

Pharmaceutical Management Agency
Te Pātaka Whaioranga

STATEMENT OF PERFORMANCE EXPECTATIONS

*Te Tauākī o Ngā Mahi
Hei Whakatutuki*

2022/23



PHARMAC
TE PĀTAKA WHAIORANGA

Te Kāwanatanga o Aotearoa
New Zealand Government



Hon Steve Maharey
Chair
26 August 2022



Dr Claudia Wyss
Deputy Chair
26 August 2022

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Introduction

Kupu whakataki

This Annual Statement of Performance Expectations has been prepared in accordance with the Crown Entities Act 2004 and should be read in conjunction with the July 2020–June 2024 Pharmac Statement of Intent (SOI)¹. It identifies for Parliament and the New Zealand public what Pharmac intends to achieve in the 2022/23 financial year and how performance will be assessed to deliver on Pharmac’s strategy.

Ministerial expectations for the 2022/23 financial year

This Statement of Performance Expectations is guided by the Minister of Health's annual Letter of Expectations to Pharmac received on 31 March 2022.²

General expectations for 2022/23 set by the Minister of Health are to:

- Ensure continuity of supply of medicines and medical devices, particularly in the face of global supply disruptions exacerbated by the pandemic
- Continue to work with the Ministry of Health on COVID-19 vaccines and immunisation, which will see the transfer of responsibility for the ongoing management and purchase of COVID-19 vaccines to Pharmac from 1 July 2022
- Contribute to the Ministry of Health's work on progressing the Therapeutic Products Bill
- Give effect to the Pae Ora (Healthy Futures) Bill (enacted in July 2022, after letter received) and in doing so continue to improve services in collaboration with the health sector
- Manage the response to the recommendations of the independent review of Pharmac
- Continue to make progress on meeting our obligations under te Tiriti o Waitangi, and in doing so utilise Whakamaua: the Māori Health Action Plan
- Ensure equity is kept central to Pharmac's work
- Manage the appropriation for the national purchasing of pharmaceuticals and continue to manage our statutory role of investing in the best possible range of medicines while maintaining expenditure within budget
- Implement the Kia Toipoto Public Service Pay Gaps Action Plan.

Additional expectations arising from Government response to the independent review of Pharmac

Following the public release on 1 June 2022 of the Government response to the Pharmac review, the Minister of Health wrote to Pharmac on 16 June 2022 and asked for our initial actions to implement the Government response, including our highest priorities and areas for early progress in 2022/23. This was provided to the Minister of Health in late July and we have highlighted these actions in the 2022/23 Statement of Expectations.

The Minister of Health has also asked for our full implementation plan to be submitted by 31 October 2022. We are planning that process, including how it links with development of our revised organisational strategy and development of our next Statement of Intent which will be published in July 2023.

¹ https://pharmac.govt.nz/assets/Uploads/Statement-of-Intent-2020_212023_24.pdf

² <https://pharmac.govt.nz/news-and-resources/order-publications/corporate-publications/letter-of-expectations/>



Who we are
Ko wai mātou

Our purpose and what we do

Tō mātou kaupapa, ā mātou mahi

Pharmac helps people to live better, healthier lives by deciding which medicines and related products are available to New Zealanders in a way that is affordable and accessible. Our purpose is to deliver the best health outcomes from New Zealand's investment in medicines and medical devices.

We are also becoming more involved in hospital medical devices through negotiating national contracts. In future we will decide which medical devices are available for people under the care of public hospitals and we will manage spending within a fixed budget, so we are preparing for this change.

Pharmac is a Government health agency and our identity in te reo Māori, Te Pātaka Whaioranga ('the storehouse of wellbeing'), sums up the part we play in managing and safeguarding something that is valuable to all New Zealanders.

Pharmac's legislative objective is currently set out in the Pae Ora (Healthy Futures) Act 2022 – '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'.

Our vision

Pharmac is committed to responding to the challenges ahead. Our vision is to provide equitable access to funded medicines and devices, through timely and inclusive decision making.

What else does Pharmac do?

We fund medicines for people with exceptional circumstances

Pharmac may approve funding a medicine for an individual, in exceptional circumstances. For example, they may want to use a medicine that is not funded at all, or that is funded for other uses but not for that person's particular health condition.

The main way we do this is through a process called a Named Patient Pharmaceutical Assessment (NPPA), where a person's doctor will make a funding application to Pharmac.

We manage vaccines in New Zealand

We manage funding and distribution of all government-funded vaccines³ in New Zealand. This includes all vaccines on the National Immunisation Schedule which includes the childhood immunisation programme and the annual influenza vaccine which is free for eligible people.

Responsibility for the ongoing management and purchase of COVID-19 vaccines transferred to Pharmac from 1 July 2022.

Vaccination is key to preventing illness from starting or spreading in our communities, and as recommended in the Review of Pharmac greater collaboration is required. To ensure this a new cross-agency governance group has been established to improve how the agencies involved in immunisation work together.

We promote medicines being used in the right way

We promote the responsible use of medicines. This means making sure funded medicines are not underused, overused or misused. We do this by providing information and educational material to both health professionals and the public. We are committed to ensuring equitable access to the treatments we fund and that everyone uses treatments in the best way to get the health benefits they offer.

We carry out research

Pharmac has a statutory function to engage in research. We are involved in supporting and/or initiating research which supports our core functions and aligns with our strategic priorities. Pharmac collaborates with other agencies and organisations to contribute to research projects that are mutually beneficial including by providing funding and sharing data and information.

Accountability

Te noho haepapa

We are accountable to the Minister of Health, who, on behalf of the Crown, is accountable to Parliament for our performance. The Minister of Health sets out their expectation of us in the annual Letter of Expectations, including requirements to manage within funding provided by the Government. The Minister also sets out the level of the Combined Pharmaceutical Budget (CPB). The Ministry of Health acts as the Minister's agent in monitoring Pharmac's performance.

Governance

Te rōpū whakahaere

The Minister of Health appoints Pharmac's Board, which has the powers necessary for the governance and management of Pharmac. All decisions about our operation are made by, or are under the authority of, the Board. The Board is responsible for agreeing outputs with the Minister of Health and ensuring the Minister's expectations of Pharmac are met.

³ Pharmac manages the funding but not the distribution for the influenza vaccine.

In addition to the work undertaken by Pharmac itself, the Board takes objective advice from two statutory advisory committees: the Pharmacology and Therapeutics Advisory Committee (PTAC), and the Consumer Advisory Committee (CAC)—a committee of people experienced in consumer issues⁴.

The Board also has an Audit and Risk Committee and a Health and Safety Committee (both comprised of Board members), which provide assistance to the Board on relevant issues.

Reporting

Te tuku pūrongo

With specific parameters agreed with the Minister of Health, our reporting includes monthly reports, quarterly reporting, and ad hoc reports to the Minister as well as annual reports to Parliament. We are subject to annual reviews by the Health Select Committee to check on the performance of Pharmac over the previous year. We will provide commentary on our activities, including any ongoing impacts of COVID-19, in our upcoming Annual Report.

The performance measures set out in our Statement of Intent 2020/21 - 2023/4 were reported on for the first time in our Annual Report 2020/21. This 2022/23 Statement of Performance Expectations provides some more information about baselines and measurement methodology. The measures will be reported on in Pharmac's 2022/23 Annual Report which will be published late in 2023.

Our funding for 2022/23

Te pūtea o te tau 2022/23

The Government established from 1 July 2022 a new Vote Health appropriation structure.⁵ This saw the establishment of a National Pharmaceuticals Purchasing appropriation which Pharmac now directly manages and replaces the previous arrangements for the Combined Pharmaceutical Budget (CPB). This represents a significant responsibility change for Pharmac.

The Minister of Health has determined that the level of the Combined Pharmaceutical Budget (CPB) for 2022/23 is \$1,186 million. We also have separate funding of \$50 million dedicated to covering additional costs due to the COVID-19 pandemic. The CPB is comprised of Government expenditure for community medicines, vaccines, haemophilia treatments and related products, some health products provided in community settings such as nicotine replacement therapies, and spending on all medicines that are administered in public hospitals.

We also have funding of \$160 million in 2022/23 to enable Pharmac to secure access to a range of COVID-19 treatments. The funding for COVID-19 treatments is being managed separately from the CPB.

Pharmac's operating budget is used to meet the day-to-day costs of running Pharmac. This operating budget is separate to the CPB and Pharmac cannot use CPB funding to meet its operational costs or vice-versa.

⁴ PTAC members are independently appointed by the Director-General of Health. CAC members are appointed by the Pharmac Board. PTAC seeks input as required from specialist subcommittees, whose members are also practising clinicians.

⁵ <https://www.treasury.govt.nz/sites/default/files/2022-06/est22-v-5-health.pdf>



Our Operating Environment

2022/23 will be a year of change not just for Pharmac but also the entire health and disability system with new legislation and structures in effect from 1 July 2022. We see good opportunities to work more closely with other health entities to protect, promote and improve the health of New Zealanders. Alongside our own improvements, a more integrated system will support improved access to and use of medicines and medical devices, as part of giving effect to Te Tiriti and prioritising health equity for Māori and other population groups.

Giving effect to Pae Ora (Healthy Futures) Act

The Pae Ora (Healthy Futures) Act 2022 (the Act) came into effect from 1 July 2022.

The Act provides for a series of policy statements, strategies and plans to be developed by the Ministry of Health, Te Whatu Ora - Health New Zealand and Te Aka Whai Ora - Māori Health Authority which will set and give effect to the priorities of the health and disability system.

The new system arrangements address many of the directional changes sought by the Pharmac review. We will be guided in all our work by the health sector principles; by the six priority areas in the interim Government Policy Statement; and by other key strategies and plans. A more integrated system will support improved medicines and devices access and use. A strong collective focus on te Tiriti o Waitangi and health equity is also essential to delivering better and fairer health outcomes.

External review of Pharmac

As outlined on page 5 the Government released its response to the independent external review of Pharmac. We are focused on progressing initial actions during 2022/23 and have highlighted actions in this document as well as considering in more detail the themes and improvements outlined by the review report and Government response. We will provide to the Minister of Health our full implementation plan to respond to the review at the end of October 2022.

COVID-19 response

To support the response to COVID-19 Pharmac has had two key priorities:

- to support the health sector to respond to the pandemic
- to ensure New Zealanders continue to have access to the funded medicines and medical devices they need.

COVID-19 has had global impacts on manufacture and supply chains, and this is likely to continue well into 2022/23.

Despite this, Pharmac has worked hard to ensure, where possible, New Zealanders have not experienced significant clinical impacts during the pandemic.

Pharmac will continue to maintain regular contact with all contracted medicine and device suppliers to access early information about any potential impacts to supply and their contingency plans. We work closely with them to determine the best approach to manage potential shortages.

Pharmac continues to work effectively through the challenges of the COVID-19 pandemic. We have been able to progress most of our initiatives and activities. The delivery of some priorities has been affected by the demands of work arising from COVID-19 (such as securing COVID-19 treatments, managing supply issues and the ability/capacity of the health and disability system).

COVID-19 vaccines

Responsibility for managing COVID-19 vaccines was transferred to Pharmac from 1 July 2022. We are giving this new responsibility significant focus, given its high importance and public interest.

COVID-19 treatments

Pharmac is making sure New Zealanders have access to the latest COVID-19 treatments. This continues to be an area of high importance, to ensure New Zealand has a portfolio of treatments as the variants and impacts of COVID-19 evolve.

We are progressively securing COVID-19 treatments that would cover prevention of disease and treat all severities of illness in hospitalised and non-hospitalised patients. Preventative treatments are most likely to be targeted to those unable to be vaccinated or with low vaccination response who have been exposed, and those who have comorbidities that put them at high risk from COVID-19.

We have considered the different variants of COVID-19, as we are aware that the evidence for some treatments is unclear and is still emerging as to whether they are effective against the omicron variant. We are linking with other jurisdictions to learn from international experiences. We continue to work as quickly as possible to assess the latest information as it becomes available and secure access to further treatments.

We have formed a COVID-19 Treatments Advisory Group with representatives from primary and secondary health care and including members of the Ministry of Health's COVID-19 Therapeutics Technical Advisory Group. Regular bi-monthly meetings are planned for 2022/23 and urgent advice will also be sought as required. Membership of Advisory Groups is available on the Pharmac website.

Ngā uaratanga

Our values



Our values guide us to make decisions that create better health outcomes for New Zealanders. They ground our behaviour and influence our thinking, how we work, and who we work with.

In 2020, we began a journey to refresh our organisational values. We brought all staff together and formed the foundation of what evolved into our five new values. To be a truly values-led organisation, we need to integrate our values into all aspects of how we do business – from the inside, and then from the outside. A values leadership group of staff from across Pharmac steers this important mahi championing our values, and guiding their integration.

Our five values are Whakarongo, Tūhono, Wānanga, Māia, and Kaitiakitanga.



Āta whakarongo kia puaki te ngākau aroha.

We listen with intent and empathy to understand.

Whakarongo means listening with more than your ears. It involves perceiving with all senses – listening with intent and empathy, listening to understand. To do this well, we must seek out all voices. We must be ready to change our minds when needed, based on what we hear. With whakarongo shaping the way we communicate, people will trust us and know that we will always engage in a meaningful and empathetic way.



Kōtuitui kia piri, tūhono kia whakatatū te ara tika.

We connect with people, communities, the health system, and each other.

Tūhono means that everything in the universe is connected. It's a warm word that reminds us that relationships and connections are taonga that must be treasured. We combine tūhono with whakatatū, which means coming to an agreement or decision together. To help us find the best way forward for everyone, tūhono reminds us that we must connect with people, communities, the health system, and each other. We must see each other as people first and value tūhono with sincerity and purpose.



Ma te māhirahira ka whāwhāki te māramatanga.

We draw on evidence and people's experiences to improve.

To keep growing and changing for the better, we must share our knowledge and ideas. We must be curious and always feed our appetite to learn. We must balance empirical evidence with the unique experiences people share. This way, we can reveal the best way forward. By combining māhirahira (curiosity), whāwhāki (revelation), and māramatanga (insight), we learn together. We wānanga with an open mind.



Tū te ihiihi, tū te wanawana, tū te wehiwehi.

We challenge ourselves.

Ihi, wana, and wehi are central to māia because challenging ourselves takes courage. These words are used in many haka as they capture the joy and excitement of life. They describe a wonder and gratitude for the world itself. To be courageous, we must be excited about what we can achieve and driven by a greater purpose. Māia ensures we face change with positivity, don't avoid difficult conversations, and continue to challenge ourselves and each other to do better.



Hāpaitia te mana tangata hei whāriki mō ngā uri whakatipu.

We safeguard wellbeing for New Zealanders, now and for the future.

Kaitiakitanga is core to who we are. Te Pātaka Whaioranga, our te reo Māori name, means the storehouse of wellbeing. Whaioranga describes recovering to good health, and Te Pātaka symbolises the solid and reliable structure that safeguards supplies. For Pharmac, those are supplies of medicines and medical devices. As kaitiaki of Te Pātaka Whaioranga, we play our part to preserve, protect, and shelter the future wellbeing of everyone in New Zealand. We whakarongo, tūhono and wānanga with māia to strengthen Te Pātaka Whaioranga.



Our strategic direction

Te koronga rautaki

Pharmac contributes to the Government's priority of improving the wellbeing of New Zealanders and their families, through achieving our purpose to deliver the best health outcomes from New Zealand's investment in medicines and medical devices.

To be successful in achieving this purpose, we set out our strategic direction in our Statement of Intent 2020/21-2023/24 identifying our enduring impact areas, our strategic priority areas and how we plan to build and strengthen our excellence as an organisation.

Following the Government's response to the Pharmac review, and direction from the Minister of Health, we have reviewed our priorities for 2022/23 and set out what we are aiming for, and what we want to achieve in 2022/23 for each priority. Most of our performance measures from the Statement of Intent remain relevant.

Over the course of 2022/23 we will develop a new strategic direction and Statement of Intent for 2023/24-2026/26. This will be published in July 2023.

Our Strategic Direction

Health system outcomes

- People are living longer in good health
- People have an improved quality of life
- Health equity for Māori and all other people



Our purpose

- To deliver the best health outcomes from New Zealand's investment in medicines and medical devices
- We uphold the articles of Te Tiriti, advancing Māori health and aspirations: tino Rangatiratanga, Partnership, Active protection, Options, and Equity



Our impact

- Our investment choices enhance wellbeing
- Medicines and medical devices are used appropriately, equitably, and well
- We play a key role in an effective and equitable health system



Our strategic priorities 2020–2024

- Enhance key functions**
We continuously improve the way we work to deliver maximum value to New Zealanders
- Medical devices**
We drive better value and more consistent access to hospital medical devices
- Equitable access and use**
We enable equitable access and use of medicines and related products through influencing availability, affordability, accessibility, acceptability, and appropriateness
- Data and analytics**
We measure health outcomes and make evidence-informed decisions, using and making available data and insights from a wide range of sources
- Public understanding, trust and confidence**
We listen to the views of New Zealanders, and we communicate clearly and simply
- Relationships and partnerships**
We create strong and enduring partnerships across the health system and beyond

Organisational excellence

- Our people are engaged, supported, and have the capabilities to do their work
- Our people are enabled with the right ICT tools and capability
- We are future focused and we systematically use performance information to adjust plans and deliver better results



What we do

- Make choices and manage expenditure and supply
- Support and inform good decisions about access and use
- Influence through policy, research, and insights



Our values

- **Whakarongo**
Listen
- **Tūhono**
Connect
- **Wānanga**
Learn together
- **Māia**
Be courageous
- **Kaitiakitanga**
Preserve, protect, and shelter



Te Tiriti o Waitangi excellence

Our health and disability system is being transformed so all New Zealanders have better access to, and outcomes from, health services. The health sector reforms acknowledge the special relationship with iwi and Māori communities under Te Tiriti o Waitangi.

There is a clear responsibility to improve hauora Māori, and health for other groups, such as Pasifika, ethnic communities, and the disability community, who may not have had equitable care in the past.

The vision for the reforms is a health system that delivers Pae Ora | healthy futures for all New Zealanders - where people live longer, healthier lives.

Pharmac will continue to do more to uphold Te Tiriti o Waitangi and integrate equity in all areas of our work.

Te Whaioranga

Whāinga tōmua: Te whakatinanatanga o te whaioranga

Ko tō mātou wawata kia tūhono katoatia nga hunga o Aotearoa i raro iho te mana o te Tiriti o Waitangi.

We want to be seen by Māori, as tangata whenua, to act in partnership. This includes ensuring we have Māori in key roles across our work, including as Directors on our Board, in leadership roles within Pharmac, on our staff and in our advisory network. As we give effect to te Tiriti we will see diverse benefits for Māori within and from Pharmac's work. Built on a strong whānau-centred and kaupapa Māori approach, and pursuit of mana motuhake, we are resolute as kaitiaki to maximise our contribution to Māori health outcomes across all our work.

We will prioritise giving effect to the health sector principles of Pae Ora, noting their significance for giving effect to te Tiriti, ensuring involvement of and engagement with Māori, and achieving Māori health equity.

We will form an effective partnership with Te Aka Whai Ora.

What we plan to deliver in 2022/23:

- Increased proportion of staff who are Māori experienced in mātauranga Māori
- Adopt our te Tiriti policy
- Continue to make progress with Te Rōpū, our Advisory Committee, to provide strategic direction and help guide our work, including the co-development of a partnership framework (RR)⁶
- Progress measures for meeting our Te Tiriti o Waitangi responsibilities (RR)
- Implement a Māori capability development programme for all staff using Te Arawhiti guidelines (RR)
- Adopt specific Te Tiriti accountabilities for the Senior Leadership Team (RR)
- Conduct a full review of systemic bias and racism as they relate to Māori across our work (RR)
- Scope and commence a review, with Māori, of Te Whaioranga. (RR)

⁶ We have used review response, shortened to RR, to identify initiatives that are specifically in response to the Pharmac Review.

Measuring our performance

Measure	2020/21 Result	2022/23 Target
Levels of Māori staff (SOI measure 7.1)	3 percent of Pharmac staff whakapapa as Māori.	More than 3 percent of Pharmac staff whakapapa as Māori.
We will increase the proportion of Māori experienced in mātauranga Māori on our Board, PTAC, PTAC Specialist Advisory Committees and other advisory committees. (SOI measure 7.2)	Pharmac Board = 25 % PTAC and subcommittees = 2 % Consumer Advisory Committee = 40 % Responsible Use Advisory Group = 44 %	Proportion of Māori experienced in mātauranga Māori and with strong ties to whānau on our Board, PTAC, CAC, subcommittees and advisory panels is improved.
We use the results from the annual Public Sector Reputation Index to measure Māori trust and confidence in Pharmac. (SOI measure 8.1)	The survey was undertaken in October/ November 2020. In their responses, 34 percent of stakeholders rated Pharmac as being 'very good' or 'good'. If you extend responses to 'somewhat good', the positive feedback score is 53 percent.	Increase in stakeholders who rate Pharmac as being 'very good' or 'good'.
Improved rates of Māori accessing funded medicines and medical devices. (SOI measure 9.1)	Data not available—the dataset has not been updated by the Ministry of Health for some time.	Baseline will be established if data available.
Pharmac Board, leadership, and staff have clear performance and accountability expectations for meeting te Tiriti obligations. Proportion of conversations about performance plans that specify te Tiriti accountability expectations. (SOI measure 10.1)	Te Tiriti accountabilities have been developed for the Board. This will flow down to the Senior Leadership Team and then to all staff.	Clear performance and accountability expectations for meeting te Tiriti commitments are established for all staff.
Assessment against Te Arawhiti cultural capability framework. (SOI measure 11.1)	We have developed a capability framework using the Te Arawhiti framework as a guide.	Capability framework implemented.

Our strategic priorities

Our strategic priorities were outlined in our Statement of 2020/21 – 2023-24 which was published in July 2020. Since that time a lot has changed for Pharmac, the wider health and disability system, and New Zealand. As we work towards a refresh of our next Statement of Intent in July 2023, to ensure we are focussed on the highest priority areas, we have streamlined our strategic priorities for the year ahead.

This sees the merging of our relationship and partnership priority as part of broader work on public, understanding, trust and confidence and our ongoing work on data and analytics captured under our work on enhance key functions and organisational excellence.

Our strategic priorities represent the areas where we are concentrating our efforts to deliver on our purpose and our impacts. It is likely our strategic priorities will continue to evolve in response to recommendations of the Independent Review of Pharmac.

The strategic priorities are:

- enhance key functions
- medical devices
- equitable access and use
- public understanding, trust, and confidence.

Enhance key functions

Te whakapakari ake i ngā mātou kawenga mātua

We want to ensure that we make high-quality, evidence-based and timely funding decisions that achieve the best possible health outcomes, including improved health equity. We need clear and consistent processes for assessment and decision-making, including clarity of how equity considerations are embedded throughout our work.

This will involve:

- enhanced assessment methods
- increased transparency
- stronger partnerships with Māori
- better collaboration with the health and disability sector
- enhancing input from a more diverse range of stakeholders
- learning from people with lived experience
- sharing more information about our decisions.

We will ensure we make effective use of the funding uplift provided in Budget 2022 to fund both more treatments and widen access to already funded treatments.

What we plan to deliver in 2022/23:

- Progress two process improvement projects to improve how we (i) conduct initial assessments of funding applications to improve timeliness; and (ii) improve processes for seeking and receiving expert advice (RR)
- Redesign presentation of our Advisory committee meeting records using our decision-making framework (the Factors for Consideration) to make it clearer how the Factors have been applied (RR)
- Clarify information published about our exceptional circumstances framework around its application to people with rare disorders, and publish better information about the outcomes from our exceptional circumstances decisions (RR)
- Prioritise engagement with our Rare Disorders Specialist Advisory Committee and proactively seek new funding applications from suppliers of medicines for rare disorders (RR)
- Work with Te Whatui Ora, Ta Aka Whai Ora and Manatu Hauroa to ensure that sector views are taken into account in our assessment of funding applications (RR)
- Continue to improve the usability of our web-based Application Tracker to support improved transparency. (RR)

Measuring our performance

Measure	2020/21 Result	2022/23 Target
<p>Efficiency of decision making</p> <p>(SOI measure 15.1)</p>	<p>Refer to timeliness performance measures, timeliness of funding decisions, timeliness of exceptional circumstances decisions, and timeliness of publishing PTAC and Specialist Advisory Committee records (SOI measures 4.1,4.2, and 4.3).</p>	<p>Refer to measures 4.1,4.2, and 4.3.</p>
<p>Perceptions of process efficiency</p> <p>(SOI measure 15.2)</p>	<p>The percentage of our staff who ‘always’ or ‘usually’ rate our processes as efficient: Dec 2021–61 percent June 2021–60 percent.</p>	<p>The percentage of staff who ‘always’ or ‘usually’ rate our processes as efficient is greater than 61 percent.</p>
<p>Stakeholder experience</p> <p>(SOI measure 15.3)</p>	<p>The survey was undertaken in October/November 2020. In their responses, 34 percent of stakeholders rated Pharmac as being ‘very good’ or ‘good’. If you extend responses to ‘somewhat good’, the positive feedback score is 53 percent.</p>	<p>Increase in stakeholders who rate Pharmac as being ‘very good’ or ‘good’.</p>

Medical devices

Ngā pūrere hauora

We drive better value and more consistent access to hospital medical devices.

Medical devices for use in hospitals or in the community covers a wide range of products and equipment and includes consumable and durable products, implants and complex equipment. Our role in medical devices continues to grow.

We will continue to build a national list of medical devices used in public hospitals, and support them to manage increasing expenditure. The value for money from the medical devices spend will improve over time.

What we plan to deliver in 2022/23

- Secure at least \$600 million of public hospital spend under national contract by the end of the financial year
- Documented business requirements for the next level of our devices management
- Plan in place for the transition to a nationally managed list of hospital medical devices.

Measuring our performance

Measure	2020/21 Result	2022/23 Target
Percentage of national contracts complete – upward trend. (SOI measure 16.1)	We measure the increase in the proportion of medical devices purchased by public hospitals under national agreement with Pharmac. There was an increase in the proportion of supplier categories that are now contracted with Pharmac, with completed contracts increasing from 21 percent in 2017/18 to 55 percent in 2020/21. ⁷	Number of completed contracts increased.

⁷ Performance measure 16.1 measures the estimated number of contracting events against the number completed (55%).

Equitable access and use

Kia rite tahi te whai wāhi atu

We want to maximise our contribution to health equity and will achieve this through proactive implementation of the Pae Ora health sector principles, and by working closely with others across the health and disability system, particularly Te Whatu Ora and Te Aka Whai Ora.

Māori are our partners under te Tiriti (pāuitanga), and advancing Māori health and wellbeing in line with Māori aspirations (ōritetanga) is a key priority.

We also need to better meet the health needs of other priority groups who face barriers to access and use of medicines and experience inequitable outcomes, particularly Pacific peoples, disabled people, including tangata whaikaha, people living in high socioeconomic deprivation, the rainbow and refugee communities, and people living in rural and isolated areas.

Pacific Responsiveness Strategy

Our Pacific Responsiveness Strategy 2017–2026 provides strategic direction and a framework for Pharmac to improve Pacific peoples' health.⁸ The purpose of our Pacific Responsiveness Strategy is to support Pacific people in New Zealand to live healthy lives through improved and timely access to, and use of, medicines and medical devices. The mission of the strategy is for every Pacific person in New Zealand to have access to, and understand the use of, the Pharmac-funded medicines or medical devices they need.

What we plan to deliver in 2022/23:

- Continue to develop and deliver access equity-focussed clinical education support to primary care health professionals for priority clinical conditions
- Complete our organisational equity policy to make clear how equity considerations relate to our work (RR)
- Develop ways to meet the needs and interests of disabled people across our work (such as related to data-collection and our work on diversity and inclusion) (RR)
- Work further to build an inclusive work environment where all people feel they belong and can be their best – supporting both our current workforce and helping to attract additional diversity when we recruit new staff (RR)
- Increase the diversity of our expert advisory network (RR)
- Evaluate how our recent insight reports, and use of the underlying monitoring framework, have been received and utilised by other key agencies and stakeholders, to better understand the demand and clinical relevance of such reports (RR)
- Support Te Aka Whai Ora to develop its role in monitoring system performance, including in relation to hauora Māori, and consider where our own analytical effort and sharing of data and insights are best directed to enhance system knowledge. (RR)

⁸ For more information, see the Pacific Responsiveness Strategy webpage on the Pharmac website at: <https://pharc.govt.nz/about/pacific/>

Measuring our performance

Measure	2020/21 Result	2022/23 Target
<p>Proportion of clinical advice network who rate their equity capability as high or very high.</p> <p>(SOI measure 17.1)</p>	<p>Across all five domains, the average capability rating sits above mauri oho, signifying that, on average, advisors have a developing awareness, understanding, and knowledge across all domains.</p>	<p>Average capability rating is increased.</p>
<p>Possession rates-non-Māori/Māori. Possession (previously called adherence) is measured by the percentage of time over a two-year period that a person had long-term medicine for a specific condition.</p> <p>This measure compares the amount of medicines required by population groups with the amount actually dispensed.</p> <p>(SOI measure 17.2)</p>	<p>This data, for people living with type 2 diabetes, shows that in 2018/19, Māori and Pacific peoples were on average dispensed 63 percent of the amount of long-term medicine they would have needed to manage their condition. Non-Māori, non-Pacific peoples were dispensed 68 percent.</p>	<p>Establish baseline for cardiovascular disease for Māori and Pacific peoples, and publish an insights report.</p>
<p>Access rates-non-Māori/Māori. This measure compares the relative ratios between Māori and the comparison population for the need adjuster compared with dispensed medications.</p> <p>(SOI measure 17.3)</p>	<p>In 2017/18, there were 30,000 Māori taking diabetes medicine to treat type 2 diabetes. In that year, a total of 2,700 Māori started treatment for type 2 diabetes for the first time but based on need, we would expect another 3,700 Māori to have started in that year.</p> <p>So, an estimated 3,700 Māori people living with type 2 diabetes did not have the medicines they needed to treat their condition.</p>	<p>Establish baseline for cardiovascular disease for Māori and Pacific peoples, and publish an insights report.</p>
<p>Persistence rates-non-Māori/Māori. The number of people accessing a preventative medication for a specific condition in a given year divided by possible patient population</p> <p>(SOI measure 17.4)</p>	<p>This data, for people with type 2 diabetes, shows that no population is fully persistent but that there is a significant difference between Māori and Pacific peoples and non-Māori, non-Pacific peoples.</p>	<p>Establish baseline for cardiovascular disease for Māori and Pacific peoples, and publish an insights report.</p>



Public understanding, trust, and confidence

Kia mārama, kia whakapono, kia tū māia te iwi whānui

We want to be a trusted, respected and well-connected partner in the health and disability system, with a strong focus on embracing diversity and being inclusive. We want to be better informed by a wide range of views, and for our decisions to be trusted and understood, along with sharing other information and insights to assist and support others. Our own effectiveness also critically hinges on the roles of others, such as Medsafe and healthcare professionals, and how decisions are communicated to consumers and the public. By better involving and collaborating with others, we can strengthen alignment and coordination across the safety, funding, prescribing, dispensing, and use of medicines and medical devices – leading to more seamless ('one system') services for health and disability consumers.

Relationships and partnerships

Ngā hononga me ngā pātuitanga

Pharmac needs to have strong, enduring relationships and partnerships with other health sector agencies and with many partners across New Zealand's diverse communities. This is particularly true in the ahead year with many changes and opportunities coming to the sector.

What we plan to deliver in 2022/23:

- Proactively release and promote plain language summaries of our decision-making documents to increase transparency
- Strengthen partnerships with community groups to share the information on our behalf and reach affected communities
- Develop engagement strategy
- Participate in the cross-agency governance group for the immunisation system, to support better immunisation outcomes from alignment and connection of different roles (RR)
- Identify the best ways to ensure the perspectives and experiences of disabled people are included in our work, including through discussion with Whaikaha - Ministry of Disabled People (RR)
- Make consumer appointments to PTAC and some specialist advisory committees (RR)
- Working with HQSC, identify how best to improve opportunities for consumers to input into our work, including to understand lived experience of people living with diseases (RR)
- Explore a formal partnership with Te Aho a Te Kahu - Cancer Control Agency (RR)
- Support and contribute to the development of a rare disorders strategy by Manatū Hauora. (RR)

Measuring our performance

Measure	2020/21 Result	2022/23 Target
<p>Increase website traffic and engagement.</p> <p>(SOI measure 19.1)</p>	<p>Unique visits remained relatively stable throughout the year.</p> <p>Bounce backs trended down slightly.</p>	<p>Unique visits trending up. Bounce backs trending down.⁹</p>
<p>Increased public trust in Pharmac. Improving on last year's total index score and trust domain score in Colmar Brunton's Public Sector Reputation Survey.</p> <p>(SOI measure 19.2)</p>	<p>We aim to increase our score each year. In 2020 our score was 90, in 2021, it was 88.</p>	<p>Public Sector Reputation Index score is equal to or higher than 88.</p>
<p>Improve net positive media monitoring scores.</p> <p>Possible scores range from -10 (very negative), 0 (balanced or neutral) to +10 (very positive).</p> <p>(SOI measure 19.3)</p>	<p>Our media impact score of -0.2 is considered balanced or neutral.</p>	<p>Media impact score improved.</p>
<p>We have established an annual stakeholder engagement survey. Our survey asked the question 'How would you rate the quality of the overall relationship that you or your organisation has with Pharmac?'</p> <p>(SOI measure 20.1)</p>	<p>Of the respondents, 38 percent rated the quality of overall relationship as being 'very good' or 'good'. Including responses of 'somewhat good' increases the result to 68 percent.</p>	<p>Increase in respondents who rate the quality of overall relationship as being 'very good' or 'good'.</p>

⁹ Bounce backs refers to the percentage of visitors that leave the website after viewing only one page.

Organisational excellence

Te hiranga tara ā-whare

We have focussed on organisational excellence to ensure we will continue to improve and enhance the way we work. We are growing our capability and better aligning our resources towards our priorities.

Our focus areas are:

- people and capability
- information and communications technology (ICT)
- strategic planning and performance
- data and analytics.

Data and Analytics

We will continue to improve the range of data we have, with a strong focus on health outcomes, ensuring data is well governed and managed as a shared asset across Pharmac. We will ensure our data and information products are timely, high quality and accurate.

What we plan to deliver in 2022/23:

- Enhance organisation capability in understanding of te Tiriti and critical Tiriti analysis
- Embed our leadership development framework for our leaders, and in our induction plans
- Review and develop our recruitment activity.
- We will continue to build on and enhance the information products available to support decision making.
- Continued strengthening and enhancement of our system used to forecast CPB expenditure.
- We will use the information gathered to date to help inform and develop a roadmap to measure health outcomes for New Zealanders.

Measuring our performance

Measure	2020/21 Result	2022/23 Target
<p>Employee engagement Average scores from employee Pulse survey.</p> <p>(SOI measure 12.1)</p>	<p>An upward trend was not achieved. We note however, that there was actually a very small decline from 75 percent in October 2020 to 72 percent in April 2021.</p>	<p>Average scores from the employee Pulse survey are 72 percent or more.</p>
<p>Number of safety incidents and near misses.</p> <p>(SOI measure 12.2)</p>	<p>We aim to increase our score each year. In 2020 our score was 90, in 2021 it was 88.</p>	<p>In 2020/21 there were 11 incidents, and 8 near misses reported.</p>
<p>Operating budgets are well managed.</p> <p>(SOI measure 13.1)</p>	<p>Our operating budget was more than 5 percent underspent. There are a number of reasons for this, including the impact of COVID-19.</p>	<p>Operating expenditure not more than 5 percent variance to budget.</p>
<p>Key operating systems are available.</p> <p>(SOI measure 14.1)</p>	<p>Operating systems were available above target of 99 percent.</p>	<p>99 percent up time.</p>
<p>Implementation of new IT capability, which will enable Pharmac to interactively and dynamically present data visually.</p> <p>(SOI measure 18.1)</p>	<p>Thirty-four Qlik Sense® users are trained and roll out to more staff is ongoing. A number of internal data products have been developed and additional products are undergoing testing.</p>	<p>Increase in internal users.</p>
<p>Efficiency in producing Combined Pharmaceutical Budget forecast Number of person days to complete per month.</p> <p>(SOI measure 18.2)</p>	<p>The CPB covers a large number of chemicals and formulations. Forecasting throughout the year involves both qualitative and quantitative analysis. It currently takes, on average, 46 person days to complete.</p>	<p>Number of days to complete forecast is reduced.</p>

Our impacts

Impact one - Our investment choices enhance wellbeing

Funding more clinically effective and good-value medicines and medical devices can help New Zealanders live longer and healthier lives. We want to make sure that the choices we make contribute to better health outcomes for individuals and more equitable health outcomes for population groups, particularly for Māori.

Our impact measures help us demonstrate the enduring impacts of our work. In line with the outcome measures, these impact measures help show the extent of our contribution towards people living longer and having an improved quality of life and improved equity.

Measuring our performance

Measure	2020/21 Result	2022/23 Target
<p>Health outcomes from our investments.</p> <p>(SOI measure 1.1)</p>	<p>This is a multi-year project aimed at measuring the health outcomes from our funding decisions. Initial work is underway to understand the data available, analytical challenges, and outcomes that can be identified from analysis.</p> <p>Our first pilot of methodology is nearing completion, with a further two pilots planned in 2021/22.</p>	<p>Roadmap developed and agreed.</p>
<p>Uptake of medicines following key investments and brand changes. We have established methodology for key investments. We compare the actual with the expected numbers of patients who will benefit.</p> <p>(SOI measure 1.2)</p>	<p>We anticipated 2,029 patients would benefit in 2019/20 from new medicines listed for use in the community.</p> <p>A total of 1,569 actual patients received these medicines during 2019/20, a difference of 460.</p> <p>There is a lag in data being available and analysed.</p>	<p>We will report on the number of patients anticipated to benefit in 2020/21 from new medicines listed, and the number of actual patients who received these medicines.</p>
<p>Funding decision time. This measure reports on the average time from an application being received to when a decision on whether to fund is made.</p> <p>(SOI measure 1.3)</p>	<p>The average time taken from application to decision was 40.95 months for applications decided in the 2020/21 financial year.</p>	<p>The average time taken from application to decision is less than 40.95 months.</p>

Impact two - Medicines and medical devices are used appropriately, equitably and well

Patients will have improved health outcomes when medicines and medical devices are prescribed, dispensed, accessed, and used optimally.

We help ensure medicines and medical devices are used in the most responsible way so that they are used when they are needed and not under- or overused. This includes a focus on optimal prescribing, dispensing, access, and the way people use the medicines/medical devices.

Measuring our performance

Measure	2020/21 Result	2022/23 Target
<p>Rates of possession of (adherence to) funded medicines.</p> <p>Possession was previously referred to as 'adherence'. People can only benefit from medicines if they receive them. We have calculated possession rate over time within a specified patient population, for example, diabetics on preventative medicine.¹⁰</p> <p>(SOI measure 2.1)</p>	<p>Data from 2019/20 shows overall possession for all long-term conditions being monitored is approximately 40 percent (not needs adjusted).</p>	<p>Overall possession for the long-term conditions being monitored is equal to or greater than approximately 40 percent (not needs adjusted).</p>
<p>Patient experience of medicines. Results from two questions from the Primary Care Patient Experience Survey.</p> <p>(SOI measure 2.2)</p>	<p>We rely on data reported by the Health Quality and Safety Commission New Zealand (HQSC) for this information. The most recent reported result is for November 2019.</p>	<p>Will be reported as baseline if data is available.</p>

¹⁰ The wording for this measure differs slightly from the published SOI wording. 'Possession' is the more correct technical term.

Impact three - We play a key role in an effective and equitable health system

Pharmac cannot deliver best health outcomes from medicines and medical devices alone—we are part of the wider health and disability system, and our planning and decision making must reflect that. Working with other agencies, health professionals, and a range of other parties in a joined-up way is essential to ensuring the health and disability system as a whole is effective at getting funded medicines and medical devices to those who need them most.

Measuring our performance

Measure	2020/21 Result	2022/23 Target
<p>Positive feedback from system stakeholders.</p> <p>(SOI measure 3.1)</p>	<p>Our stakeholder engagement survey asked the question 'Overall, how would you rate the impact that Pharmac has on the health system and the health of New Zealanders?' In the responses, 47 percent rated Pharmac as being 'very good' or 'good'. If you extend responses to 'somewhat good', then our positive feedback score would be 77%.</p>	<p>Respondents that rate Pharmac as being 'very good' or 'good' is equal to or more than 47% percent.</p>
<p>High levels of medicines supply are maintained We will respond to all low medicine stock reports and actively manage any stock situations where a supply shortage will have a sustained or irreversible impact on patients' health.</p> <p>(SOI measure 3.2)</p>	<p>There were no out-of-stock situations that had a sustained or irreversible impact on the health of patients in 2020/21.</p>	<p>No out-of-stock situations have a sustained or irreversible impact on the health of patients.</p>

Our outputs

Output one - Making choices and managing expenditure and supply

Making robust and fair pharmaceutical funding decisions, and related activities are key to achieving our statutory objectives.

We achieve this by:

- managing the CPB decided by the Minister of Health, in consultation with health sector agencies, for all medicines use (whether in public hospitals or the community). This includes using our Factors for Consideration (FFC) to make funding investment decisions for new medicines and widening access to existing funded medicines, and to make savings on existing medicines for reinvestment
- making decisions about hospital medical devices
- managing funded access to a small range of treatments through panels of expert clinicians
- managing a process to assess funding applications for individual patients for medicines that are not otherwise funded through the Pharmaceutical Schedule (exceptional circumstances)
- contracting with pharmaceutical suppliers and taking action to mitigate supply issues with medicines and medical devices.

Measuring our performance

Measure	2020/21 Result	2022/23 Target
<p>Timeliness of funding decisions.</p> <p>(SOI measure 4.1)</p>	<p>Baseline of 16.05 months.</p>	<p>Timeliness of funding decisions is less than 16.05 months.</p>
<p>Timeliness of exceptional circumstances decisions.</p> <p>Percentage of decisions made within target of 10 working days.</p> <p>(SOI measure 4.2)</p>	<p>Our average result for 2020/21 is 54 percent of decisions made within 10 working days.</p>	<p>Timeliness of exceptional circumstances decisions is equal to or greater than 54 percent of decisions made within 10 working days.</p>
<p>Timeliness of publishing PTAC and subcommittee records.</p> <p>Average time to publish the record.</p> <p>(SOI measure 4.3)</p>	<p>During 2020/21, the average length of time taken to publish the records of PTAC meetings was less than our target of 12 weeks.</p> <p>During 2020/21, the average length of time taken to publish subcommittee records met our target of 15 weeks.</p>	<p>PTAC records will be published in 12 weeks or less.</p> <p>Subcommittee (now called Advisory Panel) meeting records will be published in 15 weeks or less.</p>

Measure	2020/21 Result	2022/23 Target
<p>CPB expenditure meets expectations.</p> <p>(SOI measure 4.4)</p>	<p>Budget met. The year-end reported expenditure for the CPB was \$1,045.0 million, equal to budget.</p>	<p>The year-end reported expenditure for the CPB is equal to budget.</p>
<p>Anticipated value of our funding decisions.</p> <p>The average projected quality adjusted life years (QALYs) per \$1 million for funding decisions we made during the year is higher than the average projected QALY per \$1 million for all available investment options.¹¹</p> <p>(SOI measure 4.5)</p>	<p>Funding decision QALYs were higher than projected QALYs per \$1 million.</p>	<p>Funding decision QALYs will be higher than projected QALYs per \$1 million.</p>
<p>Access to medicines compared with subsidy.</p> <p>Volume and mix go up relative to the cost, while subsidies paid decline.</p> <p>(SOI measure 4.6)</p>	<p>From 2011, the ‘volume’ (number of medicines) and ‘mix’ (variety of medicines) have increased over time, meaning we are seeing more and varied medicines in New Zealand. Over the same period, subsidies paid (‘subsidy’) have gone down, signalling that Pharmac is achieving savings in the face of increasing medicines’ volume and access, therefore limiting the medicines’ costs.</p>	<p>Volume and mix increase over time.</p> <p>Subsidies paid go down.</p>
<p>Savings over time.</p> <p>(SOI measure 4.7)</p>	<p>Over the last 10 years, we have saved \$8.2 billion on net medicine costs. The impact of changes over the last 10 years applied in the financial year 2020/2021 accounted for \$1.7 billion.</p>	<p>Savings continue to be achieved.</p>
<p>Environmental sustainability of pharmaceutical contracting approaches.</p> <p>(SOI measure 4.8)</p>	<p>We now have information for approximately 25 percent of our total contracted medicine and medical device supplier base. This information includes sustainability initiatives and policy guidance for both New Zealand and global businesses.</p>	<p>More than approximately 25 percent of suppliers have provided sustainability information</p>

¹¹ The QALYs per \$m metric represents the average number of quality adjusted life years (QALYs) expected per annum from the proposals funded in the reporting period. This is compared with the average number of QALYs we would have expected should the entire options for investment list have been funded (including those proposals we did in fact fund) in the reporting period.

Output two – Supporting and informing good decisions and access and use

We have a legislative function to promote the responsible use of medicines–this is an essential part of achieving best health outcomes from the pharmaceuticals we invest in. We help to ensure that medicines are used when they are needed and are not under- or overused.

To do this, we:

- consult on, communicate, and explain our funding decisions
- implement our funding decisions in a way that supports health professionals and patients to thoroughly understand the patient pathway
- implement population health programmes to improve equitable access and responsible use of medicines.

Measuring our performance

Measure	2020/21 Result	2022/23 Target
<p>Proportion of key pharmaceutical decisions consulted on for new proposals.</p> <p>(SOI measure 5.1)</p>	<p>100 percent. All key pharmaceutical decisions were publicly consulted on.</p>	<p>100 percent.</p>
<p>Reach and use of responsible-use products.</p> <p>(SOI measure 5.2)</p>	<p>We will track the following metrics from 2021/22:</p> <ul style="list-style-type: none"> • sign-ups to our responsible-use service providers' updates • unique website views of our service providers' responsible-use materials. 	<p>Increased sign-ups to service providers' updates.</p> <p>Increased unique website views of materials.</p>

Output three – Influence through policy, research, and insights

We provide specialist operational policy advice to Ministers and officials from a range of government agencies as well as advice to our Board and its delegates. We provide data on pharmaceutical use and expenditure to a range of parties, and we are working towards implementing reporting on equitable access to medicines. We are involved in supporting and undertaking research that supports our core functions and aligns with our strategic priorities.

Measuring our performance

Measure	2020/21 Result	2022/23 Target
<p>Quality of policy advice. Quality score from an independent policy quality benchmark.</p> <p>(SOI measure 6.1)</p>	<p>Our overall score from NZIER is 3.55 out of 5, with 19 out of 20 papers meeting the 'acceptable quality' standard.</p>	<p>Improvement on previous year's score.</p>
<p>Contribution to research activities. Number and description of research projects funded and/or published (external and internal).</p> <p>(SOI measure 6.2)</p>	<p>Two research projects published.¹²</p>	<p>More than two research projects published.</p>

¹² These were jointly funded with the Health Research Council and the projects were:

- Horsburgh S et al. PLoS One. Patterns of metformin monotherapy discontinuation and reinitiation in people with type 2 diabetes mellitus in New Zealand. 2021;16(4): e0250289.
- Parkin L et al. NZMJ. What helps and hinders metformin adherence and persistence? A qualitative study exploring the views of people with type 2 diabetes. 2021;134, 1536: 25-40.

Prospective Financial Information

Key assumptions

In preparing these financial statements, we have made estimates and assumptions concerning the future, which may differ from actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key assumptions are:

- **Operating model** – forecast revenue and expense are based on the current business operating model and policy settings
- **Operating revenue** – forecast operating revenue is based on current Crown funding arrangements and reasonable assumptions about continued funding from Public Hospitals at agreed levels, interest received at expected rates, secondment recoveries, and other miscellaneous recoveries
- **Expenditure increases generally** – a number of expenditure budget lines have assumed cost increases primarily based on CPI and due to changes in Pharmac's functions, including longer term activity to support the SOI as described earlier in this document
- **Personnel costs** – expenditure on personnel has been increased by expected pay rate changes to deliver on Pharmac's expanded role and to maintain consistency with other state sector organisations, given Pharmac's personnel are its key asset
- **Operating costs** – increases in operating costs are primarily attributable to project expenditure to progress the strategic priorities described in this document.
- **Capital expenditure** – Pharmac expects data and information costs to increasingly move to operating expenditure resulting in lower capital expenditure in future periods based on a replacement programme. Facility costs are based on current occupancy forecast and lease agreements
- **Prudential reserve** – the level of Pharmac's prudential reserve is \$5 million
- **Legal Risk Fund (LRF)** – the balance of the LRF is assumed to remain the same in out-years based on an assumption that fund use is offset by replenishment (interest and transfer of any unspent litigation money in the operating budget)
- **Community Pharmaceutical Budget (CPB) and COVID funding** – from 1 July 2022 Pharmac receives funding from the Crown for payment to community pharmacies, acquisition of nationally acquired pharmaceuticals for use in hospitals, vaccines acquired nationally, and pharmaceuticals for COVID treatments
- **Hospital Discretionary Pharmaceutical Fund (HDPF)** – the objective of the HDPF is to support long-term management of Public Hospital expenditure and increase Pharmac's capacity to make efficient budgeting decisions. The HDPF provides the ability to manage investments over financial years, and across Vote Health, for the overall benefit of the health system. Draws on the HDPF reflect expected expenditure pursuant to the HDPF policy; and
- **Capital charge** – Pharmac is currently exempt from the imposition of the Crown's capital charge.

Statement of Forecast Comprehensive Revenue and Expense

	Note 1	2022/23 \$000	2023/24 \$000	2024/25 \$000	2025/26 \$000
Revenue					
Crown funding - baseline		28,872	28,372	28,372	28,372
National Pharmaceuticals Purchasing - baseline		1,186,000	1,245,000	1,130,000	1,130,000
Rebates Revenue from Pharmaceutical suppliers		500,000	500,000	500,000	500,000
COVID related - baseline		235,250	-	-	-
Other					
Interest received - Operating		781	720	710	700
- Legal Risk Fund		240	207	207	207
Other revenue - Operating		61	-	-	-
Total revenue		1,951,204	1,774,299	1,659,289	1,659,279
Expenditure					
Personnel costs		21,208	21,184	20,985	21,530
Operating costs		11,039	10,211	9,901	9,734
Depreciation and amortisation costs		479	377	317	283
Hospital Discretionary Pharmaceutical Fund		-	-	-	-
National Pharmaceuticals Purchasing Expenditure		1,686,000	1,745,000	1,630,000	1,630,000
COVID related Expenditure		235,250	-	-	-
Legal Risk Fund expense		250	250	250	250
Finance costs		-	-	-	-
Total expenditure		1,954,226	1,777,022	1,661,453	1,661,797
Net surplus/(deficit) for the period		(3,022)	(2,723)	(2,164)	(2,518)
Other comprehensive revenue		-	-	-	-
Total comprehensive revenue and expense		(3,022)	(2,723)	(2,164)	(2,518)

1. The above statement should be read in conjunction with the accounting policies set out in Appendix 1.

Statement of Forecast Financial Position

	Note 1	2022/23 \$000	2023/24 \$000	2024/25 \$000	2025/26 \$000
Public Equity					
Contribution capital		1,856	1,856	1,856	1,856
Retained earnings and reserves		7,288	4,608	2,487	13
Restricted reserves					
HDPF		12,791	12,791	12,791	12,791
Legal Risk Fund		8,590	8,547	8,504	8,460
Medical Devices Reserve		2,980	2,980	2,980	2,980
TOTAL PUBLIC EQUITY		33,505	30,782	28,618	26,100
Represented by:					
Current assets					
Cash and cash equivalents		1,889	1,196	1,316	1,027
Investments		12,100	10,200	8,000	5,500
Debtors and other receivables		170	170	170	170
Prepayments		300	300	300	300
Current assets associated with Restricted reserves					
Cash and cash equivalents - Legal Risk Fund		662	619	575	532
Investments - Legal Risk Fund		8,100	8,100	8,100	8,100
Investments - HDPF		12,791	12,791	12,791	12,791
Total current assets		36,012	33,376	31,252	28,420
Non-current assets					
Property, plant and equipment		539	436	396	382
Intangible Assets		32	48	48	48
Total non-current assets		571	484	444	430
Total assets		36,583	33,860	31,696	28,850
Current liabilities					
Creditors and other payables		1,600	1,600	1,600	1,600
Employee entitlements		980	980	980	980
Make Good Provision		-	-	328	-
GST Payable		170	170	170	170
Total current liabilities		2,750	2,750	3,078	2,750
Non-current liabilities					
Make Good Provision		328	328	-	-
Total liabilities		3,078	3,078	3,078	2,750
NET ASSETS		33,505	30,782	28,618	26,100

1. The above statement should be read in conjunction with the accounting policies set out in Appendix 1.

Statement of Forecast Cash Flows

Note	2022/23	2023/24	2024/25	2025/26
1	\$000	\$000	\$000	\$000
CASH FLOWS – OPERATING ACTIVITIES				
Cash was provided from:				
- Operating receipts from the Crown	28,872	28,372	28,372	28,372
- Baseline receipts from the Crown	1,421,250	1,245,000	1,130,000	1,130,000
- Receipts from pharmaceutical suppliers	500,000	500,000	500,000	500,000
- Interest Operating	781	720	710	700
- Interest Legal Risk Fund	240	207	207	207
- Other Operating	61	-	-	-
- Goods and services tax (net)	2,243	-	-	-
	1,953,447	1,774,299	1,659,289	1,659,279
Cash was disbursed to:				
- Legal Risk Fund expenses	(250)	(250)	(250)	(250)
- Payments to suppliers and employees	(33,642)	(31,395)	(30,886)	(31,592)
- Payments for National Pharmaceuticals Purchasing	(1,686,000)	(1,745,000)	(1,630,000)	(1,630,000)
- Payments for COVID activities	(235,250)	-	-	-
- Goods and services tax (net)	-	-	-	-
	(1,955,142)	(1,776,645)	(1,661,136)	(1,661,842)
Net cash flows from operating activities	(1,695)	(2,346)	(1,847)	(2,563)
CASH FLOWS – INVESTING ACTIVITIES				
- Purchase of property, plant and equipment	(234)	(234)	(232)	(229)
- Purchase of intangible assets	(56)	(56)	(45)	(40)
- Proceeds from the redemption of investments	-	1,900	2,200	2,500
- Purchase of investments	(2,391)	-	-	-
Net cash flows from investing activities	(2,681)	1,610	1,923	2,231
Net increase/(decrease) in cash	(4,376)	(736)	76	(332)
Cash at the beginning of the year	6,927	2,551	1,815	1,891
Cash at the end of the year	2,551	1,815	1,891	1,559

1. The above statement should be read in conjunction with the accounting policies set out in Appendix 1.

Statement of Forecast Changes in Equity

	Note 1	2022/23 \$000	2023/24 \$000	2024/25 \$000	2025/26 \$000
CONTRIBUTION CAPITAL					
Balance at 1 July		1,856	1,856	1,856	1,856
Balance at 30 June		1,856	1,856	1,856	1,856
RETAINED EARNINGS AND RESERVES					
Balance at 1 July		10,300	7,288	4,608	2,488
Net surplus/(deficit)		(3,022)	(2,723)	(2,164)	(2,518)
Net transfer from/(to) Legal Risk fund		10	43	43	43
Balance at 30 June		7,288	4,608	2,487	13
HDPF					
Balance at 1 July		12,791	12,791	12,791	12,791
Balance at 30 June		12,791	12,791	12,791	12,791
LEGAL RISK FUND					
Balance at 1 July		8,600	8,590	8,547	8,503
Add: Revenue received transferred from retained earnings and unused litigation budget		240	207	207	207
Less: Litigation expenses transferred to retained earnings		(250)	(250)	(250)	(250)
Balance at 30 June		8,590	8,547	8,504	8,460
MEDICAL DEVICES RESERVE					
Balance at 1 July		2,980	2,980	2,980	2,980
Balance at 30 June		2,980	2,980	2,980	2,980
TOTAL PUBLIC EQUITY		33,505	30,782	28,618	26,100

1. The above statement should be read in conjunction with the accounting policies set out in Appendix 1.

Reconciliation of Forecast Net Surplus to Cash Flow from Operating Activities

Note 1	2022/23 \$000	2023/24 \$000	2024/25 \$000	2025/26 \$000
Net operating surplus/(deficit)	(3,022)	(2,723)	(2,164)	(2,518)
Add non-cash items				
Depreciation and amortisation	479	377	317	283
Total non-cash items	479	377	317	283
Add/(less) movements in working capital items:				
Decrease/(increase) in debtors and other receivables	46	-	-	-
Decrease/(increase) in prepayments	(127)	-	-	-
Increase/(decrease) in creditors and other payables	(493)	-	-	-
Increase/(decrease) in employee entitlements	(821)	-	-	-
Increase/(decrease) in make good provision	-	-	328	(328)
Decrease/(increase) in net GST	2,243	-	-	-
Net movements in working capital	848	-	328	(328)
Other movements				
HDPF expenses incurred	-	-	-	-
Increase/(decrease) in non-current make good provision	-	-	(328)	-
Total other movements	-	-	(328)	-
Net cash flows from operating activities	(1,695)	(2,346)	(1,847)	(2,563)

1. The above statement should be read in conjunction with the accounting policies set out in Appendix 1.

Statement of Forecast Comprehensive Revenue Expense, by output class

	Funding MOH \$000	Funding Other \$000	Output expenditure \$000	Net surplus/ (deficit) \$000
2022/23				
Making choices and managing expenditure and supply Supporting and informing good decisions	1,435,686	500,509	(1,935,674)	521
and access and use	10,105	357	(8,936)	1,526
Influence through policy, research and insights	4,331	216	(9,616)	(5,069)
Total	1,450,122	501,082	(1,954,226)	(3,022)
2023/24				
Making choices and managing expenditure and supply	1,259,187	500,463	(1,758,070)	1,580
Supporting and informing good decisions and access and use	9,930	324	(11,272)	(1,018)
Influence through policy, research and insights	4,256	139	(7,680)	(3,285)
Total	1,273,373	500,926	(1,777,022)	(2,723)
2024/25				
Making choices and managing expenditure and supply	1,144,186	500,458	(1,642,673)	1,971
Supporting and informing good decisions and access and use	9,930	321	(11,161)	(910)
Influence through policy, research and insights	4,256	138	(7,619)	(3,225)
Total	1,158,372	500,917	(1,661,453)	(2,164)
2025/26				
Making choices and managing expenditure and supply	1,144,186	500,454	(1,642,793)	1,847
Supporting and informing good decisions and access and use	9,930	317	(11,255)	(1,008)
Influence through policy, research and insights	4,256	136	(7,749)	(3,357)
Total	1,158,372	500,907	(1,661,797)	(2,518)

1. The above statement should be read in conjunction with the accounting policies set out in Appendix 1.

**Appendix One:
Statement of Accounting Policies**



Reporting entity

Pharmaceutical Management Agency (Pharmac) is a Crown entity as defined by the Crown Entities Act 2004 and is domiciled and operates in New Zealand. The relevant legislation governing Pharmac's operations includes the Crown Entities Act 2004 and the New Zealand Public Health and Disability Act 2000. Pharmac's ultimate parent is the New Zealand Crown.

Pharmac's primary objective is to provide services to the New Zealand public by deciding which medicines, medical devices and related products are subsidised to secure the best health outcomes reasonably achievable from pharmaceutical treatment. Pharmac does not operate to make a financial return.

Pharmac has designated itself as a public benefit entity (PBE) for financial reporting purposes.

Basis of preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of compliance

The financial statements have been prepared in accordance with the requirements of the Crown Entities Act 2004 and the New Zealand Public Health and Disability Act 2000, which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP). The financial statements have been prepared in accordance with Tier 1 PBE accounting standards.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

Summary of significant accounting policies

Revenue

The specific accounting policies for significant revenue items are explained below: Pharmac receives operating from the Crown. This funding is restricted in its use for the purpose of Pharmac meeting the objectives specified in its founding legislation and the scope of the relevant appropriations of the funder.

Pharmac considers there are no conditions attached to the funding and it is recognised as revenue at the point of entitlement. This is considered to be the start of the appropriation period to which the funding relates.

The fair value of revenue from the Crown has been determined to be equivalent to the amounts due in the funding arrangements.

Community Pharmaceutical Budget (CPB) and COVID funding

From 1 July 2022 Pharmac receives funding from the Crown for payment to community pharmacies, acquisition of nationally acquired pharmaceuticals for use in hospitals, vaccines acquired nationally, and pharmaceuticals for COVID treatments.

Financial instruments

Financial assets and financial liabilities are initially measured at fair value plus transaction costs, unless they are carried at fair value through profit or loss, in which case the transaction costs are recognised in the statement of forecast comprehensive revenue and expense.

Cash and cash equivalents

Cash includes cash on hand, deposits held on call with banks, and other short-term highly liquid investments with original maturities of three months or less.

Receivables

Short term receivables are recorded at their fair value, less any provision for impairment. A receivable is considered impaired when there is evidence that Pharmac will not be able to collect the amount due. The amount of the impairment is the difference between the carrying of the receivable and the present value of the amounts expected to be collected.

Investments

Bank term deposits

Investments in bank term deposits are initially measured at the amount invested. After initial recognition, investments in bank term deposits are measured at amortised cost using the effective interest method, less any provision for impairment.

Property, plant and equipment

Property, plant and equipment consists of leasehold improvements, EDP equipment, and furniture and office equipment. Property, plant and equipment are shown at cost less accumulated depreciation and impairment losses. Any write-down of an item to its recoverable amount is recognised in the statement of forecast comprehensive revenue and expense.

- **Additions** – the cost of items of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to Pharmac and the cost of the item can be measured reliably.

- **Disposals** – gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit.
- **Subsequent costs** – costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to Pharmac and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.
- **Depreciation** – Depreciation is provided on a straight-line basis on all property, plant and equipment at rates that will write-off the cost of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Item	Estimated useful life	Depreciation rate
Leasehold Improvements	5 years	20%
Office Equipment	2.5 - 5 years	20%-40%
EDP Equipment	2.5 years	40%
Furniture and Fittings	5 years	20%

Leasehold improvements are capitalised and depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is shorter. Capital work in progress is not depreciated. The total cost of a project is transferred to the asset class on its completion and then depreciated. The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

Intangible assets

- **Software acquisition and development** – Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include the software development, employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised as an expense when incurred. Costs associated with maintaining computer software are recognised as an expense when incurred. Costs associated with the development and maintenance of Pharmac’s website are recognised as an expense when incurred.

Amortisation – The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each financial year is recognised in the surplus or deficit. The useful life of software (the only identified intangible asset) and associated depreciation rate have been estimated as follows:

Item	Estimated useful life	Depreciation rate
Software	2 - 5 years	20%-50%

Payables

Short term payables are recorded at their face value.

Employment entitlements

Employee entitlements that are due to be settled within 12 months, after the end of the period in which the employee renders the related service are measured, based on accrued entitlements at current rates of pay. These include salaries and wages accrued to balance date, and annual leave earned but not yet taken at balance date expected to be settled within 12 months. Pharmac recognises a liability and an expense for at-risk provisions where it is contractually bound to pay them.

Superannuation schemes

Defined contribution schemes – Obligations of contributions to KiwiSaver and State Sector Retirement Savings Scheme are accounted for as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit as incurred.

Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event. It is probable that an outflow of future economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised and is included in “finance” costs.

Public equity

Public equity is the Crown’s investment in Pharmac and is measured as the difference between total assets and total liabilities. Public equity is classified as contribution capital, retained earnings and reserves, Hospital Discretionary Pharmaceutical Fund, and Legal Risk Fund.

Goods and Services Tax (GST)

All items in the financial statements are exclusive of GST, except for receivables and payables, which are stated on a GST-inclusive basis. Where GST is not recoverable as an input tax, then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of the receivables or payables in the statement of forecast financial position.

The net GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of forecast cash flows.

Income tax

Pharmac is a public authority and consequently is exempt from the payment of income tax. Accordingly, no provision has been made for income tax.

Cost allocation

Pharmac has determined the cost of outputs using the cost allocation system outlined below:

Direct costs are those costs directly attributed to an output. Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific output.

Direct costs are charged directly to outputs. Indirect costs are charged to outputs based on cost drivers and related activity or usage information.

Critical accounting estimates and assumptions

In preparing these financial statements Pharmac has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are that the value of Pharmac's Discretionary Pharmaceutical Fund is dependent on the value on the final estimate of the District Health Boards' Combined Pharmaceutical Budget.

Critical judgements in applying Pharmac's accounting policies

Management has not exercised any critical judgements in applying Pharmac's accounting policies for the years ended 30 June 2021 – 30 June 2025.

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