

9 April 2018

Dear Suppliers

## **REQUEST FOR INFORMATION – SEXUAL HEALTH PRODUCTS COMMERCIAL ARRANGEMENTS**

PHARMAC is seeking information regarding manufacturers, product suppliers and distributors of sexual health products (Suppliers') views on the range of commercial arrangements that could be entered into for the provision of sexual health products for use in the community including: male latex condoms, male non-latex condoms, female condoms and water-based lubricant.

This Request for Information (RFI) will inform and assist PHARMAC in developing its approach and the scope of commercial arrangements requested and accepted in securing supply of sexual health products in a potential Request for Proposals (RFP).

Supplier feedback is sought on potential commercial arrangements, in particular PHARMAC is seeking to gauge potential Suppliers' views, on the use of bundling, rebates, confidential pricing and risk sharing arrangements.

We would be grateful if you could share this RFI with your colleagues who are familiar with the commercial arrangements typically involved in the supply and distribution of these products, and may be able to provide useful insight to assist us to develop our approach to ensure a positive response from the market.

This RFI letter incorporates the following schedules:

- Schedule 1 sets out the scope of sexual health products which PHARMAC is considering including in an upcoming RFP for sexual health products.
- Schedule 2 sets out the current Pharmaceutical Schedule listing for sexual health products and provides estimated usage volumes.
- Schedule 3 sets out the specific questions PHARMAC is requesting responses to that will assist with the development of commercial options for the supply of the required sexual health products.

In particular, PHARMAC is seeking feedback on the following key points:

- The scope of commercial arrangements that should be considered by PHARMAC to ensure a positive response from the market for a potential RFP.
- Current commercial arrangements used for the supply of sexual health products, or similar products in other countries and markets.
- Information on the scope of sexual health products sought by PHARMAC, and the appropriateness of requesting additional items.

## How to respond

This is a comprehensive RFI which covers the following:

- General questions relating PHARMAC's upcoming RFP ([Page 5-6](#))
- Questions relating to commercial arrangements ([Page 7](#))

We appreciate the time and effort it takes to compile responses. PHARMAC would be interested in receiving responses from a variety of interested parties – individual employees, groups of interested stakeholders or combined responses. Not all questions will be relevant or of interest for all, so your responses can be limited to just some of the questions asked or can cover the full range questions.

Please provide the information requested in this RFI, and any additional information you consider may be of assistance to PHARMAC via [GETS](#), by **5pm (New Zealand time) 23 April 2018**

Suppliers are encouraged to raise any queries via the GETS Question and Answer function. Where PHARMAC identifies that a question may be of value to other suppliers, PHARMAC reserves the right publish both the question and answer so they are visible to all interested parties. Alternatively, suppliers may use the GETS Question and Answer function to request a confidential teleconference with PHARMAC.

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.

We wish to emphasise that this is not a Request for Proposals and at this time PHARMAC is not seeking proposals for the supply of sexual health products. PHARMAC does not intend to convert information provided in response to this RFI into a contract for supply. Any information you provide in response to this RFI will be considered non-binding in relation to any competitive process that PHARMAC may, at its sole discretion, undertake in the future.

Thank you for your assistance, we look forward to receiving your feedback.

Yours sincerely



Lisa Williams  
Director of Operations

## Background and Desired Outcome

### 1. Sexual Health Procurement

PHARMAC is seeking information regarding the range of commercial arrangements that we could consider in order to ensure a positive response from the market for an upcoming RFP for sexual health products

*Definitions:*

**Sexual Health Products** refer to those products listed in Schedule One, which PHARMAC is currently considering for inclusion in an upcoming RFP.

**Commercial Arrangements** refers to the range of structures, mechanisms and agreements that could be used by PHARMAC and suppliers to provide the range of products detailed in Schedule 1. including but not limited to;

- **Bundling** refers to a commercial arrangement where a supplier submits a proposal for two or more products or categories both of which must be purchased if the offer is accepted. Typically bundling arrangements include a combination of high volume and low volume products.
- **Rebates or confidential pricing** refers to public or confidential commercial arrangements where an agreed amount is paid back to the DHBs by the supplier via PHARMAC, which means the price published in the Pharmaceutical Schedule is higher than the actual price paid.
  - **Public rebates** refers to rebates where the amount to be paid back to the DHB's by the supplier is public knowledge, and is able to be published by PHARMAC.
  - **Confidential rebates** refers to rebates where the amount to be paid back to the DHBs by the supplier remains confidential in respect of a pharmaceutical listing. PHARMAC's preference is that PHARMAC would be able to publicly disclose the net price paid, as part of a future competitive procurement process (if any). '
- **Risk sharing arrangements** refers to commercial agreements designed to share risks between a supplier and DHBs such as expenditure caps and volume discounts.

### 2. Background

PHARMAC is the New Zealand government agency that decides which pharmaceuticals to publicly fund in order to get the best health outcomes from within available funding. All funded products that are subsidised by the Government are listed in the Pharmaceutical Schedule. Schedule H lists subsidised products that may be used in DHB hospitals.

PHARMAC intends to approach the market through the release of an RFP for the supply of the Sexual Health Products listed in Schedule 1. If successfully awarded, these products would be listed in Section B of the Pharmaceutical Schedule and Part III of Section H of the Pharmaceutical Schedule, extending the range of subsidised sexual health products to include Male non-latex condoms, Female non-latex condoms and Single use water-based lubricant sachets, as well as Male latex condoms.

Better understanding suppliers' view of and interest in commercial arrangements such as bundling, rebates and other risk sharing arrangements will assist PHARMAC in developing its commercial approach to ensure a positive response from the market whilst still ensuring the best health outcomes for New Zealanders within the funding available.

### *Reasons for RFI*

Prior to finalising the upcoming RFP for Sexual Health Products PHARMAC wishes to better understand the scope and different types of commercial arrangements available including their desirability and acceptability from the perspective of the supply market for the supply of the Sexual Health Products detailed in Schedule 1.

Specifically, PHARMAC is seeking to understand:

- Which commercial arrangements would be most useful and desirable for the supply of Sexual Health Products and the reasons for this.
- The appropriateness of bundling, confidential pricing, rebates and other risk sharing arrangements for the supply of the products detailed in Schedule 1
- The impact different commercial arrangements could have on the supply of the products detailed in Schedule 1
- Current commercial arrangements you have engaged in, or are aware of for the supply of the same or similar products discussed in Schedule 1

In addition to the above PHARMAC wishes to understand the supply markets opinion of the range of products currently included in the proposed scope of the intended RFP, specifically:

- Whether there are any other products the supply market feels should be included and the reasons for this
- Any innovations, supply market, or product developments PHARMAC should be aware of.

### **3. Desired Outcome**

As a result of this RFI PHARMAC aims to gain further information and input from the supply market to contribute to and develop its understanding of the various commercial arrangements available, prior to release of the RFP.

The information provided will help inform PHARMAC's approach to securing supply, ensure a positive response from the market, possibly achieve savings and increase choice in New Zealand's subsidised Sexual Health Products market.

The specific information requested is set out below in Schedule 2 of this RFI.

**Schedule 1: products currently being considered as in scope for the upcoming Sexual Health RFP**

Product	Presentation	Preferences
<b>Male latex condoms</b>	○ <52mm (nominal width)	Where a colour is offered feedback from key stakeholders has indicated a preference for condoms that are red or black
	○ 52mm-54mm (nominal width)	Where a colour is offered feedback from key stakeholders has indicated a preference for condoms that are red or black
	○ 55mm-58mm (nominal width) offered in the following variations <ul style="list-style-type: none"> <li>▪ Flavoured</li> <li>▪ &lt;0.05mm (thickness)</li> <li>▪ 0.06-0.07mm (thickness)</li> <li>▪ ≥0.08mm (thickness)</li> </ul>	Respondents may wish to offer 55mm to 58mm condoms in a variety of shapes  Where a colour is offered feedback from key stakeholders has indicated a preference for condoms that are red or black
	○ >58mm (nominal width)	Where a colour is offered feedback from key stakeholders has indicated a preference for condoms that are red or black
<b>Male non-latex condoms</b>	○ 55mm-58mm (nominal width)	-
<b>Female non-latex condoms</b>	○ Female non- latex condoms	-
<b>Water-based lubricant</b>	<ul style="list-style-type: none"> <li>○ Single-use water-based lubricant sachets for co use with condoms</li> <li>○ 100 ml or larger packs</li> </ul>	Single-use sachets are preferred over larger presentations, however, bids for single-use sachets accompanied by multi-use packs 100 ml or larger will be welcomed.

All condoms supplied must comply with the [approved Standards](#) for contraceptive devices as per Medicines Act 1981 and the Contraception, Sterilisation and Abortion Act 1977 – Section 6.

PHARMAC has a preference for supply of the above products in dispensing packs, presented in consumer level packaging.

Respondents may elect to augment their offering for male condoms with additional thicknesses or flavours of that presentation.

Within each of the nominal width ranges above a supplier may wish to offer one or more presentations. For example, within the 55mm- 58mm nominal width range a Respondent may wish to offer both 54mm and 56mm nominal width condoms.

Multi-use packs of water-based lubricant will only be considered if the proposal also includes single use sachets. Where a contract is awarded for multi-use packs of water-based lubricant this will be funded on prescription only, and not available on Practitioners Supply Order (PSO).

## Schedule 2: current Pharmaceutical Schedule listing and anticipated usage volumes

The table below provides the list of sexual health products currently subsidised by PHARMAC

		Subsidy/ Price (NZ\$)	Per	Fully Subsidised	Brand or Generic Manufacturer
<b>CONDOMS</b>					
*49 mm	Up to 144 dev available on a PSO	13.36	144	✓	<b>Shield 49</b>
*53 mm	Up to 144 dev available on a PSO	1.11	12	✓	<b>Gold Knight</b>
				✓	<b>Shield Blue</b>
		13.36	144	✓	<b>Shield Blue</b>
*53 mm (chocolate)	Up to 144 dev available on a PSO	1.11	12	✓	<b>Gold Knight</b>
		13.36	144	✓	<b>Gold Knight</b>
*53 mm (strawberry)	Up to 144 dev available on a PSO	1.11	12	✓	<b>Gold Knight</b>
		13.36	144	✓	<b>Gold Knight</b>
*56 mm	Up to 144 dev available on a PSO	1.11	12	✓	<b>Gold Knight</b>
		13.36	144	✓	<b>Durex Extra Safe</b>
				✓	<b>Gold Knight</b>
*56 mm, shaped	Up to 144 dev available on a PSO	1.11	12	✓	<b>Durex Confidence</b>
		13.36	144	✓	<b>Durex Confidence</b>
*60 mm	Up to 144 dev available on a PSO	13.36	144	✓	<b>Shield XL</b>

\* Three months or six months, as applicable, dispensed all-at-once

### Estimated Usage Volumes

The table below provides the estimated usage rates for products currently considered as in scope of the upcoming RFP.

Category	Product	Estimated usage volume
Male Latex condom	<52mm (nominal width)	Very Low <60,000 units
	52mm-54mm (nominal width)	Low < 600,000 units
	55mm-58mm (nominal width)	High >6,000,000 units
Male non-latex condom	55mm-58mm (nominal width)	Low <400,000 units
Female non-latex condom	Female non- latex condom	Low < 200,000 units
Water-based lubricant for co-use with condoms	Single-use sachet	High >7,000,000 units

Usage rates for water based lubricant in multi-use packs 100ml or larger have not been provided.

**Schedule 3: Information Requested – Response form**

*You should expand the boxes as necessary.*

**[Insert Date]**

Josh Wiles (Procurement Manager)  
Sarita Von Afehlt (Therapeutic Group Manager)  
PHARMAC  
PO Box 10 254  
Wellington 6143  
New Zealand

Via GETS

Dear PHARMAC

**Information regarding the provision of Sexual Health Products.**

- In response to PHARMAC’s request for information (RFI) dated 6 April 2018, we put forward the following information in respect of **Sexual Health Products**:

**Our contact details:**

Name of organisation	
Department if relevant	
Contact person	
Address	
Phone	
Facsimile	
Email address	

**Are you willing to be contacted for any follow up questions relating to the responses?**

Yes / No      *(delete as appropriate)*

**General questions relating to PHARMAC’s upcoming Sexual Health RFP**

- 1. Do you intend to submit a response to PHARMAC’s upcoming RFP for Sexual Health Products?**

Yes / No      *(delete as appropriate)*

- a. If you responded ‘No’ to question 1 above please tell us why**

**2. Of the range of products detailed in Schedule 1, which could you supply?**

**3. Is there anything else PHARMAC should be aware of, or take into consideration with regard to the upcoming RFP for Sexual Health Products?**



## Questions relating to available Commercial Arrangements

### 4. Please list the commercial arrangements you would consider making available to PHARMAC for the supply of Sexual Health Products and indicate your preference/s.

As part of your response please consider the following:

- The reasons why you have identified some commercial options as being more desirable than others
- What impact if any the selection of a particular commercial arrangement would have, for example on pricing or continuity of supply

### 5. Would you consider entering bundling arrangements, and if so, for which Sexual Health Products?

As part of your response please consider the following:

- The reasons why you would or would not consider entering into bundling arrangements (see definition on page 2)
- Detail of what makes an attractive bundle
- The impact either positive or negative that the acceptance of particular bundling arrangements could have on your ability to submit a competitive response to the RFP.

### 6. Which Sexual Health Products would a rebate or risk sharing pricing arrangement be of benefit to you in submitting proposals to PHARMAC, and why?

As part of your response please consider the following:

- The reasons why you would or would not consider entering into rebate or confidential pricing arrangements (see definition on page 2)
- For which of the products in Schedule 1 would you require a rebate or confidential pricing arrangement in order to supply