

# Aide-Mémoire

## Talking points and notes for meeting with Pharmac Board Chair, 18 December 2023

<b>Date due to MO:</b>	15 December 2023	<b>Action required by:</b>	N/A
<b>Security level:</b>	IN CONFIDENCE	<b>Health Report number:</b>	H2023034011
<b>To:</b>	Hon David Seymour, Associate Minister of Health		
<b>Copy to:</b>	Hon Dr Shane Reti, Minister of Health		
<b>Consulted:</b>	Health New Zealand: <input type="checkbox"/> Māori Health Authority: <input type="checkbox"/>		

### Contact for telephone discussion

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## Talking points and notes for meeting with Pharmac Board Chair, 18 December 2023

**Date due:** 15 December 2023

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**To:** Hon David Seymour, Associate Minister of Health

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**Details of meeting:** 18 December 2023, 4.45 pm in the office of the Hon David Seymour.

Attending:

Hon David Seymour, Associate Minister of Health

Dr Peter Bramley, Acting Board Chair, Pharmac

Dr Diana Sarfati, Director-General of Health

**Purpose of meeting:** First meeting between the Associate Minister of Health and the Chair of the Pharmac Board.

**Comment:**

- This is an introductory meeting which provides an opportunity for you to discuss your priorities for Pharmac and discuss key current issues.
- The Director-General of Health is available to support you in the meeting, and further Ministry officials can attend the meeting if you wish.



Simon Medcalf  
Deputy Director-General  
**Regulation and Monitoring**

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## Background

### Pharmac's role

1. Pharmac is responsible for deciding which medicines and related treatments are publicly funded in New Zealand. This includes negotiating contracts for their provision from suppliers, alongside an increasing role in hospital medical devices. Medicines are funded from a capped appropriation from the Combined Pharmaceutical Budget (CPB). Demand for new medicines exceeds funding available from savings generated by Pharmac.

### Dr Peter Bramley

2. Dr Bramley was appointed to the Pharmac Board as Deputy Chair in April 2023, and became Chair following the resignation of Hon Steve Maharey in December 2023. He was also the DHB Chief Executive representative on the Pharmac Board for four years before the formation of Health New Zealand | Te Whatu Ora.
3. Further biographical information on Dr Bramley is provided in **Appendix 1**.
4. The Ministry will provide you with advice on the appointment of a replacement for Hon Steve Maharey in the New Year.

### Accountability processes

5. Ministers have the opportunity to influence the priorities and performance of Crown entities through the documents and processes set out in the Crown Entities Act. Essentially these provide for the responsible Minister to set out their priorities and expectations through a Letter of Expectations. That letter guides Crown entities in preparing an annual Statement of Performance Expectations (SPE) and, three-yearly or as requested by the responsible Minister, a Statement of Intent.
6. The Ministry has begun work on a draft Letter of Expectations to Pharmac which will be provided to you once we have engaged further with you and with the Minister of Health on the Government's priorities for the health Crown entities.

### Current operational considerations

7. Pharmac's Briefing to the Incoming Minister has been provided to the Minister of Health previously (H20233263 refers). It provides a useful overview of Pharmac's role, operations and current issues. It is attached to this briefing as Appendix 2.
8. Notes and some suggested talking points are set out below.

### Funding shortfall

9. Time-limited funding decisions to increase the CPB in 2022, (including funding for COVID-19 vaccines and therapeutics) means there is a funding shortfall from 2024/25. To continue the 2023/24 level of CPB funding, it is estimated an additional \$420.6 million is required in

2024/25, rising to a total of \$1.774 billion over the four-year period to 2027/28. Decisions to fund at a lower level will mean that Pharmac would need to de-list treatments that are currently publicly funded through the Pharmaceutical Schedule.

*You may want to ask Dr Bramley about the implications for Pharmac of providing an amount of funding less than the amount of the shortfall.*

### **Pharmac's decision-making model**

10. The Coalition agreement on health commits to updating Pharmac's decision-making model. This includes ensuring it appropriately takes patient voice into account and reforming the funding model to account for positive fiscal impacts on the Crown of funding more medicines.
11. In response to the independent review of Pharmac commissioned by the previous Government and which reported in February 2022, Pharmac has been working on increasing patient and consumer voice. Its recent focus includes the appointment of consumer representatives to its Pharmacological Therapeutic Advisory Committee (PTAC) and other specialist subcommittees.

*You may want to ask Dr Bramley about how Pharmac currently takes the patient voice into account and how this might be improved.*

12. In response to the independent review, Pharmac is also beginning work on modifying its Factors for Consideration framework, which makes explicit the issues that inform Pharmac's decision-making on the medicines that are made available through public funding.
13. One of the four factors for consideration in Pharmac's model is "Costs and savings", which is divided into four sub-categories:
  - Health-related costs and savings to the person.
  - Health-related costs and savings to the family, whānau and wider society.
  - Costs and savings to pharmaceutical expenditure.
  - Costs and savings to the rest of the health system.
14. Funding medicines or related products can have flow-on impacts for the rest of the health system. For example, if a treatment can be given at home rather than in hospital it would free up a hospital bed for someone else to use.

*You may want to ask Dr Bramley for his thoughts on how current decision-making practices might better take into account fiscal benefits to the Crown of funding more medicines.*

### **The independent review of Pharmac**

15. Over the past two years, Pharmac has incorporated its activities to address the Government response to the independent review of Pharmac into its Statement of Performance Expectations. The Ministry monitors progress against those initiatives is undertaken through the quarterly reporting process. The Ministry considers that Pharmac has made satisfactory progress in addressing the review. We will shortly provide you with a report on the 2023/24 Quarter 1 performance of the health Crown entities, including Pharmac.

## Pharmac's operating budget

16. s 9(2)(f)(iv)

## Pharmac's organisational culture

17. There was considerable public attention in October 2023 to comments in material released by Pharmac in response to a Privacy Act request by Rachel Smalley. In response, Pharmac undertook to implement four immediate and four short-term actions to improve its organisational culture, which included work with staff on Code of Conduct, Privacy Act, engagement with stakeholders, and the Official Information Act.
18. Progress was reported to Pharmac's Board at its meeting on 1 December 2023 and that paper was pro-actively published on Pharmac's website. Progress has been made on the actions, and will be reported further to the Pharmac Board in February 2024. Pharmac reports that all activities are progressing or have been achieved.

## Current programme of work

### Rule 8.1b of the Pharmaceutical Schedule

19. Rule 8.1b of the Pharmaceutical Schedule is a longstanding rule which provides cancer medicines to children without following Pharmac's normal processes. In mid-2021, a patient advocate queried with the Human Rights Commission whether it was fair to treat children with cancer in this way but not children with other diseases. Pharmac subsequently commenced a review and have undertaken not to make any changes affecting current patients.
20. Pharmac is currently checking with submitters to the consultation request, which attracted considerable feedback, that it has accurately captured their feedback. Pharmac will provide an update on next steps for the review when that process is completed.

*You may wish to ask Dr Bramley about likely next steps, including the publication of work to date.*

### Continuous Glucose Monitors (CGMs)

21. The Government has signalled that it wishes to prioritise the provision of continuous glucose monitors (CGMs) to help those with type 1 diabetes manage the disease.
22. CGMs are currently not publicly funded, however Pharmac has been progressing a funding and procurement process for CGMs and other diabetes-related medical devices (insulin pumps and insulin pump consumables). Subject to completing its procurement processes and available funding, Pharmac would publicly fund access to CGMs for all individuals with type 1 diabetes irrespective of age from 2024 onwards.

### Manifesto commitment on cancer treatments

23. A coalition agreement initiative is to fund 13 specific cancer treatments, as informed by a 2022 Cancer Control Agency report on the availability of cancer medicines in New Zealand.

24. Initial advice on this initiative was provided to the Minister of Health in consultation with Pharmac and other health agencies.
25. Following the Minister of Health's feedback, the Ministry will coordinate further advice with Pharmac on the options and their impacts to Pharmac, the wider health sector and cancer outcomes.

### **Medical devices**

26. Pharmac has commenced a strategic programme for the purpose of driving value for money outcomes in medical device spending and consistency in accessing hospital medical devices. There are three phases to the programme:
  1. Build a national list of medical devices purchased by Health New Zealand using national contracting as a tool.
  2. Enable more explicit evidence-based decisions on which devices are added to the Pharmaceutical Schedule and generating market tension to improve value for money.
  3. Plan the transition to hospital medical devices being managed within a fixed funding allocation in a similar way to medicines.
27. Pharmac is working on completing the first phase. It is preparing for the second phase through testing how it collaborates with Health New Zealand on commercial processes, in particular health technology assessment processes. Health New Zealand has agreed to support Pharmac with funding and seconded staff.

*You may wish to ask Dr Bramley about the latest progress on its medical devices work.*

ENDS.

## **Appendix 1: Biographical Information on Peter Bramley**

Dr Bramley has considerable experience in executive management roles across the New Zealand public health sector. He was the Interim Lead Hospital and Specialist Services Waitaha Canterbury/Te Tai o Poutini West Coast at Health New Zealand, and also served as Interim Regional Director Te Waipounamu with responsibility for oversight of health care delivery across the South Island. He has previously been the Chief Executive of Canterbury, West Coast and Nelson Marlborough DHBs, and in those roles was the National Lead DHB Chief Executive for mental health, procurement and supply chain, and the resident medical officer workforce. He has previous experience as a senior manager of hospital clinical services, and in the private sector at MYOB. He is a director for Emerge Aotearoa, New Zealand Health Innovation Hub and Health One, and is a member of the Board of Directors for the Health Roundtable.



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## Appendix 2: Pharmac's Briefing to the Incoming Minister

Addendum: This document has been published online here: <https://pharmac.govt.nz/assets/2023-11-28-Briefing-for-Incoming-Minister.pdf>

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