

13 February 2014

Proposal for a sole supply arrangement for nicotine replacement therapy (NRT)

PHARMAC is seeking feedback on a proposal to enter into a new a sole supply arrangement with Novartis Consumer for Habitrol, the currently funded brand of nicotine lozenges, patches and gum (nicotine replacement therapy; NRT). This proposal arose from a request for proposals (RFP) dated 16 October 2013 issued by PHARMAC in which pharmaceutical companies were invited to compete to be the sole subsidised supplier of NRT.

This proposal would provide savings to the Combined Pharmaceutical Budget of approximately \$7.14 million NPV to the end of the sole supply period.

In summary:

- All currently listed presentations of the Habitrol brand of nicotine lozenges, patches and gum would remain listed and would be the only subsidised brand of nicotine lozenges, patches and gum until 30 June 2017 (the current sole supply period for Habitrol ends on 30 June 2014).
- the net price of all presentations of the Habitrol brand of nicotine lozenges, patches and gum that are currently listed in the Pharmaceutical Schedule would reduce between 1 April 2014 to 30 June 2014 via a rebate;
- the prices and subsidies for all presentations of the Habitrol brand of nicotine lozenges, patches and gum that are currently listed in the Pharmaceutical Schedule would reduce from 1 July 2014;
- there would be a further price and subsidy reduction for all presentations of the Habitrol brand of nicotine lozenges, patches and gum that are currently listed in the Pharmaceutical Schedule from 1 July 2015;

Further details of the proposal can be found on the following pages.

Feedback sought

PHARMAC welcomes feedback on this proposal. To provide feedback, please submit it in writing by **Friday, 28 February 2014** to:

Katie Appleby
Therapeutic Group Manager
PHARMAC

Email: katie.appleby@pharmac.govt.nz
Fax: 04 460 4995
Post: PO Box 10 254, Wellington 6143

All feedback received before the closing date will be considered by PHARMAC's Board (or its delegate) prior to making a decision on this proposal.

Feedback we receive is subject to the Official Information Act 1982 (OIA) and we will consider any request to have information withheld in accordance with our obligations under the OIA. Anyone providing feedback, whether on their own account or on behalf of an organisation, and whether in a personal or professional capacity, should be aware that the

content of their feedback and their identity may need to be disclosed in response to an OIA request.

We are not able to treat any part of your feedback as confidential unless you specifically request that we do, and then only to the extent permissible under the OIA and other relevant laws and requirements. If you would like us to withhold any commercially sensitive, confidential proprietary, or personal information included in your submission, please clearly state this in your submission and identify the relevant sections of your submission that you would like it withheld. PHARMAC will give due consideration to any such request.

Details of the proposal

The prices and subsidies for Habitrol (nicotine lozenges, patches and gum) would be reduced in Section B and in Part II of Section H of the Pharmaceutical Schedule from 1 July 2015 as follows (ex-manufacturer, excluding GST):

Chemical	Presentation	Brand	Pack size	Current price & subsidy*	Price & subsidy from 1 July 2014	Price & subsidy from 1 July 2015
Nicotine	Lozenge 1 mg	Habitrol	216	\$19.94	\$15.15	\$12.91
Nicotine	Lozenge 2 mg	Habitrol	216	\$24.27	\$16.60	\$14.14
Nicotine	Patch 7 mg	Habitrol	28	\$18.13	\$12.40	\$10.57
Nicotine	Patch 14 mg	Habitrol	28	\$18.81	\$13.27	\$11.31
Nicotine	Patch 21 mg	Habitrol	28	\$19.14	\$14.02	\$11.95
Nicotine	Gum 2 mg (Classic)	Habitrol	384	\$36.47	\$26.13	\$22.26
Nicotine	Gum 2 mg (Fruit)	Habitrol	384	\$36.47	\$26.13	\$22.26
Nicotine	Gum 2 mg (Mint)	Habitrol	384	\$36.47	\$26.13	\$22.26
Nicotine	Gum 4 mg (Classic)	Habitrol	384	\$42.04	\$30.12	\$25.67
Nicotine	Gum 4 mg (Fruit)	Habitrol	384	\$42.04	\$30.12	\$25.67
Nicotine	Gum 4 mg (Mint)	Habitrol	384	\$42.04	\$30.12	\$25.67

* Note that the net price of all presentations would reduce from 1 April 2014 to 30 June 2014 via a rebate to the list price post 1 July 2014.

The above presentations of Habitrol would be the sole subsidised brand of nicotine lozenges, patches and gum in the community, and would have Hospital Supply Status (with a 1% Discretionary Variance limit), from 1 April 2014 until 30 June 2017.

We are aware that some pharmacists would like PHARMAC to consider funding nicotine lozenges, patches and gum as 'OP' (original pack). However, this is not something that PHARMAC is considering at this time. Our analysis shows that to fund these products OP would result in a cost to the Combined Pharmaceutical Budget of between \$500,000 and \$1 million per year.

This proposal would not prevent PHARMAC from listing a new, currently unfunded, presentation (ie not lozenge, patch or gum form) of nicotine during the sole supply period (e.g. inhaler or oral spray), with the exception of nicotine sublingual tablets which are considered to be lozenges for the purposes of the sole supply arrangement. PHARMAC is in the process of considering the funding of nicotine inhaler and oral spray; the status of the funding applications for these presentations can be found on PHARMAC's website at the links below:

<http://www.pharmac.govt.nz/patients/ApplicationTracker?ProposalId=780>

<http://www.pharmac.govt.nz/patients/ApplicationTracker?ProposalId=904>