

Pharmaceutical Management Agency
Te Pātaka Whaioranga

STATEMENT OF INTENT

*He Tauākī
Whakamaunga Atu*

2020/21-2023/24

PHARMAC
TE PĀTAKA WHAIORANGA



PĀTAKA

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 – the pursuit of wellbeing.

The term was gifted to PHARMAC by our Kaumātua, Bill Kaua ONZM.

A pātaka has many literal and metaphorical associations in te reo Māori. It refers, literally, to the raised platform for food storage and protection of taonga and is also a symbol of safeguarding of things that are precious to the community.

In the PHARMAC context, the concept of the pātaka symbolises a solid and reliable structure safeguarding the continuous flow of supplies, such as medicines and medical devices, and it’s our role to keep the flow constant and maintain availability for the benefit of all New Zealanders.



Hon Steve Maharey

Chair
29 May 2020



Jan White

Deputy Chair
29 May 2020

Presented to the House of Representatives pursuant to Section 149(3)
of the Crown Entities Act 2004

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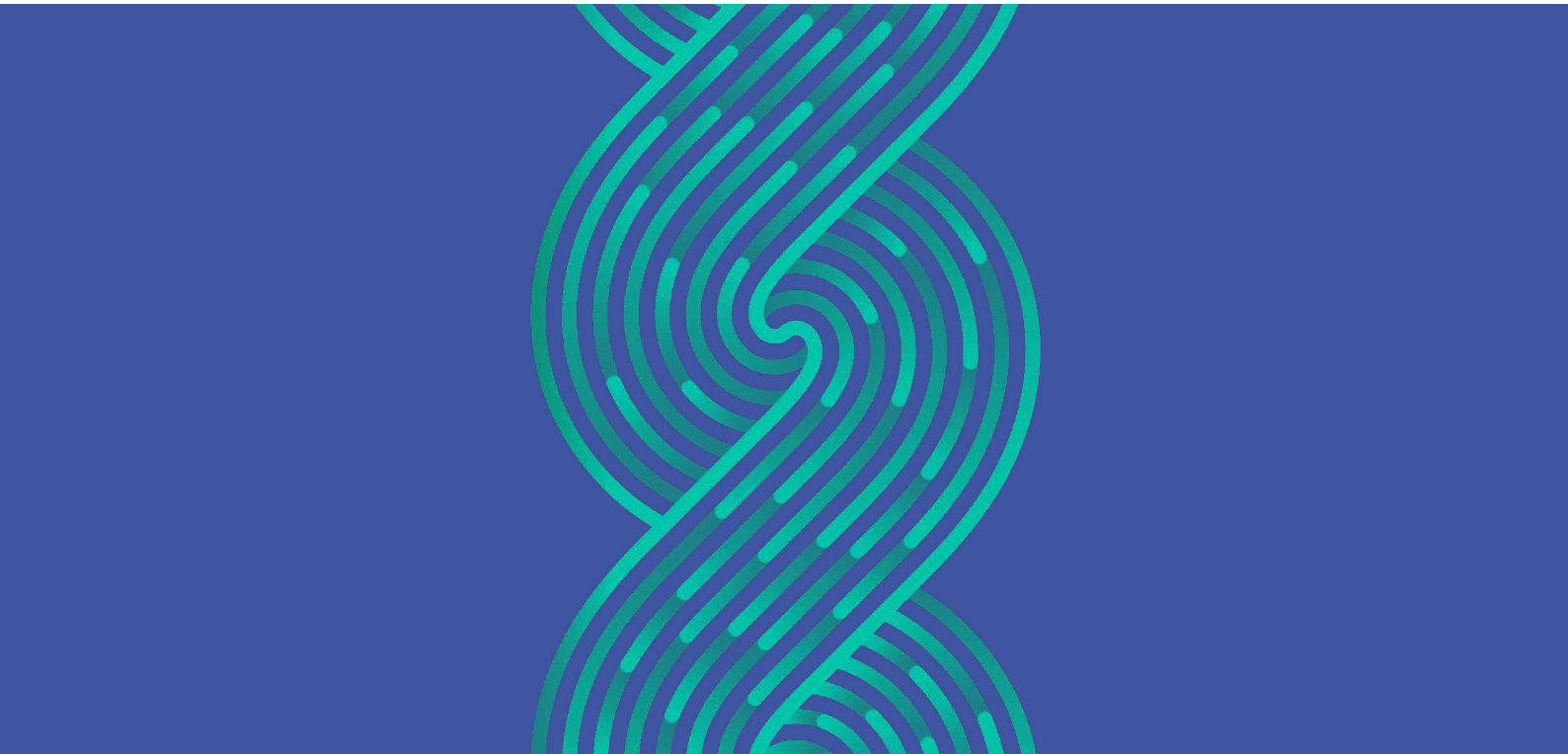
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WHAKATAUĀKĪ

Ki te kahore he whakakitenga ka ngaro te iwi -
Without foresight or vision the people will be lost.

This whakatauāki by Kingi Tawhiao Potatau te Wherowhero
shows the urgency of unification and strong leadership.



Chair's Foreword



PHARMAC's work is important, more so now than ever in light of COVID-19, as we work to ensure uninterrupted access to funded medicines and medical devices for New Zealanders. We have played a key role in responding to this global pandemic. I want to thank our people for their hard work and the hard work still to come as they work through the response.

I also want to acknowledge the clinicians we work with and those from the community who provide us with trusted advice and help us make decisions.

Our success is reliant on a cohesive health sector that works closely together. Over the next four years we will continue to work collaboratively and support sector wide initiatives including the New Zealand Cancer Action Plan, the Health and Disability System Review and responding to outbreaks.

The breadth of PHARMAC's responsibilities has grown markedly over recent years and the sector that we operate in has, and is continuing to change. We will play a greater role as system partner and leader. Positive changes resulting from lessons learnt during COVID-19 provide us with an opportunity to work with the wider sector and cement our role.

To be successful in achieving our purpose this Statement of Intent sets out a new Strategic Direction. Our strategic intentions set out a strong message that we will be more responsive to the needs of New Zealanders and transparent about our decision making.

The expectation from Government for the health and disability system is to improve wellbeing and equity for New Zealanders. These outcomes are reflected strongly in our new strategic direction. It is of particular importance to us that, through Te Whaioranga (our Māori responsiveness strategy), PHARMAC continues to place a significant focus on working with iwi and Māori communities to achieve equity in health outcomes for them. We will also continue, the delivery of our Pacific responsiveness strategy.

PHARMAC makes an important contribution to the health of New Zealanders. Despite only being a small part of the global market, we pay some of the lowest prices for medicines. This is because we negotiate with and encourage competition between pharmaceutical companies. The savings we make by doing this are used to fund new medicines, or to give more people access to current medicines.

As PHARMAC has a fixed budget, we must make consistent, careful and considered funding choices in the interests of all New Zealanders. A recent boost to our funding allows us to make significant new investments, including for cancer, rare diseases and diabetes medicines. We work hard to make more medicines available to New Zealanders because our ultimate reason for being is to get better health outcomes for all New Zealanders. This is our relentless focus.

I am proud to present PHARMAC's 2020/21-2023/2024 Statement of Intent which is built on our commitment to continuously improve the wellbeing of New Zealanders. It sets a clear direction for the next four years and we look forward to meeting the challenge.

Te Kupu a te Heamana

He mea nui te mahi a PHARMAC. Kua whakapūmautia tērā whakaaro i te pānga mai o te mate COVID-19, otirā, e whakapau kaha ana mātou kia āhei tonu ngā tāngata o Aotearoa ki te whiwhi i ngā rongoā whai utu me ngā pūrere hauora. He nui te wāhi ki a mātou i te wā o tēnei urutā nui o te ao. Kei te mihi au ki ō mātou tāngata i ā rātou mahi nui, waihoki i ngā mahi nui e haere tonu mai ana i a tātou e kaupare atu ana i tēnei mate.

Me mihi hoki au ki ō mātou hoamahi, arā, ki ngā mātanga hauora rātou ko ngā mema o te hapori e kaha ana ki te tāpae kōrero pono, ki te hāpai hoki i ngā whakataunga.

Me tū tahi, me mahi tahi te rāngai hauora e eke ai ā mātou mahi ki te taumata angitu. Hei ngā tau e whā e heke mai ana, ka tūhono atu tonu mātou ki ētahi atu, ka tautoko hoki i ngā kaupapa o te rāngai hauora whānui, pērā i te New Zealand Cancer Action Plan me te Health and Disability System Review. Waihoki, ka whakapau kaha tonu mātou ki te tāmi i te urutā.

Kua tino whakawhānuihia te hora o ngā mahi e hāpaitia ana e PHARMAC i roto i ngā tau tata nei. Otirā, kua huri, ā, kei te huri tonu tō mātou rāngai mahi. Ka nui ake te wāhi ki a mātou, hei hoamahi, hei kaiārahi hoki i roto i te pūnaha nei. Nā ngā huringa whaihua nō te wā o te mate urutā COVID-19, kei te kite mātou i tētahi ara hou e taea ai e mātou te mahi ngātahi ki te rāngai whānui hei whakaū i tō mātou tūranga.

Kei te whārikihia e tēnei Tauākī Whakamaunga Atu tētahi Aronga Rautaki Hou e tutuki pai ai tō mātou kaupapa. Kei te kaha rangona i roto i ā mātou koronga rautaki i tā mātou whāinga ki te whakapiki ake i tō mātou kaha ki te whakatutuki i ngā hiahia o ngā tāngata o Aotearoa, ki te āta whakamārama hoki i ā mātou whakataunga.

Ko te hiahia o te Kāwanatanga e pā ana ki te rāngai hauora me te hunga whaikaha, kia piki ake ai te hauora me te noho taurite o ngā tāngata o Aotearoa. Kei te kaha kitea aua putanga i roto i tō mātou koronga rautaki hou. He mea nui anō ki a mātou, kia anga nui atu tonu a PHARMAC ki te mahitahi ki ngā iwi me ngā hapori Māori e rite tahi ai ā rātou putanga hauora. Ka whai tonu mātou i tō mātou rautaki kia ea ai hoki ngā hiahia o ngā iwi o Te Moananui-a-Kiwa.

He wāhi nui tō te mahi a PHARMAC mō te hauora o ngā tāngata o Aotearoa. Ahakoa he iti noa tō tātou tūranga i te ao hokohoko, he iti tonu te utu mō ngā rongoā ki Aotearoa. Ko te take e pēnei ana te iti o te utu, ko tō mātou kaha ki te whakawhitiwhiti kōrero, ki te hāpai hoki i te mahi whakataetae tauhokohoko i waenga i ngā kamupene rongoā. Ka pēnāpenāhia ngā toenga hei utu i ngā rongoā hou, hei whakawhānui ake rānei i te nui o te hunga e āhei ana ki te tiki ake i ngā rongoā o nāianei.

I te mea kua herea te pūtea a PHARMAC, me ū, me āta whiriwhiri, me āta wetewete mātou ā mātou whakataunga pūtea hei painga mō ngā tāngata katoa o Aotearoa. Heoi, nō nātata nei, kātahi anō ka whakapikihia ake tā mātou pūtea, nā reira e āhei ana mātou ki te tuku he pūtea haumi hou ki ngā rongoā mō te mate pukupuku, mō ngā mate onge me te mate huka.

He koanga ngākau te whakatakoto i te Tauākī Whakamaunga Atu 2021–2024 a PHARMAC. He mea whakatū tēnei i runga i tō mātou ngākaunui ki te whakapiki ake tonu i te hauora o Aotearoa. Kua āta whakatakotohia te aronga o ngā mahi mō ngā tau e whā e heke mai ana – ki te hoe!





Document Purpose

Te Kaupapa o Tēnei Tuhinga

This four-year Statement of Intent (SOI) has been prepared in accordance with the Crown Entities Act 2004 and should be read in conjunction with each year's Annual Statement of Performance Expectations.

It sets out the strategic direction for PHARMAC for the four financial years through to 30 June 2024 and outlines how PHARMAC will organise itself, prudently deploying resources to ensure transparency, collaboration and value for money in the support of New Zealand's health and disability system.

The SOI informs Parliament and the New Zealand public about PHARMAC, the strategic issues it faces and its response to those issues. Objectives and performance measures for each financial year will be updated annually in the Annual Statement of Performance Expectations and will be reported on in the Annual Report.



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 the Government'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 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.

How does PHARMAC choose which medicines should be funded?

PHARMAC receives applications for medicines and related products to be funded: usually from medicine suppliers, but sometimes from health professionals or everyday New Zealanders.

PHARMAC uses its Factors for Consideration to assess applications and make its decisions. The Factors enable us to look carefully at information and evidence about the health of people who need the medicine, the health benefits the medicine offers, any costs or savings that funding the medicine would have for overall public spending on health, and we also think about the suitability of the medicine for people who will need to use or administer it. We seek objective advice from experts and ask New Zealanders what they think, through public consultation, before we make a final decision.

¹ <https://www.pharmac.govt.nz/medicines/how-medicines-are-funded/factors-for-consideration/>

The diagram on page 14-15 shows the journey a funding application goes through to decide whether it will be listed as a funded medicine, and we expect to follow a similar process for hospital medical devices in future.

Getting more medicines for more New Zealanders

Every year PHARMAC makes more medicines available for more New Zealanders. We play an active role in keeping New Zealanders healthy by funding medicines (including vaccines) and related products.

New Zealanders benefit from PHARMAC's work when they get a prescription filled at the pharmacy, when they're vaccinated for free or when they receive medicines in a public hospital. In the 2019/20 financial year, around 3.8 million New Zealanders benefited from funded medicines.

Medicines can cost a lot of money. PHARMAC manages a fixed budget held by District Health Boards (DHBs), the Combined Pharmaceutical Budget. We aim to get the best health outcomes from the budget which includes funding as many new good value medicines as we can. We take steps to reduce the costs of some already funded medicines, so we can use the money to fund more medicines for more New Zealanders. This might mean we change the brand of a medicine we already fund. Before we make these kinds of decisions, we seek expert advice to make sure it's the

right thing to do and we publicly consult to understand what impacts the change might have on people. Supporting clinicians and people who use medicines to make these kinds of changes is an important part of our work.

Hospital medical devices

PHARMAC works hard to make sure we get the best health outcomes possible from our investments for all New Zealanders. Our scope has been expanded to include hospital medical devices and PHARMAC will eventually be required to manage spending within a fixed budget. We are preparing for this by building a list of medical devices for DHBs to use, including things like cotton swabs, orthopaedic implants and dialysis machines. We are also negotiating contracts for terms like price and supply continuity to ensure consistency across DHBs.

As our role in hospital medical devices grows, we will apply many of the same principles we use for our medicines work however, as medical devices are not the same as medicines, we are also working out where we need to do things differently.



**PHARMAC
Factors for
Consideration**

are used
throughout



**PHARMAC
Factors for
Consideration**

are used
throughout



The journey of a funding application

A supplier, health professional, or an everyday New Zealander can apply for a medicine or related product to be funded.

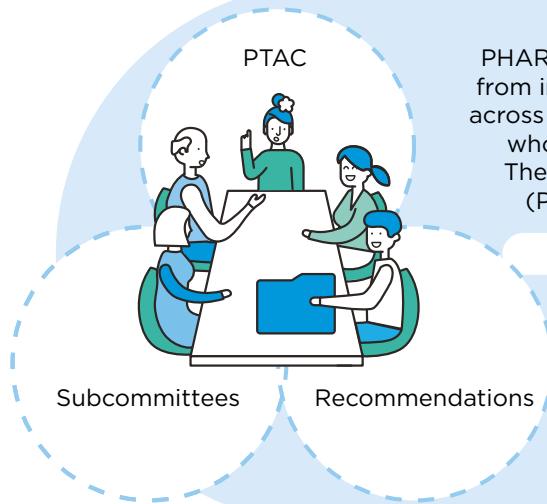
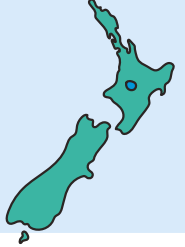
Prepare

your application by collating all relevant information



Advice

PHARMAC receives recommendations from independent clinical experts from across New Zealand's health care sector who sit on the Pharmacology and Therapeutics Advisory Committee (PTAC) and its subcommittees



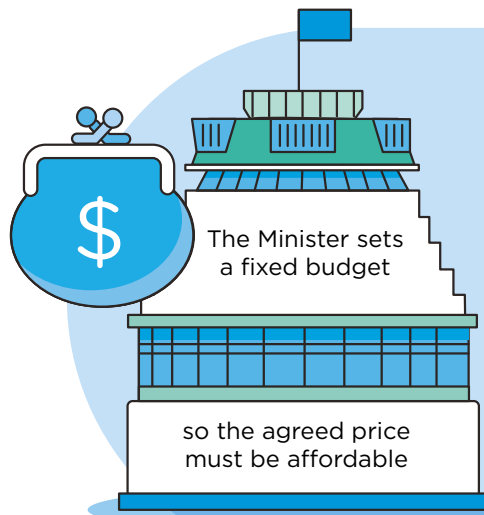
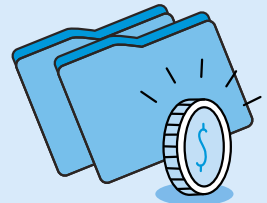
Assess

PHARMAC considers the clinical advice and assesses the medicine. Research and economic analysis take place



Negotiate

PHARMAC negotiates price with suppliers



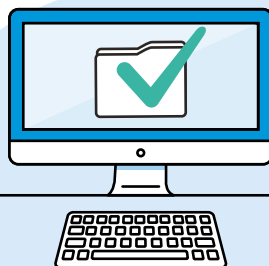
Provisional agreement

PHARMAC and the supplier confirm a provisional agreement



Final decision

The PHARMAC board or delegate makes a final decision



Notification

PHARMAC notifies the decision to health professionals and the public

Listed

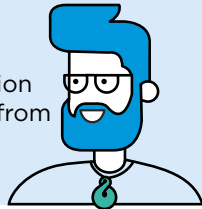
If approved, the medicine or related products are listed on the Pharmaceutical Schedule





Discuss

your application with someone from PHARMAC



Submit

your application via PHARMConnect



Application Tracker

See your application status online

Review

PHARMAC reviews and evaluates the evidence, including others' submissions on the same medicine.



HIGH
Ranking
LOW

Compare options

PHARMAC compares and ranks medicines



Identify

PHARMAC identifies which medicines on the list to take forward



Prioritise

A prioritised list of medicines for funding is created



Consult

We ask New Zealanders what they think



Consider submissions

Final changes

PHARMAC staff make any changes necessary following the consultation submissions



Application Tracker

See your application status online

The process set out in this diagram is intended to be indicative of the process that may follow where a supplier or other applicant wishes a pharmaceutical to be funded on the Pharmaceutical Schedule. PHARMAC may, at its discretion, adopt a different process or variations of the process. For example, we decide whether or not it is appropriate to undertake consultation on a case-by-case basis.

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 isn't 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 vaccines in New Zealand. This includes all vaccines on the National Immunisation Schedule which includes in the childhood immunisation programme and the annual influenza vaccine² which is free for eligible people.

Vaccination is one of the areas where PHARMAC plays a major role in preventing illness from starting or spreading in our communities. We work across the broader health system to do this. The Ministry of Health is responsible for overseeing

promotion and implementation of the national immunisation programme, and monitoring vaccine preventable disease burden and risk in communities. The Ministry of Health, DHBs and PHARMAC work collaboratively on vaccine responses to local and national outbreaks of disease.

We promote medicines being used in the right way

We promote the responsible use of medicines in New Zealand. This means making sure funded medicines are not under-used, over-used 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 so they get the health benefits they offer.

Research

PHARMAC has a statutory function to engage in research as appropriate. 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. For example by providing funding and sharing data and information.

² PHARMAC manages the distribution and funding of flu vaccine differently from other vaccines. Please refer to our website for further information. <https://www.pharmac.govt.nz/medicines/medicines-information/flu-vaccines-pharmacs-role/>

Our mandate

PHARMAC's legislative objective is set out in the New Zealand Public Health and Disability Act 2000 – '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'. As a Crown Entity, we are governed by a board of directors. Our Board provides governance over our strategy and future operating intentions and monitors organisational performance.

Government Expectations

PHARMAC is a Crown agent for the purposes of the Crown Entities Act 2004 and its 2013 Amendment. Pursuant to section 7 of the Crown Entities Act, PHARMAC will give effect to Government policy when directed by the Responsible Minister, the Minister of Health. This Statement of Intent reflects the expectations of PHARMAC's owner, the Crown, as documented in the October 2019 Enduring Letter of Expectations from the Ministers of Finance and State Services and the Minister of Health's annual Letter of Expectations. PHARMAC will work with the Ministry of Health as the Minister's agent to ensure that each expectation is appropriately progressed.



Our operating context

Te horopaki o ā mātou mahi

Medicines

New Zealand is a small part of the global medicines market, yet PHARMAC pays some of the lowest prices in the world for medicines. This is because we negotiate with, and encourage competition between pharmaceutical companies to reduce their prices.

There will always be more medicines than we can afford from within our fixed budget. This means we need to make careful and considered choices in the interests of all New Zealanders. Decisions take time – in deciding what medicines to fund we consider a lot of detailed information, because we take our responsibility to make these important choices seriously. We want to ensure New Zealanders achieve the best health outcomes from medicines by using our funding in the best way possible.

Each year, we receive a fixed budget from the Government to achieve the best health outcomes for New Zealanders by:

- making sure the medicines and related products already funded stay available;
- deciding which other medicines have the highest priority for new funding; and
- working to reduce the price paid for medicines that are already available.

Hospital Medical Devices

New Zealand is also only a small part of the global medical devices market. DHBs currently manage their own budgets for the medical devices they use in their public hospitals and specialist community services. Ultimately, PHARMAC will manage a fixed budget for spending on hospital medical devices, which will include deciding which hospital medical devices have the highest priority for new funding and working to maintain access to medical devices that are already available.



Our core competencies

PHARMAC's core competency is the ability to distil a wide range of disparate information and apply knowledge and expertise to make evidence-based funding decisions that achieve the best health outcomes in the long run.

Key capability areas include:

- **governance**

Board members are appointed by the Minister of Health. A Governance Manual guides the Board's operations and sets out legal obligations, relevant procedures and the delegations framework for PHARMAC's decision-making.

- **critical appraisal and evidence-based decisions**

Clinical evidence is a fundamental part of PHARMAC's decision-making. We have a strong focus on continual development of critical appraisal skills, monitoring international developments in evidence-based medicine, and providing effective support to PHARMAC's expert advisory committees.

- **procurement and contracting**

An important part of PHARMAC's work is the negotiation of commercial contracts and management of them once agreed. In addition to ongoing development of

negotiation and contracting skills, PHARMAC has a well-developed set of purchasing strategies, tools and systems to support procurement and contracting work.

- **policies and procedures**

PHARMAC has in place a wide set of corporate and operational policies and procedures to ensure work is carried out in the best possible way, including to ensure probity and integrity across PHARMAC's operations. Policies and procedures are regularly reviewed, and operational policies and procedures are also regularly updated.

- **risk management**

PHARMAC operates a risk management framework with a regular focus on risks and their management by both management and the Board.

- **stakeholder relationships**

PHARMAC places high value on effective stakeholder relationships, to understand stakeholder issues and views, and to ensure a good understanding of PHARMAC's work and the decisions that are made.

Challenges and opportunities

Most countries have a pharmaceutical technology assessment agency separate from the regulator³. New Zealand is unique in having a pharmaceutical management agency that combines clinical, economic and commercial aspects, and decision-making within a fixed budget for medicines.

Like other agencies internationally that make choices about health care funding, our work is subject to a range of existing and emerging challenges and trends. We need to be ready to respond to these medium-term challenges and opportunities that present as our environment evolves, including with our growing role in hospital medical devices.

Growing burden of chronic diseases and an aging population

New Zealanders' health is improving but not everyone is enjoying equally good health. We are living longer, we are living more years in good health, but we are also living longer in poor health. Health loss from long-term conditions has increased over time and puts pressure on health care services.

Increasing demand for consumer involvement

A growing proportion of people are interested in taking greater self-responsibility for their health and wellbeing, as well as having a greater voice in decision-making about their care. This extends to decisions about medicines and medical devices as well, with consumer advocacy groups seeking a more active role in decision-making and to have the voice of the consumer better reflected in decision-making frameworks.

Inequitable access to medicines and medical devices

Not all New Zealanders are achieving the best health outcomes from medicines funded by PHARMAC. Due to a range of systemic barriers, Māori are not able to benefit from medicines in the community in the same way as non-Māori. Although not so extensively studied, Pacific peoples and other groups are likely to face similar barriers.

We also need to consider what barriers there are to New Zealanders achieving the best outcomes from hospital medical devices and our role in addressing these.

³ Medsafe is the New Zealand medicines and medical devices Safety Authority. It is a business unit of the Ministry of Health and is responsible for the regulation of therapeutic products in New Zealand.



Innovative technologies

The medicines and medical devices sector is continuously innovating, with an ever-expanding pipeline of promising products. Biologics (treatments customisable for individual patients according to their genome (personalised medicine)), nanotechnology (manipulation of matter) and wearable medical devices are already available in the global marketplace and are likely to pose challenges to PHARMAC's decision-making frameworks and the budget.

Demands on decision-making

PHARMAC uses complex information from a range of sources to inform its funding decisions. However, this information is often limited, incomplete and uncertain. Clinical complexity, different forms of evidence, affordability concerns and public demands for earlier access to medicines all put pressure on PHARMAC's decision-making processes.


Additionally, PHARMAC is factoring in other complex considerations including impacts on health equity and our role as a Te Tiriti o Waitangi partner.

These factors make PHARMAC's current medicines assessment and decision-making process more time-consuming and technically difficult, at a time when there are also public and political demands for greater speed and transparency.

These challenges are likely to increase as we grow our decision-making role in hospital medical devices.

Environmental sustainability

The global pharmaceutical industry causes environmental impacts through the manufacture, disposal and packaging of medicines and medical devices. While very little pharmaceutical manufacturing occurs in New Zealand there are opportunities to improve sustainability through procurement. Wherever possible PHARMAC will signal our preferences for more environmentally sustainable packaging from suppliers and for options that minimise the volume of packaging.



Who we work with

Ō mātou hoamahi

In order to deliver on our purpose of achieving the best health outcomes for New Zealanders from our investment in medicines and medical devices, we depend significantly on the work of others across the health and disability system.

There are many people and organisations involved in ensuring medicines and medical devices are available and used in New Zealand and we do our best to connect with and get the views of all these groups in the work that we do. This includes:

- companies who manufacture and supply medicines and medical devices to make sure we have good supply of effective products;
- the people who prescribe these products so that they have the right information about the types of funded medicines available;
- pharmacists who are medicine experts and who manage stockholding of medicines and provide advice to people when they are given a medicine;
- a range of other healthcare professionals involved in the administration of medicines and supporting the use of medicines;
- DHBs to make sure our national contracts for hospital medical devices are suitable, and that we understand and plan for the impacts of our decisions; and
- the Ministry of Health and our other sector partners.



Everyone involved in supporting patients with medicines has a big impact on the success a patient may experience. Different types and quantity of medicines used can result in different outcomes for a patient and it is vital that New Zealanders are supported to use medicines the best way they can.

We also work with consumer advocacy groups who have a great understanding of the particular issues and concerns that their members have around access to and use of their medicines. We are also using consumer advocacy group views in our work in hospital medical devices to help make sure we achieve the best health outcomes as we grow our role.

In terms of agencies across the health sector, we rely on Medsafe to approve medicines as safe and effective to use and manufactured to good quality standards. We work alongside the Health Quality Safety Commission on a variety of programmes including sharing data on equitable access to

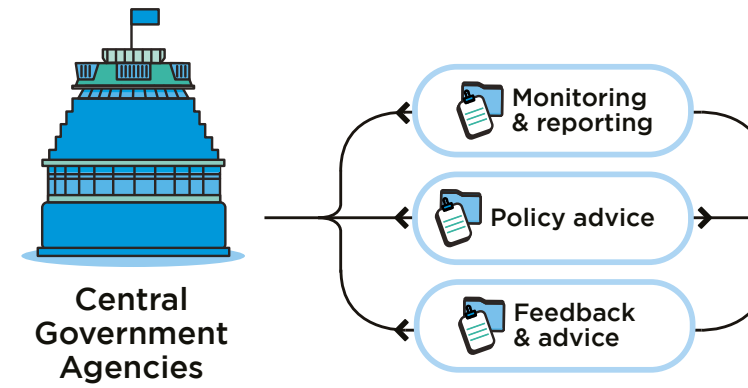
medicines. We also work closely with the Ministry of Health in their role as system lead, and have an agreed joint work programme, including how PHARMAC supports the national Cancer Action Plan 2019-2029. Importantly, PHARMAC requires good advice from clinicians to make decisions on medicines funding. This advice is received in a number of ways, including through expert committees.

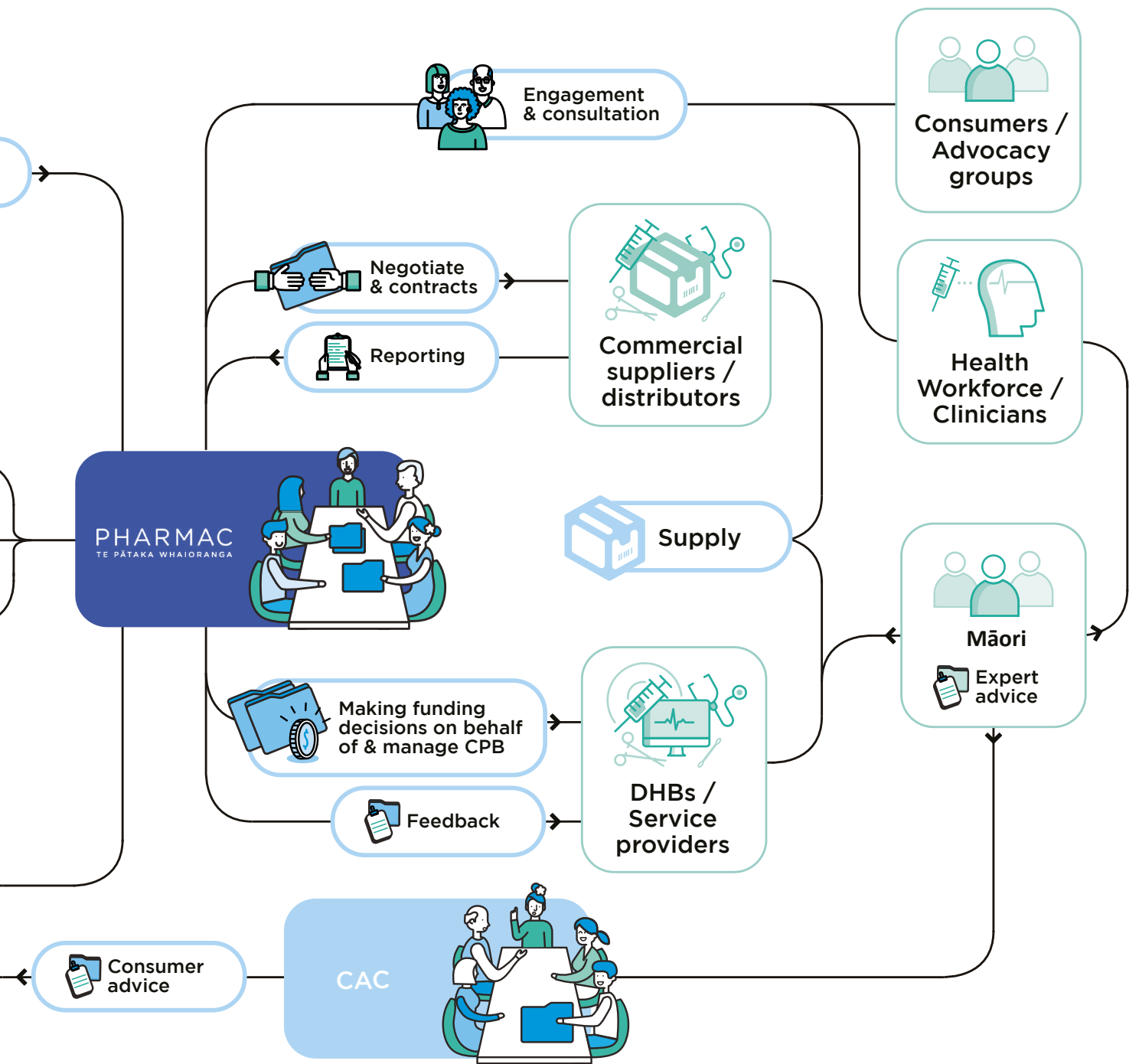
We also work with a range of community providers and Māori-led providers such as Whānau Ora collectives.

The diagram overleaf provides a summary of our engagement across the health and disability system.



Summary view of our engagement across the health and disability system





CAC - Consumer Advisory Committee

PTAC - Pharmacology and Therapeutics Advisory Committee

CPB - Combined Pharmaceutical Budget

How we make a difference

Te hua o ā mātou mahi

PHARMAC is an important partner and leader in the health and disability system. We are expected to:

- deliver equitable access to safe, quality medicines that are used in the best ways possible;
- be transparent, accessible and trusted by stakeholders; and
- deliver affordable medicines that meet the needs of New Zealanders and remain financially sustainable.

Similar expectations of PHARMAC's role in hospital medical devices will increase over time.

PHARMAC contributes to the Government's priority of improving the wellbeing of New Zealanders and their families by 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 have set out a new strategic direction that identifies our enduring impact areas, our strategic priority areas and how we plan to build and strengthen our excellence as an organisation.

Our strategic priority areas and business as usual activities are key contributions to achieving our impacts. However, success is also influenced by how well the health and disability system is functioning overall and more broadly, the social determinants of health. The impact measures selected are areas where PHARMAC's work makes a contribution and can be expected to make a difference, rather than having direct control.

Measuring the contribution of funded medicines and medical devices to health outcomes

E whakaine ana i te pānga o ngā rongoā whai utu me ngā pūrere rongoā ki ngā putanga hauora

PHARMAC takes pride in making decisions based on the best quality evidence available. This work entails exhaustive review of literature and extensive engagement with clinicians from across New Zealand to ensure our assessments are robust and evidence-based.



Nevertheless, PHARMAC recognises that we need to do more to measure the real-life impact of the medicines we fund in terms of health outcomes for New Zealanders after the decision is taken. This means we need to be able to evaluate the contribution of the decisions we make to the health of the population.

It is acknowledged that measuring the impact that funding medicines and medical devices has on the health state of the population is challenging. Health outcomes are affected by a number of things, not just a single action. A funded medicine will not have an impact if the patient cannot access the health professional that prescribes it, and a hospital medical device may not have the expected impact if it is not used as recommended. In addition, it may be difficult to know if a health outcome was due to the use of the medicine or medical device or something unrelated such as another health condition or intervention. It can also be difficult to get good quality data within a useful timeframe.

As far as we know, no other country reports on the contribution that funded medicines and medical devices makes to their population's health.

To overcome these challenges, PHARMAC intends to develop and pilot new measures of the impact of our investment for health

outcomes. We anticipate that we will be able to report on progress from 2021 – we also expect these may evolve and increase in number over time, including as we grow our role in hospital medical devices. This activity will form part of the work programme under our Data and Analytics Strategic Priority area (see page 52).

Moving to a more health outcomes-based performance framework is a significant piece of work for PHARMAC and will need to develop over time. We will need to work with the Ministry of Health and the wider health sector to design fit for purpose outcomes measures. However, there are likely to be significant benefits both in terms of communicating the value PHARMAC adds for New Zealanders as well as providing a greater level of information to the health sector and the public.

PHARMAC's contribution to New Zealand's wellbeing

Te pānga o ngā mahi a PHARMAC ki te hauora o Aotearoa

The Government has put wellbeing at the centre of its decision-making. The New Zealand Treasury has adopted the Living Standards Framework to articulate the different dimensions of wellbeing that are important to New Zealanders.

The 12 Domains of current wellbeing

Reflect current understanding of the things that contribute to how New Zealanders experience wellbeing

- | | |
|---|--|
|  Civic engagement and governance |  Jobs and earnings |
|  Cultural identity |  Knowledge and skills |
|  Environment |  Time use |
|  Health |  Safety and security |
|  Housing |  Social connection |
|  Income and consumption |  Subjective wellbeing |



PHARMAC has explicitly incorporated wellbeing into our strategic framework as impact area 1: Our investment choices enhance wellbeing.

Health

Medication is the most common intervention in health care. Ensuring New Zealanders have timely and equitable access to a wide range of effective medicines, and are able to use these well, is the key way in which PHARMAC will contribute to wellbeing.

Income and consumption, Jobs and earnings, Social connections, Knowledge and skills, Subjective wellbeing and Environment

While PHARMAC’s statutory objective focuses our efforts on the health outcomes that can be achieved through considered investment in medicines, flow on effects of better health impact a wide range of other wellbeing domains which we indirectly contribute to. Cumulatively, these impacts have the potential to enhance family and whānau wellbeing through generations.

A further aspect of PHARMAC’s contribution to the Living Standards Framework is our contribution to environmental sustainability and wellbeing, including climate change. We do this by encouraging medicine suppliers to use environmentally sustainable packaging, through our procurement processes. We also attend the Sustainable Health Sector National Network (SHSNN) working group, which looks for ways for health agencies in New Zealand to partner to deliver solutions to public health issues, such as waste.





Our Strategic Direction | *Te Koronga Rautaki*



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

- Fresh Thinking
- Due Respect
- Can Do
- Within Our Means





Our Impacts

Ngā Hua

The following section describes our enduring impacts and why these are important. Some aspects will not apply to hospital medical devices in the shorter term but are expected to apply once we have grown our role in this area and worked out the relevant outcome indicators.

Our Impacts

Ngā Hua

Impact Area	Why is this important?	What does success look like?	Outcome Indicators	Which strategic priority areas?
<p>Our investment choices enhance wellbeing</p>	<p>Funding more clinically effective and good value medicines and medical devices helps New Zealanders live longer and healthier lives.</p> <p>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.</p>	<ul style="list-style-type: none"> • More medicines and medical devices are available for more New Zealanders. • We make the best investment choices available to us based on robust processes that reflect societal preferences, and consider improved wellbeing through prevention. • Those who will benefit most from the medicines and medical devices we invest in receive them, and we work with a range of partners across the health and disability system to achieve expected rates of uptake. • We manage brand changes with care to minimise adverse health impacts and reduce the risk of non-adherence. • Ultimately, PHARMAC's work contributes to better health outcomes for New Zealanders. 	<ul style="list-style-type: none"> • Health outcomes from our investments (methodology to be developed in 2020/21). • Uptake of medicines following key investments and brand changes (methodology to be developed and tested in 2020/21). • The average time from application being received to a decision on whether to fund is made (downward trend). 	<ul style="list-style-type: none"> • Enhance key functions • Medical devices • Equitable access and use • Data and analytics • Relationships and partnerships
<p>Medicines and medical devices⁴ are used appropriately, equitably and well</p>	<p>Patients will have improved health outcomes when medicines and medical devices are prescribed, dispensed, accessed and used optimally.</p> <p>PHARMAC helps 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 over-used. This includes a focus on optimal prescribing, dispensing, access and the way people use them.</p>	<ul style="list-style-type: none"> • Medicines and medical devices are not under, over, or mis-used. • Patients and prescribers are well informed about medicines so they can be used and prescribed appropriately. • Barriers to equitable use of funded medicines and medical devices are eliminated. 	<ul style="list-style-type: none"> • Rates of adherence to funded medicines⁵ (upward trend). • Patient experience of medicines - Results from Primary Care Patient Experience Survey (upward trend): <ul style="list-style-type: none"> ○ Was the purpose of the medication properly explained to you? ○ Did you follow the instructions when you took the medicine? 	<ul style="list-style-type: none"> • Enhance key functions • Equitable access and use • Public understanding, trust and confidence • Medical devices



Impact Area

Why is this important?

What does success look like?

Outcome Indicators

Which strategic priority areas?

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.

- Working effectively with health providers and funders to ensure our funding decisions are able to be implemented smoothly and consistently across the country.
- The supply of medicines (including vaccines) and medical devices, is monitored and maintained to ensure health outcomes aren't affected by out of stock situations.⁷
- Working collaboratively with the health sector on jointly agreed population health programmes to better meet the needs of New Zealanders (for example working with the Ministry of Health to deliver the NZ Cancer Action Plan 2019-2029).
- Contributing to the health and disability response to improve environmental sustainability.

- Positive feedback from system stakeholders (upward trend).
- High levels of medicines supply are maintained.

- Relationships and partnerships
- Data and analytics
- Enhance key functions
- Equitable access and use
- Medical devices

⁴ Performance measures for medical devices used in DHB hospitals are not currently captured in our indicators. Data and the availability of information on medical devices purchased by DHB hospitals is still under development and indicators will be included when possible.

⁵ Currently we measure these medicines: Gout, cardiovascular disease and Type 2 diabetes. During 2020/21 we will look into what other conditions we can expand our measurement to.

⁶ Survey data is provided to PHARMAC by a third party for these indicators. As such, if these survey questions are amended at any point in the future by the third party then PHARMAC will not be able to report on these specific questions. If this is the case then commentary will be provided in PHARMAC's Annual Report.

⁷ Following COVID-19 work is underway to strengthen supply chains in the health sector. Once this work is further progressed PHARMAC will look to refresh this indicator.

Te Whaioranga – living up to our Treaty obligations

Te Whaioranga – e whakatutuki ana i ā mātou whakaaetanga i raro i te Tiriti

Te Whaioranga, PHARMAC’s Māori Responsiveness Strategy, provides a framework for ensuring PHARMAC meets our Te Tiriti o Waitangi responsibilities and achieves best health outcomes for Māori. Te Whaioranga was updated in 2013 and was intended to last until 2023.

In 2020 we refreshed Te Whaioranga 2013-2023 to align and integrate with PHARMAC’s new Strategic Direction and respond to wider system expectations for Crown agents to partner with Māori to meet our Te Tiriti o Waitangi obligations. The aim of the refresh was to:

1. Ensure Te Whaioranga guides and supports PHARMAC to fulfil our responsibilities under Te Tiriti o Waitangi.
2. Provide a strong strategy for ensuring our work delivers equitable health outcomes for Māori from New Zealand’s investment in medicines and related products and, in future, medical devices.
3. Ensure PHARMAC is guided by ongoing strategic advice that supports our aims and our role as a Te Tiriti o Waitangi partner.

The process of the review involved input from information received from Māori over almost two decades of community engagement as well as input from staff, stakeholder partners and advisory and governance boards that included Māori experts.

The refreshed strategy focuses on six areas:

- Te Tiriti o Waitangi;
- Māori leadership;
- Māori/Crown partnerships;
- equity for Māori;
- accountability; and
- building capability and removing bias.

Successful implementation of Te Whaioranga will require PHARMAC to focus on changing internal processes and systems to ensure we are positioned well to deliver for whānau Māori in a sustainable and enduring way. In the meantime, the work programme under the existing Te Whaioranga remains current and our work with Whānau Ora Collectives and other partners will continue without disruption.



What does success look like?

- We honour and actively uphold Te Tiriti o Waitangi across all our work to achieve best health outcomes for Māori within our available resources.
- We increase and support Māori participation in governance, leadership and management decision-making at all levels of the organisation.
- We have strong working relationships with Māori. We engage, we actively listen to understand, and deliver on what we agree.
- We consider inequitable outcomes for Māori unfair, unjust and avoidable, and are actively working to eliminate them.
- PHARMAC's Board, leadership and staff have clear performance and accountability expectations for meeting Te Tiriti obligations and are meeting these.
- We challenge conscious and unconscious bias, in all its forms and contexts, and recognise systemic racism as a key determinant of health for Māori.

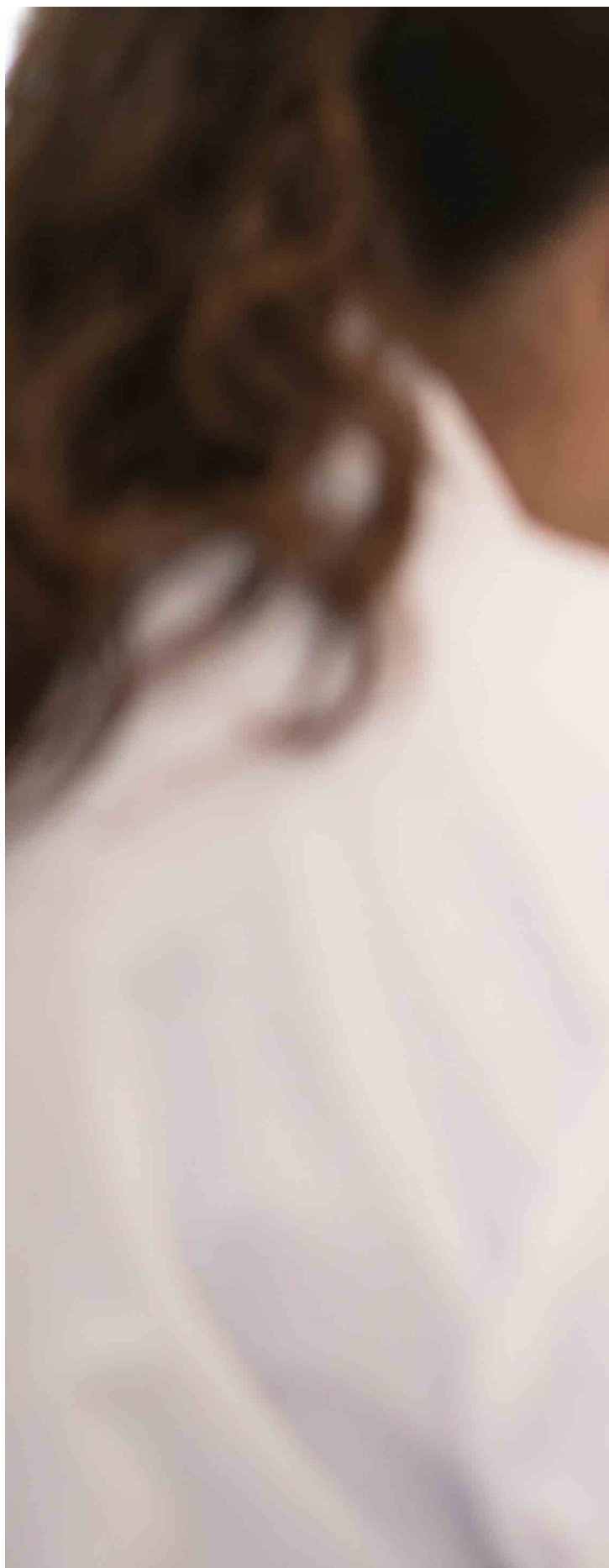
Actions we will take over the next four years

- Establish a programme of work to audit PHARMAC's policies, processes and programmes against best practice for Te Tiriti led organisations.
- Consider opportunities to strengthen Māori leadership within PHARMAC, e.g. establishing a Māori role at Senior Leadership level.
- Establish a Māori advisory committee to guide our senior leaders and our Board.
- Build our capability so we can fully adopt Te Arawhiti guidelines for engagement with Māori.
- Undertake a project to identify, address and measure systemic bias/institutional racism within our systems, programmes, policies and resourcing that negatively impact on Māori and Māori health outcomes.
- Review and change our performance management system and accountability mechanisms to reflect Treaty obligations for Board, Senior Leadership and staff so that everyone is clear on what they are accountable for.

How we will assess progress

The full range of measures can be found in the Te Whaioranga strategy publication. Key measures we will report in our Annual Report are:

- The proportion of Māori staff experienced in mātauranga Māori and with strong ties to whānau (increased trend).
- The proportion of staff performance reviews that specify Te Tiriti accountabilities (new measure).
- The proportion of our Board and advisory committee members who are Māori experienced in mātauranga Māori and with strong ties to whānau (increased trend).
- Māori trust and confidence in PHARMAC (increased trend).
- Rates of Māori accessing funded medicines and related products (trend of decreasing equity gaps).
- Benchmarking ourselves against the Te Arawhiti cultural capability framework and engagement guidelines.









Our strategic priorities

Ngā whāinga tōmua

This section reflects the six priority areas that need the most focus during the period of this Statement of Intent. They demonstrate the areas where we intend to concentrate our efforts to deliver on our purpose and our enduring impacts. These are:

- Enhance key functions;
- Medical devices;
- Equitable access and use;
- Data and analytics;
- Public understanding, trust and confidence; and
- Relationships and partnerships.



Te Whaioranga (see page 36) provides a cross-cutting lens through which we will plan and implement each priority – success will only be achieved in each area if we deliver them for and with Māori as a Treaty partner.

We also know that to succeed in these priorities we need to develop different capabilities and get better at projecting our future capability needs. To support this, PHARMAC is, for the first time, developing a People and Capability Strategy. More detail on this can be found in the Organisational Excellence section (see page 59).

Measuring our performance

Having high-quality information about how we are progressing enables us to assess and improve the impact and effectiveness of our activities and decide where to focus our efforts. It also helps us to be transparent and accountable in our use of resources and to illustrate the value of our work.

We will monitor our progress by measuring;

- The impact we are making for New Zealanders and the health and disability system (page 34-35). We will develop new measures for assessing our contribution to the health of New Zealanders (page 27)
- Progress towards successful delivery of our strategic priorities (pages 43-57), our Māori Responsiveness Strategy (page 36) and Enhancing our Organisational Excellence (page 59)
- How effectively and efficiently we are delivering the outputs that we are funded to provide (detailed in our annual Statement of Performance Expectations⁸).

These measures are outlined within each relevant section of this document and summarised in Appendix One (page 66-71). We will report against all these measures in our Annual Report, as well as our quarterly reports where data allows.

⁸ <https://www.pharmac.govt.nz/about/accountability-documents>



Enhance Key Functions

Te whakapakari ake i ā Mātou Kawenga Matua

We continuously improve the way we work to deliver maximum value to New Zealanders.

Why does this matter?

The New Zealand public depends on us to manage our core business to a high standard – investing in new medicines and related products, making savings to enable those investments, promoting the responsible use of medicines and reducing the incidence and impact of stock shortages. However, the way that we go about our role has not undergone substantial change in more than two decades.

In this time, the breadth of our responsibility has grown markedly, including growing our role in hospital medical devices, and the sector that we operate in has changed. We need to adapt how and what we do in order to face some new challenges and take advantage of new opportunities.

We need to continue to evolve how we manage our core business by improving how we decide what to do (i.e. which medicines and, in future, hospital medical devices to fund and which to modify usage of) and ensuring that we have the right tools (funding mechanisms, commercial techniques, targeting mechanisms, etc) to be able to give effect to our statutory objective in the most efficient, effective and sustainable way.

What does success look like?

- The funding decisions we make (what we choose to fund) will be more in line with societal preferences and better reflect the Government’s focus on outcomes equity, improved wellbeing through prevention and our Treaty obligations.
- We achieve better commercial results and better value for money for New Zealanders through a greater emphasis on planning and having the right commercial tools for our current scope.
- Improved insulation from pharmaceutical market shocks through better contingency development.
- We have greater flexibility to implement new funding arrangements through up-to-date and more adaptable implementation tools.
- We have a more systematic and coordinated approach to ensuring the optimal use of pharmaceuticals.

Actions we will take over the next four years

- Review the way that we make funding and procurement decisions by taking a broader view of value. This includes looking more closely at the suitability of products that we procure and reconsidering how we determine best health outcomes when comparing investment opportunities.
- Improve our processes and tools to manage exceptions to the Pharmaceutical Schedule⁹.
- Mature and enhance our approach to promoting the responsible use of medicines and related products.
- Update and strengthen our commercial strategies and planning processes to ensure that our commercial results are optimal for us and for consumers, both now and into the future.
- Improve how we prepare for, and mitigate against, business risks and how we make funding decisions in situations of uncertainty and imperfect information.
- Work to update key operational information systems and funding mechanisms to ensure that we have the best tools available to support successful implementation and monitoring of our decisions.

How we will assess progress

We will measure:

- The speed of our funding decision-making.
- Process efficiencies, as experienced by staff.
- Stakeholders' perceptions of the impact of changing how we make decisions in our funding and procurement processes.

We will also plan to evaluate the degree to which changes to our funding decision framework are in line with the public's expectations of us.

⁹ The New Zealand Pharmaceutical Schedule is a list of the prescription medicines and therapeutic products subsidised by the Government.



Medical Devices

Ngā Pūrere Hauora

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

Why does this matter?

DHB purchasing of 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. Currently this purchasing is managed at a local DHB, or sometimes regional, level.

This means that patients may have variable access to different medical devices depending on where they live. It also means that limited consistent information is available nationally about what medical devices are being purchased.

Data limitations make understanding the rate of growth in medical devices expenditure challenging. Historically, however, estimates indicate cost growth has been faster than both overall DHB funding increases and Gross Domestic Product growth (GDP).

The Government has decided that PHARMAC will apply its management approach to hospital medical devices, based on our track record in managing medicines. The anticipated benefits include more consistent access to medical devices, helping DHBs to manage spending on medical devices in a sustainable way; and freeing up funding for new technology or other health initiatives and increased transparency. To give effect to the Government's decision, PHARMAC will manage a national medical devices list that DHBs will make choices within.

A key challenge in being able to apply our model to date has been delays in the health sector implementing a DHB-wide procurement and information management solution.

As we grow our role, we will also identify priority areas for equity in access to hospital medical devices and PHARMAC's role in closing the gaps.

What does success look like over the next four years?

- The pathway toward the necessary sector-wide IT solutions being in place will be clear.
- More consistent access to hospital medical devices for people getting treatment, regardless of where they live (because all DHBs will choose the medical devices they use from a common list managed by PHARMAC).
- Improved value for money from hospital medical devices spend in terms of patient benefit per dollar.
- DHBs will be supported to manage growing expenditure on medical devices in a more sustainable way, with a greater focus on health benefits for patients.
- A high level of transparency around funding decisions.

Actions we will take over the next four years

- Support sector development of a DHB procurement and information management solution.
- Build a hospital medical devices list across all device categories. Establish national contracts for all categories of hospital medical devices.
- Engage with the sector to develop and implement an approach to managing hospital medical devices within a funding constraint.
- Identify opportunities to improve value for money for currently funded hospital medical devices.
- Plan for shifting accountability for managing the total national spend on hospital medical devices from individual DHBs to PHARMAC.

How we will assess progress

Significant gaps in data collection impede our ability to measure the impacts of medical devices investment. Planned sector-wide investment in national procurement and information management systems would help fill this gap. In the interim, we will continue to monitor our progress towards completing national contracting in all identified device categories.



Equitable Access and Use

Kia rite tahi te whai wāhi atu

We enable equitable access to funded medicines and related products through influencing availability, affordability, accessibility, acceptability and appropriateness.

Why does this matter?

Not all New Zealanders are achieving the ‘best health outcomes’ from medicines funded by PHARMAC and some groups are missing out on the opportunity to improve their health through use of medicines.

Research shows large and ongoing inequities in access to medicines. PHARMAC’s research on Māori uptake of medicines shows Māori are continuing to receive funded medicines in the community at a lower rate than non-Māori. This means Māori are not able to benefit from medicines in the same way as non-Māori. PHARMAC considers this unacceptable.

We know from other research that Māori have significant barriers to accessing and using the funded medicines that are available, as do Pacific peoples. Deprivation and rurality are likely to be important factors too.

Inequitable access to medicines is a subset of inequitable access to health care generally. People experiencing health inequities also tend to experience inequitable access to health care; both are often a result of broader inequities that exist in the social determinants of health, which in turn have arisen as a result of the structural inequities (e.g. colonisation).

The diagram overleaf shows our working theory of change for how equitable access and use of medicines can be achieved across the health system¹⁰. The diagram highlights the levers that are within PHARMAC’s control as opposed to the system levers we have weaker influence over.

Delivery of this priority will be closely linked to Te Whaioranga. Note that the focus of this strategic priority is on closing the equity gaps for medicines and related products we already fund. It will also support work on improving equity within the Medical Devices Strategic Priority. Work to ensure that the way we make our funding decisions are as equitable as possible is within the scope of the Enhance Key Functions priority.

¹⁰ <https://www.pharmac.govt.nz/assets/achieving-medicine-access-equity-in-aotearoa-new-zealand-towards-a-theory-of-change.pdf>

MEDICINE ACCESS EQUITY DRIVER DIAGRAM

AIM

PRIMARY DRIVERS

MEDICINE
AVAILABILITY



MEDICINE
ACCESSIBILITY



MEDICINE
AFFORDABILITY



MEDICINE
ACCEPTABILITY



MEDICINE
APPROPRIATENESS



TO ELIMINATE
INEQUITIES
IN ACCESS TO
MEDICINES BY
2025

A **colour key** is used in the driver diagram to indicate the level of PHARMAC's impact.

- **PHARMAC HAS CONTROL**
means that it has direct levers related to that driver.
- **PHARMAC HAS A ROLE**
means that PHARMAC has existing programmes, advisory committees and networks related to the driver.
- **PHARMAC HAS INFLUENCE**
means that PHARMAC does not have a direct role or lever but as a Crown entity can influence policy and practice in other parts of the health and wider system.

SECONDARY DRIVERS

- PHARMAC's decision-making processes for investment in medicines
- Funding restrictions and schedule rules
- Prescriber awareness and system impact of funded medicine(s) available

- Physical & timely access to a prescriber/prescription
- Physical & timely access to a community pharmacy
- Physical & timely access to diagnostic and monitoring services e.g. labs, scans

- Prescriber costs e.g. consult, repeat prescription and medicine administration fees
- Prescription costs e.g. co-payment, blister pack costs, prescription subsidy card
- Indirect costs e.g. transport, time off work, childcare

- Patient/whānau experiences bias from the health system
- Beliefs and perceptions of treatment prescribed not adequately explored/sought
- Medicine suitability not adequately considered
- Patient/whānau is not empowered with knowledge about the medicine(s)

- Medicine therapy prescribed is inadequate
- Unwarranted variation in prescribing

What does success look like over the next four years?

- We will build equity capability development internally and among our advisory committees.
- We will be able to consistently track and monitor equity gaps in medicines use and other contributing factors to identify trends and gaps across the health and disability system.
- We will be using research and data effectively to inform and shape policy and practice.
- We will be partnering with others to develop, scale and spread evidence-based programmes to address inequitable access to medicines with a particular focus on gout, diabetes, cardiovascular disease, asthma and chronic obstructive pulmonary disease.

Actions we will take over the next four years

- Enhance the equity capability of PHARMAC's clinical advisor network through a needs assessment and provision of training and other resources.
- Investigate opportunities for co-design to inform PHARMAC's approach to implementation of funding decisions.
- Improve access to Pharmaceutical Schedule-listed non-prescription medicines according to health need.
- Actively participate in partnerships with organisations that impact medicine access equity for priority populations and conditions, such as the Health Quality & Safety Commission and Arthritis New Zealand.
- Create a programme of research and data stories to inform and shape medicine access equity policy; drive collaboration and change activity in the sector, and drive internal continuous quality improvements.
- Implement PHARMAC's medicine access equity monitoring and outcomes framework.
- Promote equitable access to medicines and medical devices for Pacific peoples through the delivery and evaluation of stage 2 of PHARMAC's Pacific Responsiveness Strategy.

How we will assess progress

- Access rates for selected medicines for Māori, Pacific and non-Māori and non-Pacific are more equitable over time.
- Adherence¹¹ rates for selected medicines for Māori, Pacific and non-Māori and non-Pacific are more equitable over time.
- Rates of persistence¹² for selected medicines for Māori, Pacific and non-Māori and non-Pacific are more equitable over time.
- The equity capability of our clinical advisory network is improved.



¹¹ Adherence is defined here as the degree of conformity to the recommendations of the medicine dosage, timing, and frequency.

¹² Persistence is defined here as the act of continuing treatment for the length of the health condition.

Data and Analytics

Ngā raraunga me ngā tātaringa

We measure health outcomes and make evidence-informed decisions using and making available data and insights from a wide range of sources.


Why does this matter?

Evolving the way in which we use data is an important enabler for supporting both operational work and delivering on strategic priorities. We plan to use data to support and communicate the contribution PHARMAC makes to New Zealanders' wellbeing. This will be achieved through building on our existing foundations to support reliable, insightful, data driven decision making and the measurement of the health outcomes of our decisions, based on the principles of 'big data' and artificial intelligence.

By accessing data from across the wider health sector, working in partnership with others and, where necessary, bringing together disparate sets of data, we will grow the data and insights we need. We will have more information to assess the way our decisions impact patients, providers and the broader health sector, for example: we will seek to collect additional information to further understand the impacts of brand changes (i.e. changes in doctors' visits or hospitalisation rates), understand the impact on different cohorts of patients and level of equity and be better positioned to evaluate how our decisions positively impact the wider health and disability system. By using others' data and where necessary bringing together data and information from across the wider health sector we will positively impact the way we operate, enhancing decision making and communication with New Zealanders.

What does success look like over the next four years?

- The data we have and use will be well governed and managed as a shared asset across the organisation.
- Our data and information products will be timely, high quality and accurate.
- We will move from monitoring transactional outputs to focusing on outcomes and equipping staff with the skills, tools and data to enable this. In particular, better information about outcomes of medicines usage and equitable access will be available.

- 
- As a principle, we will treat data about Māori as a taonga, incorporate Te Ao Māori and Māori experts in sense-making of the data and insights and communicate findings appropriately to Māori.
 - Our data and analytics systems will be best fit and enterprise-strength, trusted and secure.
 - We will develop our capability in the data space to be better positioned for the future.

Actions we will take over the next four years

- Roll out a visual analytics tool and a series of dashboards for staff, enabling them to explore our data to support better decision-making.
- Rebuild the system PHARMAC uses to forecast pharmaceutical use and expenditure using modern, enterprise-strength systems.
- Develop, prototype and operationalise methodologies to monitor health outcomes related to PHARMAC's investments.
- Incorporate a range of additional sources of data and research that would be useful for PHARMAC's work to expand the scope of analytics undertaken internally, and endeavour to contribute both PHARMAC's internal data and insights into the broader health sector.
- Investigate the applicability of the use of artificial intelligence within the PHARMAC business model.

How we will assess progress

- We will have increased our internal usage of visual analytics tools.
- We will have improved our efficiency in producing the CPB forecast and the supporting material we provide to DHBs.

Public Understanding, Trust and Confidence

Kia Mārama, kia Whakapono, kia Tū Māia te Iwi Whānui


We listen to the views of New Zealanders and we communicate clearly and simply.

Why does this matter?

PHARMAC makes decisions that affect the wellbeing of all New Zealanders, and we use complex information to do so. New Zealanders need to have confidence that we are making the best investment decisions we can with the funds available and that we are responsive to New Zealanders' views about health needs and what they value. If New Zealanders understand what we do and how we do it, and feel like we are listening, trust and confidence improves – in PHARMAC, in medicines and medical devices, and in the whole health and disability system.

What does success look like over the next four years?

- We communicate well and understand the information people need and when they need it.
- We share the contribution PHARMAC is making to the health sector and everyday New Zealanders- the PHARMAC 'model' is well understood and receives a high level of external endorsement and support.
- We hold ourselves to account and publicly front issues.
- We listen, understand and respond to the needs of New Zealanders.
- PHARMAC makes better informed decisions by incorporating consumer voices.
- PHARMAC demonstrates a better understanding of the needs of the community, whānau and individuals.
- New Zealanders have higher levels of trust and confidence in PHARMAC.



Actions we will take over the next four years

- Redesign our website with improved functionality and content so it meets the needs of all New Zealanders and becomes the primary source of information about PHARMAC.
- Review and improve channels for consumer input so the public can have their say and know we are listening to their point of view, including investigating options for direct patient engagement.
- Strengthen the role of our Consumer Advisory Committee.
- Review and improve the way we publicly consult on our decisions.
- Share more patient stories.
- Consider the introduction of a complaints process.
- Implement ways to better use social media to have two-way conversations with the public and stakeholders and engage directly with them.
- Ensure all information we publish is written for the audience so it's easy to read and understand and is relevant. Information will also be timely and easy to find. There will be a focus on how we communicate with priority populations.

How we will assess progress?

- Increased website traffic and engagement.
- Increased public trust in PHARMAC – total index score and trust domain score in the Public Sector Reputation Survey from Colmar Brunton will improve.
- Net positive media monitoring sentiment.

Relationships and Partnerships

Ngā Hononga me ngā Pātuitanga

We create strong and enduring partnerships across the health system and beyond.

Why does this matter?

PHARMAC needs to have strong, enduring relationships and partnerships with other health agencies in order to achieve its strategic outcomes and statutory responsibilities. We're a small agency with a clearly defined scope – but we know the scope of our work can have a big impact on the delivery of health services in New Zealand.

While the scope of our work is in principle small – we make the decisions on the medicines and related products that are publicly funded and negotiate national contracts for hospital medical devices – we know that getting those decisions to land well needs the health and disability system to be working well together.

We need to be clear on when a relationship or a partnership is needed, and on the purposes of those relationships and partnerships, including as we grow the scope of our role in hospital medical devices.

We also know there is the potential for a significant amount of change within the health and disability system. Our relationships and partnerships may need to change as a consequence. We need to be flexible and adaptable to this change in order to remain effective.

This priority area underpins all the others. It is also closely linked with Te Whaioranga and will contribute to the goal of strong working relationships with Māori.



What does success look like over the next four years?

- We have built our organisational capability and capacity to support and develop our relationships and partnerships.
- Our external relationships and partnerships are strengthened and help us achieve our strategic priorities and expand our influence.
- We have a joined-up approach across the sector for investing in medicines and, in future, hospital medical devices, and implementing funding decisions – we are a well aligned and trusted partner.
- We are upholding the partnership article of Te Tiriti by developing shared priorities and goals with our Te Tiriti partners.

Actions we will take over the next four years

- Undertake comprehensive stakeholder mapping and assessment, define the purpose of current relationships/partnerships and identify any gaps and develop a strategy for engagement.
- Implement a regular stakeholder engagement survey to track perceptions and views of PHARMAC including our Māori and Pacific stakeholders and partners.
- Identify and implement an appropriate relationship management model to support PHARMAC's engagement with our partners/stakeholders.
- Scope and implement a customer relationship management (CRM) IT system for the organisation to more easily manage our contacts with stakeholders.

How we will assess progress

- The percentage of our stakeholders that report that they highly rate their relationship with PHARMAC increases (specific survey question to be defined).





Organisational Excellence

Te Hiranga Tara ā-Whare

We have identified three areas of organisational excellence to focus on to continue to improve and enhance what we do and ensure we are well placed to achieve our strategic priorities. We are growing our capability and better aligning our resources towards our priorities. This includes making sure we can respond agilely to both anticipated and unforeseen changes in our operating environment.

These focus areas are:

- People and Capability
- Information Technology
- Strategic Planning and Performance



Organisational Excellence Focus	Objective	Short to medium term priority actions
<p>People and Capability</p>	<p>Our people are engaged, supported and have the capabilities to do their work</p>	<ul style="list-style-type: none"> • Implement our newly developed People and Capability Strategy focusing on: <ul style="list-style-type: none"> ◦ Employee Engagement: actively engage our employees to support PHARMAC's strategy. ◦ Strengthening our Leadership: create an intentional, consistent and future-focused approach to leadership. ◦ Diversity and Inclusion: our staff makeup reflects the population we serve and our diverse staff have the right support and freedom to contribute, feel safe and enjoy working at PHARMAC. ◦ Organisational Capability: we have the right people and skills to deliver on our commitments; we build our capability to uphold Te Tiriti and; develop fit for purpose processes to support capability building. ◦ Health and Wellbeing: we provide and maintain a healthy and safe working environment for all. • Review and refresh our values.
<p>Information Technology</p>	<p>Our people are enabled with the right ICT tools and capability</p>	<ul style="list-style-type: none"> • Support rollout of visual analytics tool. • Continue to implement enterprise-strength data tools. • Continue to enhance PHARMConnect, our online funding application system and application tracker. • Continue migration towards cloud-based data storage solutions. • Develop business cases for future IT investment to support our priorities.
<p>Strategic Planning and Performance</p>	<p>We are future focused and systematically use performance information to adjust plans and deliver better results</p>	<ul style="list-style-type: none"> • Continue to build our strategic planning capability and embed into 'core business' by: <ul style="list-style-type: none"> ◦ implementing a four year plan with annual iterations; and ◦ introducing a programme management system to support effective delivery of our strategic priorities. • Better align our financial budgeting process with our strategic planning cycle. • Embed the outcome measures designed as part of the Data and Analytics strategic priority into our strategic planning cycle. • Work with PHARMAC's Board, the Senior Leadership and Management teams to build a culture of strategic thinking, planning and monitoring.

Enhancing PHARMAC as a good employer

In addition to the areas above, PHARMAC is committed to being a good employer.

PHARMAC's success requires the right people in the right roles, so high importance is attached to recruiting and retaining high-performing employees. We regularly review our programmes and policies to ensure they meet changes in demographics and in the workplace.

Leadership, accountability and culture

PHARMAC focuses on developing effective individual and organisational leadership. All staff members are expected to act with respect, integrity and accountability. We invest in programmes and activities that support leadership development and, where possible, staff advancement. We encourage openness in the workplace, including providing regular opportunities for staff to contribute to and be actively involved in PHARMAC decisions. Policies and procedures are regularly reviewed to ensure they are fit for purpose.

Recruitment, selection and induction

We are an equal opportunities employer (EEO) and recruit the best person for the role. Vacancies are advertised to attract a range of candidates, with the approach varying according to circumstances and role type. We have a strong and diverse employer brand in the health industry and work to extend this has been supported through social media channels such as Facebook, Twitter and LinkedIn. An induction programme is in place to help new staff familiarise themselves with PHARMAC's operations as quickly as possible. PHARMAC considers equity and diversity in all decisions. We are partner to, and have obligations under, Te Tiriti o Waitangi. We are a Crown entity organisation and we take our commitments seriously, as detailed earlier in this Statement of Intent.

Employee development, promotion and exit

We provide and encourage development opportunities for staff to grow their skills, abilities and careers. These opportunities include taking on senior roles, undertaking external training and development, receiving support for formal study, and secondment opportunities. We also offer regular training to directly support our Māori Responsiveness Strategy, including te reo Māori classes and Te Tiriti o Waitangi training offered annually.

Our Pacific Responsiveness Strategy's purpose 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. Cultural awareness sessions have been offered to staff to support this strategy and educate staff.

Online exit surveys and face-to-face interviews are offered to all departing employees and the data is analysed to monitor, manage and communicate reasons for people leaving the organisation.

Flexibility and work design

PHARMAC recognises that supporting employees to balance their work and family commitments will, over time, have a positive impact on work quality, productivity and employee wellbeing. Our flexible working

arrangements ensure staff are provided with appropriate technology and communication solutions to enable seamless and flexible working arrangements. We offer generous parental leave entitlements in addition to legal entitlements.

Remuneration, recognition and conditions

We use independent job evaluation and market remuneration information to set salary ranges for positions. We aim to achieve fairness and equity through reviewing and eliminating inappropriate pay disparities. Remuneration is reviewed annually against market changes and Government expectations. High performers are recognised with promotions and development opportunities. We create work conditions that enable staff to feel comfortable and supported, including those who identify as LGBTQI and those with disabilities.

Harassment, discrimination and bullying prevention

We do not tolerate any bullying, discrimination or harassment. Conduct and behaviour expectations are clearly communicated through our bullying, harassment and discrimination policy, which is provided to staff at the induction stage. Existing staff are regularly reminded about policies and expectations, including specific workshops for managers on this topic.



Safe and healthy environment

PHARMAC's Board is committed to the health and safety of the organisation and has a specific Health and Safety committee.

PHARMAC aims to provide a working environment and management process which is, so far as is reasonably practicable, free of risks to health and safety. Our health and safety system ensures hazards are identified and risks are controlled and managed accordingly. PHARMAC is committed to doing everything possible to prevent injury. This includes establishing early reporting and detection procedures, training and education, and providing guidelines on safe working conditions. All accidents, injuries, and near misses and hazards are reported to the Board Health and Safety Committee for analysis, and necessary actions are taken to eliminate recurrence, using a hierarchy of controls.

Managing Risk

A comprehensive organisational risk management framework ensures that all significant PHARMAC risks are effectively identified, assessed, managed and monitored. Our approach to risk management is based on and consistent with the Risk Management – Principles and Guidelines.¹³ The PHARMAC Board receives regular reports on any major incidents and reviews the Risk Register on a quarterly basis.

Cyber risk has become more acute in recent times and PHARMAC has a range of measures in place to protect key systems from attack. The Audit and Forecast Committee receives updates at each meeting on the status and effectiveness of these measures. We work closely with the Protective Security Requirements team and the Government Chief Digital Office (GCDO) team to ensure we are operating at the most effective level.

Our short to medium term priorities include:

- continuing to mature our risk management capability; and
- continuously testing, refining and enhancing our business continuity and incident management capability.

¹³ The standard, AS/NZS 31000:2009, was developed by Standards Australia and Standards New Zealand. It provides general guidance and best practice advice on management of risks, for both private and public entities.

Financial Management

We operate in a financially responsible manner consistent with section 51 of the Crown Entities Act 2004. We have an Audit and Forecast Committee which assists the PHARMAC Board in performing its oversight responsibilities relating to the financial management of PHARMAC.

For pharmaceutical expenditure, PHARMAC manages a fixed budget held by DHBs, known as the Combined Pharmaceutical Budget. This budget is set annually by the Minister of Health. This budget is for subsidies for community medicines, vaccines, haemophilia treatments and related products, and spending on all medicines that are given in public hospitals. PHARMAC's role is to ensure that spending on medicines does not exceed this budget while ensuring that the available funding is spent on the medicines that provide the biggest health gain.

PHARMAC also manages its own financial affairs from funds provided by the Ministry of Health and DHBs.

Our short to medium term priorities include:

- achieving value for money for DHBs in the purchasing of medicines;

continuing to create savings from funded medicines to fund more medicines;

- achieving 'on budget every time' whilst maximising health gains and managing undue health system impacts; moving to longer-term investment planning to enable more effective allocation and prioritisation of resources in accordance with our strategic priorities;
- developing a four-year budget outlook; and
- continuing to operate in a financially responsible and sustainable manner.

Legal Risk Fund

We maintain a legal risk fund which can be used to initiate or defend legal action. Historically, PHARMAC has experienced a high level of litigation activity. Having a legal risk fund allows us to commence or continue with legal proceedings as required without delay.






Appendix One: Performance Measures

Āpitianga Tuatahi: Ngā Inenga Whakatutuki Mahi

For new measures our Statement of Performance Expectations will articulate what we want to achieve in the specified financial year.





Impact Measures

	Indicator	As measured by	Target/trend	Frequency
1. Our investment choices enhance wellbeing	1.1 Health Outcomes from our investments	Methodology to be developed in 2020/21	New measure	Annual
	1.2 Uptake of medicines following key investments and brand changes	Methodology to be developed and tested in 2020/21	New measure	Annual
	1.3 Funding decision time	The average time from application being received to a decision on whether to fund is made.	New measure 	Annual
2. Medicines and medical devices are used appropriately, equitably and well	2.1 Rates of adherence to funded medicines	Calculated adherence rate over time within a specified patient population e.g. diabetics on preventative medicine. Adherence is measured by the percentage of time over a 2-year period that a person had long-term medicine dispensed for the condition. Specific methodology to be refined.	New measure 	Annual
	2.2 Patient experience of medicines	Results from the following two questions from the Primary Care Patient Experience Survey: <ul style="list-style-type: none">Was the purpose of the medication properly explained to you?Did you follow the instructions when you took the medicine?		Annual
3. We play a key role in an effective and equitable health system	3.1 Positive feedback from system stakeholders	Specific question to be determined - collected via regular stakeholder survey	New measure	6 monthly
	3.2 High levels of medicines supply are maintained	We will respond to all low medicine stock reports. Actively manage any stock situations where a supply shortage will have a sustained or irreversible impact on the health of patients. ¹⁴	Yes/No	Annual

¹⁴ Following COVID-19 work is underway to strengthen supply chains in the health sector. Once this work is further progressed PHARMAC will look to refresh this indicator.





Output measures

	Indicator	As measured by	Target/trend	Frequency
4. Making choices and managing expenditure and supply	4.1 Timeliness of funding decisions	Average time to rank new applications		Quarterly
	4.2 Timeliness of Exceptional Circumstances decisions	Percentage of decisions made within target of 10 working days		Quarterly
	4.3 Timeliness of PTAC and sub-committee records	Average time to publish the record		Quarterly
	4.4 CPB expenditure meets expectations	Meeting the CPB target	Yes/no	Annual
	4.5 Anticipated value of our funding decisions	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 remaining open applications	Yes/no	Annual
	4.6 Access of medicines compared to subsidy	Price, Volume, Mix index	Volume and mix go up relative to the cost, while subsidies paid decline	Annual
	4.7 Savings over time	Estimated savings on medicines spending (last ten year's prices as baseline)		Annual
	4.8 Environmental sustainability of pharmaceutical contracting approaches	Specific measure to be developed and tested for 2020-21	New measure	Annual
5. Support and inform good decisions and access and use	5.1 Consultations undertaken	Proportion of pharmaceutical decisions consulted on for new proposals	100%	Annual
	5.2 Reach and use of responsible use products	Specific metrics to be developed during contract negotiation process with new responsible use provider	New measure	Annual
6. Influence through policy, research and insights	6.1 Quality of policy advice	Quality score from an independent Policy Quality benchmark	New measure	Annual
	6.2 Contribution to research activities which support PHARMAC's core activities and strategic priorities	Number and description of research projects funded and/or published (external and internal)	No target as descriptive measure	Annual

Appendix One: Performance Measures

Āpitianga Tuatahi: Ngā Inenga
Whakatutuki Mahi

Te Whaioranga Measures

	Indicator	As measured by	Target/trend	Frequency
7. Māori leadership and advice	7.1 Levels of Māori staff	Proportion of Māori staff experienced in mātauranga Māori and with strong ties to whānau has increased to match the Māori in the population	New measure 	Annual
	7.2 Levels of Māori on advisory groups	Proportion of Māori experienced in mātauranga Māori and with strong ties to whānau are on Board, PTAC, PTAC subcommittees and advisory committees	New measure	Annual
8. Māori/Crown partnership	8.1 Māori trust and confidence in PHARMAC	Public Sector Reputation Survey results for Māori sample		Annual
9. Equity for Māori	9.1 Improved rates of Māori accessing funded medicines and medical devices	See measures for Equitable Access and Use Strategic Priority	New measure	Annual
10. Accountability	10.1 PHARMAC Board, leadership and staff have clear performance and accountability expectations for meeting Te Tiriti obligations and are meeting these	Proportion of conversations about performance (CAPs) that specify Te Tiriti accountability expectations	New measure	Annual
11. Cultural Intelligence	11.1 Organisational Māori capability	Assessment against Te Arawhiti cultural capability framework	New measure	Annual






Organisational Excellence Measures

	Indicator	As measured by	Target/trend	Frequency
12. People and Capability	12.1 Employee Engagement	Average scores from employee Pulse survey		6 monthly
	12.2 Health Safety and Wellbeing	Number of safety incidents and near misses	Incidents down, near misses reported up (we want to encourage near miss reporting).	Annual
13. Finance	13.1 Operating budgets are well managed	Actual expenditure variance to budget	Within 5%	Annual
14. ICT	14.1 Key operating systems are available	Percentage of up-time	99%	Quarterly



Appendix One: Performance Measures

Āpitianga Tuatahi: Ngā Inenga
Whakatutuki Mahi

Strategic Priority Measures

	Indicator	As measured by	Target/trend	Frequency
15. Enhance Key Functions	15.1 Efficiency of decision-making	See timeliness output measures		Quarterly
	15.2 Perceptions of process efficiency	Staff survey, specific question TBC	New measure	Six monthly
	15.3 Stakeholder experience	Stakeholder survey, specific question TBC	New measure	Annual
16. Medical Devices	16.1 Completion of initial national contracting	% of national contracts complete (cumulative)		Annual
17. Equitable Access and Use	17.1 Equity capability of clinical advisory network	Proportion of clinical advice network who rate their equity capability as high or very high (specific survey question TBC)		Annual
	17.2 Adherence rates - non-Māori/Māori	Adherence is measured by the percentage of time over a 2-year period that a person had long-term medicine for a specific condition	Trend – gap closing	Annual
	17.3 Access rates - non-Māori/Māori	By comparing the relative ratios between Māori and the comparison population for the need adjuster compared to dispensed medications	Trend – gap closing	Annual
	17.4 Persistence rates - non-Māori/Māori	Number of people accessing a preventative medication for a specific condition in a given year divided by possible patient population	Trend – gap closing	Annual
18. Data and Analytics	18.1 Usage of visual analytics tool	Implementation of new IT capability which will enable PHARMAC to interactively and dynamically present data visually	New measure	Quarterly
	18.2 Efficiency in producing CPB forecast	Number of person-days to complete per month	New measure	Six monthly



	Indicator	As measured by	Target/trend	Frequency
19. Public Understanding Trust and Confidence	19.1 Increase website traffic and engagement	Website analytics: Number of unique visits Number of bounce backs (refers to the percentage of visitors that leave the website after viewing only one page)	Unique visits trending up Bounce backs trending down	Quarterly
	19.2 Increased public trust in PHARMAC	Total index score and Trust domain score in Colmar Brunton's Public Sector Reputation Survey	Improvement on last year's score	Annual
	19.3 Improve media sentiment	Net positive media monitoring scores		Quarterly
20. Relationships and Partnerships	20.1 Proportion of stakeholders that highly rate their relationship with PHARMAC	Specific question TBC - collected via regular stakeholder survey		Six monthly



PHARMAC
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