funding uplift in 2022/23 and outyears we expect there would be no new medicines funded or widening of access to medicines already funded. We expect the current CPB funding path and Pharmac's ongoing work to reduce expenditure and manage costs of funded medicines would be fully committed to managing cost pressures from existing funded medicines.
- A flat increase \$50 million per annum from 2022/23 would enable investment in some very good value medicines that could include up to seven cancer treatments, a vaccine and multiple autoimmune treatments as well some other good value medicines.
- A flat funding pathway would not allow for additional medicine investments from 2023/24 as the funding would already be committed.
- A flat increase over four years would limit our ability to proceed with several of the investments previously mentioned which are large investments that have significant outyear costs. It would also restrict our ability to progress new investments throughout the year as there would be no funding headroom for ongoing costs.
- As per advice provided as part of Budget 2021, our preference is a year on year funding growth profile, rather than a flatlined annual increase. This is because all new medicine investments have a growth profile over time (due to uptake) which create some challenges to Pharmac's obligations to manage within a fixed budget that does not have an appropriate outyear growth profile.

As previously advised we expect to have ongoing COVID-19 cost impacts to outyear CPB baseline expenditure from 2022/23 and will be in a better position later in this financial year to quantify this cost pressure.

## Budget Sensitive

### Forecast and cost pressures

The following table outlines the forecast expenditure and our best estimate of expected COVID-19 related cost pressures. This excludes any funding uplift for new investments.

s9(2)(f)



s9(2)(f)



Whilst our COVID-19 supply expenditure in 2020/21 were mostly one-off, we are now seeing ongoing costs starting to hit now. These include significant price increases for

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<sup>2</sup> Removes costs identified as COVID-19 related

## Budget Sensitive

replacement products following the withdrawal of Apotex from the New Zealand market and other price rises through the annual tender and out-of-stock management options. Additionally, some new medicines may be needed to address impacts of COVID-19 and border closures on other infectious diseases (respiratory syncytial virus (RSV), pneumococcal disease strains). These costs will be ongoing.

## MEMORANDUM FOR BOARD MEETING 24 SEPTEMBER 2021

**To:** Pharmac Directors  
**From:** Chief Executive  
**Date:** September 2021

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### Multi-year Funding Approach for the Health and Disability System

#### Recommendations

It is recommended that you:

**note** Cabinet agreed in April 2021 to establish a new multi-year funding framework for health

**note** that Cabinet shall be considering in October 2021 how the multi-year funding framework shall be implemented

**note** that Treasury, the Ministry of Health and the Transition Unit see the multi-year funding pathway approach being applied to the Combined Pharmaceutical Budget

**note** the proposed multi-year funding approach from Budget 2024

**note** the proposed interim funding arrangements for Budgets 2022 and 2023

**note** that we will continue ongoing engagement with Treasury, the Ministry of Health, the Transition Unit and when established Health NZ

**note** that we will provide the Board with updates on progress at its October and November meetings.

#### Purpose

The purpose of this paper is to outline for Board the high-level proposals for the multi-year funding framework for health that the Government has agreed to progress and the implications of the proposed multi-year funding pathway for the Combined Pharmaceutical Budget (CPB).

#### Strategic Direction

This paper links to Pharmac's core purpose: to secure for eligible people in need of pharmaceuticals, the best health outcomes that are reasonably achievable from pharmaceutical treatment and from within the amount of funding provided.



## **Background**

The current fiscal management settings for health have contributed to poor strategic planning, weak financial controls, and in recent years, significant growth in District Health Board (DHB) deficits. The health reforms announced by the Government in April 2021 provide an opportunity to give decision-makers, from Ministers to the frontline, the right *information, permissions* and *incentives* to manage health funding over the long term.

The health sector has consistently told Government that an annual cycle with decisions coming late in the year and a focus on year-on-year fiscal variances really impedes planning processes. Health reliably receives additional funding at every Budget. But key decision-makers in the system usually don't know the size of the increase for the coming financial year until about six weeks before the year begins. This drives a short-term bias to managing costs and investments rather than having the ability to take a longer-term focus. The annual cycle of planning and budgeting is too short to support meaningful strategic trade-offs and choices.

In April 2021 Cabinet agreed to establish a new multi-year funding framework for health that provided greater budget certainty for the health system and the Crown. Ministers subsequently agreed high-level proposals for the multi-year funding approach, and these are outlined below. Cabinet shall be considering in September the detail as to how the multi-year funding framework shall be implemented.

## **Multi-year funding framework**

### ***Objectives***

The multi-year funding framework aims to support the Government's vision for health reform. This includes better planning to enable a sustainable shift in activity toward primary and community care. To address affordability challenges in health, the mechanics and features of a framework and wider system settings seek to support improved:

- financial sustainability
- financial control
- financial transparency.

The framework seeks to appropriately balance the need for certainty and flexibility for both the health sector and the Crown. Treasury thinks affordability can be achieved via a funding path that:

- is set at a level that is credible to the sector
- builds in an efficiency/productivity dividend
- has a long enough planning horizon to give Ministers meaningful choices about the size of the health system over time
- is nested within broader health system settings designed to support better planning and financial control.

**Proposed multi-year approach**

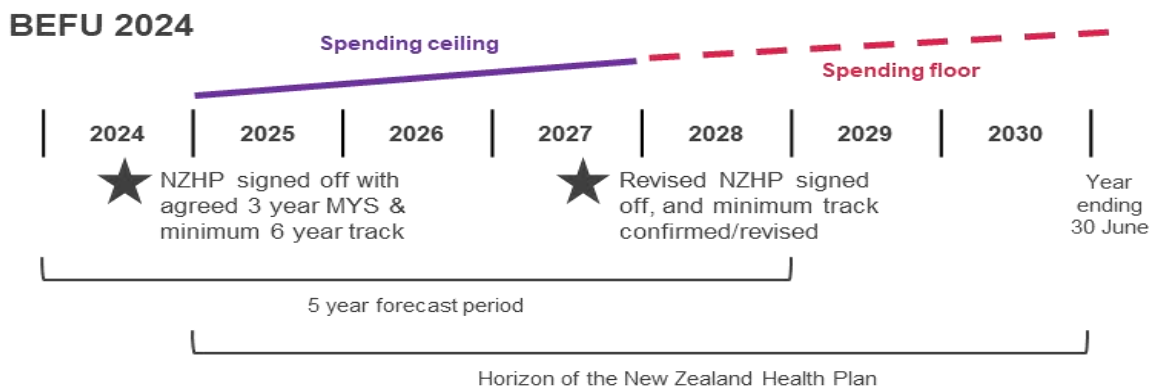
Two key judgements, informed by New Zealand history and international experience, underlie the proposals for the new fiscal management framework for health:

1. Healthcare costs will keep on growing. A realistic goal is to seek efficiency and productivity gains to reduce the rate of growth and improve outcomes, not to reduce or maintain fixed nominal health costs.
2. In pragmatic political terms, the Government must provide ongoing funding for at least existing levels of healthcare.

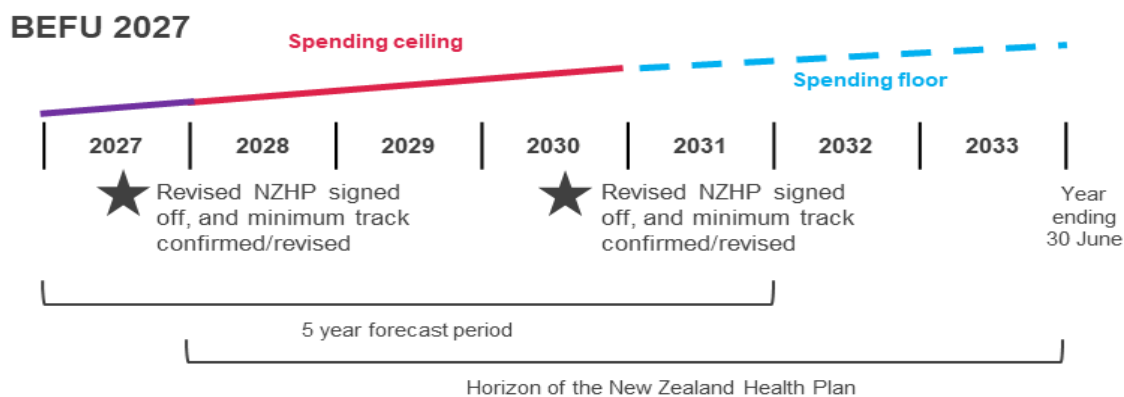
On these grounds, the framework proposes that the Government commits upfront to, reflects in fiscal strategy, and strongly enforces a credible **upper limit (ceiling)** across a three-year period, while asking the health sector to plan beyond this period on the basis of a credible **minimum funding track (floor)**.

At Budget 2024 the first three-year ceiling would be agreed alongside the first New Zealand Health Plan (NZHP) to provide for cost pressures, new investments/programmes (both operating and capital) and a risk buffer.

The NZHP would provide a medium-term service plan beyond the three-year period, on the basis of a Cabinet-agreed formula-based minimum funding track (ie floor) from 2027/28. The formula would also be agreed by Cabinet (likely capturing wage/price/demographic change/technology, with a negative multiplier to set expectations regarding efficiencies). Pharmac input will be required as investment in medicines and medical devices will be an important component of the NZHP. The diagrams below summarise arrangements for Budget 2024 and Budget 2027.



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**BUDGET SENSITIVE**



★ Ministerial decision point; BEFU - Budget Economic and Fiscal Update

Having set the high-level policy and funding framework via a Government Policy Statement, in commissioning each future NZHP, the Ministers of Health and Finance would ask for a plan based on the minimum funding track, with scenarios/options for additional investment above it. The difference between the minimum funding track and any higher agreed scenario would impact fiscal indicators (unless managed within budget allowances).

In 2027, the next three-year ceiling would be agreed for the subsequent three years, with the formula-based minimum funding track (floor) continuing beyond that.

Core to the proposed funding framework is the three-year spending ceiling being treated as a hard upper limit. The three-year spending ceiling would include a provision for new investment, as well as risk buffers to manage uncertainties and options for Ministers to make adjustments or addendums to the three-year ceiling. The finer details as to how the budget arrangements will operate will be considered by Cabinet in October 2021.

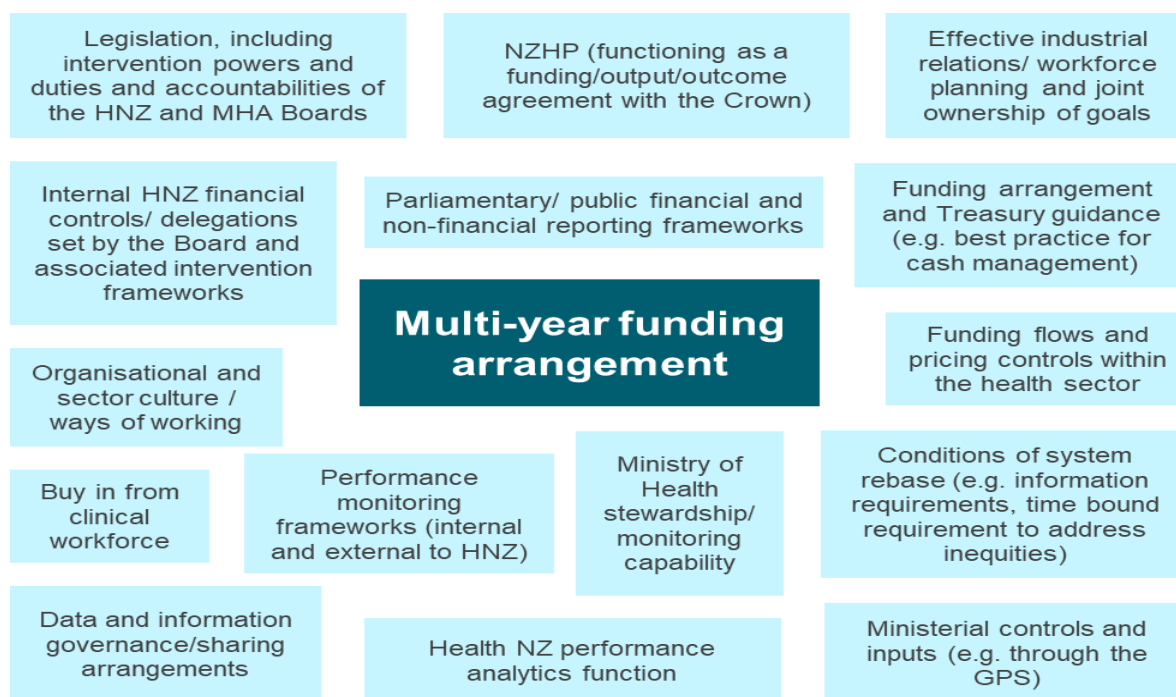
### ***Prerequisites for shifting to a multi-year funding approach***

A multi-year funding arrangement must be nested within broader health system settings designed to support better planning and financial control. This includes governance and accountability settings, clinical engagement/buy in to the planning process, and a clear plan for managing workforce planning and employment relations. A significant amount of work remains to be done on these aspects of the health reform. Some settings will not go live until Health NZ has been established (1 July 2022) and/or sit within the jurisdiction of the Health NZ Board.

As mentioned, decisions are being sought from Cabinet in September to ensure alignment with the proposed legislative provisions on planning and reporting frameworks (in particular the provisions relating to the NZHP). A draft Bill is currently in progress.

Treasury thinks the first multi-year funding arrangement, to be agreed at Budget 2024, should be contingent on all the other aspects of the new health system settings being in place (refer to diagram below). If, in the lead-up to Budget 2024, Ministers are not satisfied that the overall planning and control environment is adequate to manage risk, they could (for example) agree another interim settlement or use statutory monitoring and intervention powers to address any deficiencies.

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**BUDGET SENSITIVE**



### ***Pharmac implications***

The Board has previously discussed on multiple occasions its support and wish for a longer-term CPB funding pathway that grows over time to keep pace with growing demands (i.e. increasing costs, growing population, increasingly diverse health needs, equity gaps) and the increasing availability of good value investment options. Having greater certainty about future funding growth would allow Pharmac to develop longer-term planning for investing in medicines, and to:

- more proactively seek out medicines to address health needs of New Zealanders
- address equity gaps for priority populations
- support long-term population health strategies and goals
- engage earlier with the health sector on future investments, to better inform their long-term planning and prepare for the likely impacts to service delivery.

The Treasury and the Transitional Unit have confirmed that the CPB will be part of the proposed multi-year funding arrangements. We will be expected therefore to contribute to the NZHP and the multi-year funding pathway from Budget 2024. We will continue ongoing engagement with Treasury, the Ministry of Health, the Transition Unit and when established Health NZ to ensure that we are aligned and input to the new health system settings.

### **Transitional arrangements for Budgets 2022 and 2023**

In the transition period, it will be important that the health sector can focus on change management, implementation, and getting all the prerequisites in place ahead of Budget 2024. Details are yet to be agreed by Cabinet, but to support the health sector through this establishment period a transitional funding approach is being proposed that:

- establishes the health sector on day one with no deficits, and enough funding to stay deficit-free through the reform period

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- provides enough medium-term certainty for Health NZ and the Māori Health Authority to work with the health sector on a credible first NZHP
- is sufficiently flexible to allow for realities of a complex transition process.

The transitional funding package at Budget 2022 is likely to comprise the following key components covering a two-year period:

- **Health system ‘rebase’:** A significant one-off operating funding uplift to establish Health NZ as a going concern from 1 July 2022.
- **Cost pressure adjustment:** Sufficient funding for volume/price pressures to get the system through to Budget 2024 – effectively, two Budgets’ worth of funding agreed upfront.
- **New investment:** Ministers will likely want to make additional investments to support core ambitions of the health reforms, eg primary care, equity/access, digital.
- **A risk buffer:** To cover unforeseen costs emerging through the establishment of Health NZ, and to wash-up any discrepancies with the final audited DHB deficits of 2021/22.

### ***Pharmac Implications***

Our historical annual budget bid process with DHBs, whereby we provide joint advice to the Minister of Health on the level of the CPB, is no longer applicable given the health reforms and the proposed arrangements for the multi-year funding pathway. We have asked Treasury and the Ministry of Health for formal advice regarding the CPB budget bid process (i.e., whether there is a requirement for Pharmac to engage with DHBs) and at the time of writing this Board paper we had not yet received this advice.

With the transitional arrangements we are currently working through CPB funding options for Budgets 2022 and 2023 (refer to Board agenda item 8.2). These options take into account our current and forecast budget position, the need to factor COVID-19 costs into the baseline budget, current good value investments on the Options for Investment list and what future medicines may be coming down the pipeline. Feedback from the Board will be sought which will then inform discussions and engagement over coming months with the Treasury, Ministry of Health and the Transition Unit.

Treasury staff met with the external Pharmac Review Chair and Secretariat in August and outlined the proposed multi-year funding approach. Treasury told the Review that they see these arrangements as being applicable for Pharmac as part of the health reforms.

### **Impact for Māori**

Māori health considerations are an integral part of Pharmac’s Factors for Consideration and are applied in the prioritisation and ranking process for new medicine investments; with the goal of advancing Māori health and aspirations: Tino Rangatiratanga; Partnership; Active protection; Options and Equity.

### **Equity Implications**

Pharmaceuticals are ranked using the Factors for Consideration including: conditions affecting Māori and other groups experiencing health disparities; patients experiencing more

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severe health conditions (**health need of the person**); patients with limited access to alternative treatments (**availability and suitability of pharmaceuticals**); conditions with significant impacts on caregivers and family (**health need of others**) and **Government health priorities** (includes equity).

**Financial Implications**

Proposed financial implications for the CPB will be considered as part of Budget 2022. The Board will be kept informed of progress over coming months.

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**From:** Andrew Powell <Andrew.Powell@health.govt.nz>  
**Sent:** Wednesday, 22 September 2021 3:52 PM  
**To:** Michael Johnson  
**Subject:** RE: Budget 2022 - CPB

Thanks Michael,

That's a nice summary.

Cheers.

---

**From:** Michael Johnson <michael.johnson@pharmac.govt.nz>  
**Sent:** Wednesday, 22 September 2021 3:21 pm  
**To:** Andrew Powell <Andrew.Powell@health.govt.nz>  
**Subject:** RE: Budget 2022 - CPB

Hi Andrew

Please find attached information below.

- The initial Combined Pharmaceutical Budget (CPB) increase that we advised was a total bid of \$191 million over two years which sought a clear investment pathway.
- If there was no CPB funding uplift in 2022/23 and outyears we expect there would be no new medicines funded or widening of access to medicines already funded. We expect the current CPB funding path and Pharmac's ongoing work to reduce expenditure and manage costs of funded medicines would be fully committed to managing cost pressures from existing funded medicines.
- A flat increase \$50 million per annum from 2022/23 would enable investment in some very good value medicines that could include up to seven cancer treatments, a vaccine and multiple autoimmune treatments as well some other good value medicines.
- A flat funding pathway would not allow for additional medicine investments from 2023/24 as the funding would already be committed.
- A flat increase over four years would limit our ability to proceed with several of the investments previously mentioned which are large investments that have significant outyear costs. It would also restrict our ability to progress new investments throughout the year as there would be no funding headroom for ongoing costs.
- As per advice provided as part of Budget 2021, our preference is a year on year funding growth profile, rather than a flatlined annual increase. This is because all new medicine investments have a growth profile over time (due to uptake) which create some challenges to Pharmac's obligations to manage within a fixed budget that does not have an appropriate outyear growth profile.

As previously advised we expect to have ongoing COVID-19 cost impacts to outyear CPB baseline expenditure from 2022/23 and will be in a better position later in this financial year to quantify this cost pressure.

I hope this is helpful and happy to discuss further

Michael.

Michael Johnson | Director of Strategic Initiatives

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**From:** Andrew Powell <[Andrew.Powell@health.govt.nz](mailto:Andrew.Powell@health.govt.nz)>  
**Sent:** Wednesday, 22 September 2021 12:02 pm  
**To:** Michael Johnson <[michael.johnson@pharmac.govt.nz](mailto:michael.johnson@pharmac.govt.nz)>  
**Subject:** FW: Budget 2022 - CPB

Hi Michael,

The Minister's Office has asked for information about the potential impacts of a scaled option for the CPB increase of \$200m over 4 years, i.e. similar to what was provided last year. Could you advise the implications if there was a flat increase \$50 million per annum?

Also what would be the implications if no increase were provided.

If you were able to get back to me soonish (i.e. end of today at the latest), this would be much appreciated.

Cheers,

Andrew.

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**From:** Andrew Powell <[Andrew.Powell@health.govt.nz](mailto:Andrew.Powell@health.govt.nz)>  
**Sent:** Thursday, 9 September 2021 12:13 pm  
**To:** Michael Johnson <[michael.johnson@pharmac.govt.nz](mailto:michael.johnson@pharmac.govt.nz)>  
**Cc:** Kevin Davies <[Kevin.Davies@health.govt.nz](mailto:Kevin.Davies@health.govt.nz)>  
**Subject:** RE: Budget 2022 - CPB

Thanks Michael,

Its great to have this input.

Advice will be going up to the Minister next week and he is expected to write to the Minister of Finance on 23 September regarding the initiatives he supports. The Minister of Finance is then expected to respond in early October by inviting bids for the initiatives he also supports, and formal bids will need to be submitted by 10 December for those invited bids.

We'll keep I touch on the CPB bid as we go through this process.

Cheers,

Andrew

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**From:** Michael Johnson <[michael.johnson@pharmac.govt.nz](mailto:michael.johnson@pharmac.govt.nz)>  
**Sent:** Thursday, 9 September 2021 12:02 pm  
**To:** Andrew Powell <[Andrew.Powell@health.govt.nz](mailto:Andrew.Powell@health.govt.nz)>  
**Cc:** Kevin Davies <[Kevin.Davies@health.govt.nz](mailto:Kevin.Davies@health.govt.nz)>  
**Subject:** RE: Budget 2022 - CPB

Hi Andrew

Please find attached early indicative numbers for the CPB.

Happy to discuss

Cheers



Michael.

Michael Johnson | Director of Strategic Initiatives

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**From:** Andrew Powell <[Andrew.Powell@health.govt.nz](mailto:Andrew.Powell@health.govt.nz)>  
**Sent:** Wednesday, 8 September 2021 12:19 pm  
**To:** Michael Johnson <[michael.johnson@pharmac.govt.nz](mailto:michael.johnson@pharmac.govt.nz)>  
**Cc:** Kevin Davies <[Kevin.Davies@health.govt.nz](mailto:Kevin.Davies@health.govt.nz)>  
**Subject:** Budget 2022 - CPB

Hi Michael,

We have been asked to provide some urgent advice to the Minister of Health on indicative Budget bids for Budget 2022 (formal bids won't be due until December, and will need to be invited by the Minister of Finance).

While an approach to how the CPB will be adjusted going forward hasn't been finalised yet, we were wondering if you had had any discussions internally or with DHBs or the TU on any further potential uplift for the 2022/23 year beyond what has already been agreed?

At this stage we are not sure what the appetite is for such a bid since the government provided the additional \$200 million from its manifesto commitment but if we could get your views.

If you were able to respond by mid-day tomorrow that would be much appreciated.

Happy to discuss.

Cheers,

Andrew.

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**From:** Michael Johnson <[michael.johnson@pharmac.govt.nz](mailto:michael.johnson@pharmac.govt.nz)>  
**Sent:** Monday, 30 August 2021 1:10 pm  
**To:** Jess Hewat [TSY] <[Jess.Hewat@treasury.govt.nz](mailto:Jess.Hewat@treasury.govt.nz)>; Fergus Welsh <[Fergus.Welsh@health.govt.nz](mailto:Fergus.Welsh@health.govt.nz)>  
**Cc:** [Peter.Jane@health.govt.nz](mailto:Peter.Jane@health.govt.nz)  
**Subject:** Budget 2022

Hi Jess/Ferg

Further to recent discussions that we have been having regarding various changes to arrangements for the Combined Pharmaceutical Budget (CPB), our historical annual budget bid process with DHBs whereby we provide joint advice to the Minister of Health on the level of the CPB in December each year which is then considered as part of annual budget process is no longer applicable for Budget 2022 with Health NZ replacing DHBs from 1 July 2022.

Given that this joint arrangement with DHBs on CPB advice to the Minister was a Cabinet agreed decision back in 2000, I am formally seeking your advice from a process perspective on arrangements for Budget 2022. Just want to make sure that all on the same page and that from Pharmac's perspective we are following due and proper process.

I am providing our Board with an update on CPB arrangements at its next meeting on 24 September, with papers going out the week prior. Any advice/guidance over next couple weeks would be much appreciated.

I am copying in Peter Jane from MoH Crown Entities Team so he in the loop.

Many thanks

Michael.

Michael Johnson | Director of Strategic Initiatives

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## Budget Sensitive: Budget 2022 – Combined Pharmaceutical Budget

The table below summarises early planning for an indicative Budget 2022 bid for the Combined Pharmaceutical Budget (CPB). A total bid of \$191 million over two years. We have provided two-year funding package to align with the transitional funding arrangements at Budget 2022 as part of the new multi-year funding framework for health

\$ millions	2021/22	2022/23	2023/24
Current CPB baseline (1) (2)	1,085	1,090	1,100
New medicine investments (3)	-	71	120

### Notes

1 – CPB baseline takes into account \$200 million over four years allocated in Budget 2021.

2 – The CPB baseline does not include COVID-19 related CPB costs. Pharmac were allocated additional funding from the COVID-19 Relief Fund in 2020/21 and 2021/22 for CPB related COVID-19 costs. The amount allocated for 2021/22 is \$76 million. Pharmac expect to have ongoing impacts to outyear baseline expenditure and will be in a better position later in this financial year to quantify this pressure.

3 – An increase in the CPB would enable investment in a number of very good value medicines that would include eleven cancer treatments, a vaccine and multiple autoimmune treatments as well a number of other good value medicines.

The investment would also support a number of new medicines where there is a higher burden of disease or other epidemiological disease feature (incidence, prevalence, mortality or disability rate) for Māori, Pacific or other groups who experience health disparities. Equity considerations refer to the health need of the population and does not indicate if proposed medicine would address this inequity.

---

**From:** Michael Johnson  
**Sent:** Monday, 30 August 2021 1:10 PM  
**To:** Jess Hewat [TSY]; Fergus.Welsh@health.govt.nz  
**Cc:** Peter.Jane@health.govt.nz  
**Subject:** Budget 2022

Hi Jess/Ferg

Further to recent discussions that we have been having regarding various changes to arrangements for the Combined Pharmaceutical Budget (CPB), our historical annual budget bid process with DHBs whereby we provide joint advice to the Minister of Health on the level of the CPB in December each year which is then considered as part of annual budget process is no longer applicable for Budget 2022 with Health NZ replacing DHBs from 1 July 2022.

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I am copying in Peter Jane from MoH Crown Entities Team so he in the loop.

Many thanks

Michael.

Michael Johnson | Director of Strategic Initiatives

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