

18 May 2021

Hon Andrew Little
Minister of Health
Parliament Buildings
Wellington

Dear Minister

Annual Letter of Expectations for PHARMAC for 2021/22

Thank you for your letter dated 8 March 2021 outlining your expectations for PHARMAC for the 2021/22 year. I am happy to provide you with our response, setting out how PHARMAC plans to meet your expectations.

We appreciate your acknowledgment of the work PHARMAC has undertaken to actively manage and ensure continuity of supply of medicines and medical devices, particularly during the pandemic, as well as PHARMAC's efforts to increase transparency and communications with key stakeholders and the wider community.

We look forward to working with you, as well as supporting the Independent PHARMAC Review process. We know many New Zealanders have questions about how we make our decisions, and this Independent Review of PHARMAC is an opportunity to show people what we do and the value we add. We see this review being about making a good system better and ensuring that we are as responsive as we can be to the challenges facing our health system.

We are pleased to confirm that our intentions for 2021/22 are consistent with your expectations and reflect substantial strategic planning undertaken by PHARMAC as detailed in our 2020/21 – 2023/24 Statement of Intent.

Please find attached information on how we intend to meet your expectations and how we intend to report our progress. We recognise the need to work effectively with the wider health sector and to make more informed decisions by better incorporating consumer feedback, to deliver the best health outcomes from New Zealand's investment in medicines and medical devices.

I would be happy to discuss this with you further or provide more information on any of the areas outlined.

Yours sincerely



Hon Steve Maharey
PHARMAC Board Chair
cc Associate Ministers of Health

Appendix One: Our approach to deliver on your expectations for 2021/22

Expectation	How we plan to meet it	How we will report on it
<p>Response to COVID-19</p>	<p>The impact of COVID-19 is still affecting PHARMAC mainly with supply chain issues for medicines and medical devices. In 2020 we developed strong connections with other government agencies, who are working and assisting us to resolve disruptions to the supply chain. This has proven to be very valuable.</p> <p>We will continue to support and provide advice as required to the Ministry of Health as it leads the roll-out of the COVID-19 vaccination programme. We are also collaborating with the Ministry of Health regarding the assessment of new therapeutics for the treatment of COVID-19.</p>	<p>We will keep you informed of supply chain issues through our weekly Communications report, No Surprises updates, and of developments with COVID-19 therapeutics through our regular monthly reporting.</p>
<p>Embedding Te Tiriti o Waitangi and achieving pae ora (healthy futures) for Māori</p>	<p>PHARMAC recognises that equitable access to medicines for Māori is not enough; we must also uphold the rights that Te Tiriti o Waitangi provides for Māori. In addition to our equity work described below, we have incorporated the principles of Te Tiriti o Waitangi into our strategic direction framework – Tino rangatiratanga; Equity, Active protection; Options and Partnership (adapted from the recommendations made in the stage one report for Wai 2575, the Health Services and Outcomes Kaupapa Inquiry).</p> <p>In 2020 we refreshed our Māori responsiveness strategy, <i>Te Whaioranga</i>, to align and integrate with our strategic direction and to respond to wider system expectations for Crown agents to partner with Māori to meet our Te Tiriti o Waitangi obligations.</p> <p>Te Whaioranga provides a framework for ensuring we meet our Te Tiriti o Waitangi responsibilities and achieves best health outcomes for Māori.</p>	<p>Quarterly SPE reporting.</p>
<p>Meeting the needs of Pacific people</p>	<p>We want to support Pacific people in New Zealand to live healthy lives through improved and timely access to, and use of, medicines and medical devices. Our Pacific Responsiveness Strategy - Te Manaaki Tāngata Pasifika is how we are doing this.</p> <p>We are currently progressing stage two of the strategy, <i>Supporting growth</i> (2020-2023), having completed stage one, <i>Planting the seed</i> (2017–2019). This is captured within the work programme for our Equitable access and use strategic priority. Key actions for the coming year will be set out in our 2021/22 SPE.</p>	<p>Quarterly SPE reporting.</p>

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<p>Improving wellbeing through prevention</p>	<p>PHARMAC looks at wellbeing through prevention as part of its decision-making framework, the Factors for Consideration (FFC). There are a range of ways we do this, including estimating the health benefits conferred by a pharmaceutical such as a vaccine, at the individual, family and societal levels. We also consider whether there are benefits to the health system that could arise by funding a preventative pharmaceutical, for example by reducing the need for surgery.</p> <p>Our FFC require us to take into account the Government's health priorities when considering funding a medicine or medical device. The list of included priorities has recently been updated to include direct reference to improving wellbeing by preventing health conditions.</p>	<p>We will provide updates on our funding decisions as part of our regular monthly and quarterly reporting.</p> <p>We will report on the number of funding decisions we have made that contribute to improved wellbeing as part of PHARMAC's 2021/22 Annual Report.</p>
<p>Achieving equity</p>	<p>Equitable access and use of medicines has been a focus for PHARMAC over the last four years and continues to be a strong feature of our new strategic direction. Key actions for 2021/22 will be set out in our SPE and include:</p> <ul style="list-style-type: none"> • Working with others across the health system to improve uptake and use of medicines and other products that we already fund, with a particular focus on community medicines for long-term conditions such as diabetes and gout. • Looking at how we decide which medicines to fund. We intend to review how we assess and prioritise medicines to better reflect a focus on equity, wellbeing and to better reflect societal values. • Continuing to monitor medicines access equity in relation to priority conditions where there is evidence of inequitable access, for Māori and Pacific communities. • Finalising policy work to establish a framework for use of ethnicity in our funding access criteria, to support medicines access equity. 	<p>Quarterly SPE reporting.</p>

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<p>System-wide working</p>	<p>One of PHARMAC’s three impact areas in our strategic direction is that ‘<i>We play a key role in an effective and equitable health system</i>’. This acknowledges that 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. Success will look like:</p> <ul style="list-style-type: none"> • engaging with others to monitor and maintain supply of medicines and vaccines to ensure health outcomes are not affected by out-of-stock situations; • working collaboratively with relevant government agencies, to resolve disruptions to the supply chain due to the impact of COVID-19; • working with health providers and funders to ensure our funding decisions can be implemented smoothly and consistently across the country; • working collaboratively with the health sector on jointly agreed population health programmes to better meet the needs of New Zealanders; and • contributing to the health and disability response to improve environmental sustainability. <p>Over the next four years we will continue to work collaboratively and support sector wide initiatives including:</p> <ul style="list-style-type: none"> • working closely with the Ministry of Health to implement the NZ Cancer Action Plan 2019-2029; • our ongoing efforts to support the successful delivery of the FPIM business case; • working with the Ministry of Health and the health sector to support implementation of the Health and Disability system reforms; and • the Ministry of Health, DHBs and PHARMAC joint approach to vaccine responses to local and national outbreaks of disease. 	<p>Quarterly SPE reporting.</p>

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<p>Governance and financial management</p>	<p>The Board, through its governance arrangements with management, will continue to monitor all aspects of organisational performance, including exercising its function to ensure PHARMAC operates in a financially responsible manner and continues to make responsible decisions for the use of the Combined Pharmaceutical Budget, or any other area of expenditure for which PHARMAC may be responsible for managing.</p> <p>As Chair, I will continue to ensure effective governance of PHARMAC and monitor the Boards collective and individual Board member performance on an annual basis, including accountability for delivering equitable health outcomes for New Zealanders.</p>	<p>Annual Board evaluations.</p>
<p>Environmental sustainability</p>	<p>We are mindful of the Government’s priority outcome around environmental sustainability. Very little pharmaceutical manufacturing occurs in New Zealand, so any actions we take would have limited impact on reducing carbon emissions from domestic production. Our focus currently is to improve our visibility of environmental sustainability in our medicines and medical devices supply network through actively seeking out information from our suppliers (e.g. about their sustainability policies, reports, audits, projects, awards or fines). It is important to us that we are well informed on potential areas of influence within our supply chains; so we are tracking our progress in acquiring this information.</p> <p>We continue to consider options for sustainable packaging through our medicine procurement processes and will also have increasing influence over the environmental sustainability of hospital medical devices once we move to more active management of these products.</p> <p>We also continue to investigate aspects of our corporate purchasing to achieve reductions in carbon emissions. These include reducing flights taken by staff and optimising our office space for environmentally sustainable outcomes (i.e. lighting, batteries, heating etc.)</p>	<p>We will report on progress in our Annual Report.</p>

Expectation	How we plan to meet it	How we will report on it
Transparency and timeliness	<p>Your expectations that we continue to focus on transparency and improving our communication with the public, and our stakeholder relationships, are the respective foci of our Public Understanding Trust and Confidence and Relationships and Partnerships strategic priorities. In 2020/21 we conducted a stakeholder engagement survey and this will be undertaken annually. This is the first stakeholder survey conducted by PHARMAC since 2015 and the results provide a benchmark on which we will measure our progress. The results measure outcomes, not just engagement, which is important for PHARMAC in our efforts to better communicate with stakeholders.</p> <p>We are measuring public trust and confidence in PHARMAC through the annual Colmar Brunton Public Sector Reputation Index. PHARMAC's overall reputation score increased by four points in the 2020 Colmar Brunton Public Sector Reputation Index Report, which is considered a significant change. The pace at which we have improved is faster than most other public agencies. Our improvement has been across all four pillars – trust, social responsibility, leadership, and fairness.</p> <p>Our performance measures have a strong focus on timeliness, to ensure that the public has a transparent view of the time it takes PHARMAC to rank and fund new funding applications as well as our timeliness in processing decisions under our Exceptional Circumstances framework.</p>	Quarterly SPE reporting.
Medical devices	<p>We note your expectation to progress our strategic priority programme of work to transition to full management of hospital medical devices. In order to make progress, continued engagement with both the health sector and industry is essential.</p> <p>We intended to consult with the sector during 2020/21 on next steps for medical devices, but due to the impacts of COVID-19 and the pressure on the sector, this work has been delayed until 2021/22. We intend to engage with a range of stakeholders during 2021/22 to seek their feedback on aspects of our more detailed proposed approach to the management of medical devices.</p> <p>We will also continue to support the delivery of the FPIM programme.</p>	Quarterly SPE reporting.

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Medicines for rare disorders	<p>In recent years, PHARMAC has undertaken a range of activities to make clinically effective medicines for rare disorders more affordable and accessible. This work has built on insights from the pilot Request for Proposals (RFP) that commenced in 2014, which demonstrated that competition could be introduced into this market.</p> <p>We recently approved funding for six treatments for people with rare metabolic disorders. Carglumic acid, a treatment for hyperammonaemia arising from severe organic acidaemia, as well as five supplements for inborn errors of metabolism will be listed on the Pharmaceutical Schedule from 1 May 2021. We will continue to progress funding applications as appropriate during 2021/22.</p> <p>We will keep abreast of the progress and implementation of strategies for medicines for rare disorders in other jurisdictions. We will continue to engage with the Ministry of Health to identify where there may be opportunities to work together, at a system level, to address the ongoing challenges facing people with rare disorders. We will also continue to engage with the rare disorders community on our work.</p>	<p>We will provide updates on our funding decisions as part of our regular monthly and quarterly reporting.</p>
Research and evidence	<p>We note your support of our successful partnership with the Health Research Council in funding and commissioning research on the best use of medicines in New Zealand.</p> <p>In 2020, through this partnership, we supported Professor Pauline Norris from Otago's Division of Health Sciences to investigate issues around access to medicines.</p> <p>The focus for calls for the 2020/21 round of research funding applications was equitable access and use of medicines. We are supporting one research project as a result; Ms Jo Hikaka, University of Auckland will research the topic 'Te Puna Rongoā: Achieving Medicines Access Equity for Māori - Pharmacists' role'.</p> <p>We will engage with the Ministry of Health on future opportunities and priority areas for research.</p>	<p>We will report on progress in our Annual Report.</p>

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IT Security systems	<p>PHARMAC has a security work programme which is a longstanding component of PHARMAC IT planning. We remain vigilant as to the security of our ICT systems and continually evaluate both new threats and new technologies to counter them.</p> <p>PHARMAC has had insurance cover for security incidents since 2017, which covers privacy breaches, digital asset replacement, liability, income loss, cyber extortion and internet media liability.</p>	<p>We will provide relevant ad hoc updates through our regular Ministerial reporting.</p>