



Associate Minister of Health (Pharmac) Hon David Seymour

Letter of Expectations for Pharmac for 2024/25

25 July 2024

These documents have been proactively released by the Ministry of Health on behalf of the Associate Minister of Health (Pharmac), Hon David Seymour.

Title of Cabinet paper: Letter of Expectations for Pharmac for 2024/25

Titles of minutes:

- Report of the Cabinet Social Outcomes Committee: Period Ended 24 May 2024 (CAB-24-MIN-0179)
- Letter of Expectations for Pharmac for 2024/25 (SOU-24-MIN-0041)

Title of aide mémoire:

- Cabinet paper and talking points: Pharmac's Letter of Expectations (H2024040422)

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act). Where this is the case, the relevant sections of the Act that would apply have been identified. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been redacted from the Cabinet minute as it is out of scope of this proactive release.

Key to redaction code/s:

- S 9(2)(a) to protect the privacy of natural persons.
- S 9(2)(f)(iv) to maintain the constitutional conventions that protect the confidentiality of advice tendered by Ministers and officials.

Aide-Mémoire

Cabinet paper and talking points: Pharmac's Letter of Expectations

Date due to MO:	8 May 2024	Action required by:	16 May 2024
Security level:	IN CONFIDENCE	Health Report number:	H2024040422
To:	Hon David Seymour, Associate Minister of Health Pharmac		
Consulted:	Health New Zealand: <input type="checkbox"/>		

Contact for telephone discussion

Name	Position	Telephone
Simon Medcalf	Deputy Director-General, Regulation and Monitoring	s 9(2)(a)
Kirsten Stephenson	Group Manager, System Planning and Accountability, Regulation and Monitoring	s 9(2)(a)

Aide-Mémoire

Cabinet paper and talking points: Pharmac's Letter of Expectations

Date due: 8 May 2024

To: Hon David Seymour, Associate Minister of Health Pharmac

Security level: IN CONFIDENCE **Health Report number:** H2024040422

Details of meeting: 22 May 2024

Cabinet Committee: Cabinet Social Outcomes Committee (SOU)
Chair: Hon Nicola Willis

Purpose of proposal: This paper asks Cabinet to note the expectations being set for Pharmac for 2024/25.

Comment:

- Following Ministerial consultation, the associated Cabinet paper on Pharmac's Letter of Expectations for 2024/25 will need to be lodged by **10 am on 16 May 2024** so that it can be considered at SOU on 22 May 2024.
- Talking points to support this paper are attached (**see Appendix 1**).



Simon Medcalf
Deputy Director-General
Regulation and Monitoring

Appendix 1 - talking points: Letter of Expectations for Pharmac for 2024/25

Introduction

- Pharmac is a key organisation within the health sector. Its decisions have a significant impact on the lives of New Zealanders. Its operating environment has changed radically from when it was first established.
- In the draft Letter of Expectations attached to this Cabinet paper I outline my priorities for Pharmac. These include some fundamental questions about its role.

s 9(2)(f)(iv)





Cabinet

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Report of the Cabinet Social Outcomes Committee: Period Ended 24 May 2024

On 27 May 2024, Cabinet made the following decisions on the work of the Cabinet Social Outcomes Committee for the period ended 24 May 2024:

SOU-24-MIN-0041

Letter of Expectations for Pharmac for 2024/25
Portfolio: Associate Health (Hon David Seymour)

CONFIRMED

Out of scope

Diana Hawker
for Secretary of the Cabinet



Cabinet Social Outcomes Committee

Minute of Decision

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Letter of Expectations for Pharmac for 2024/25

Portfolio Associate Health (Hon David Seymour)

On 22 May 2024, the Cabinet Social Outcomes Committee:

- 1 **noted** the expectations that the Associate Minister of Health (Hon David Seymour) is setting for Pharmac for 2024/25, as outlined in the letter of expectations to the Chair of Pharmac, attached under SOU-24-SUB-0041.

Jenny Vickers
Committee Secretary

Present:

Rt Hon Christopher Luxon
Rt Hon Winston Peters
Hon David Seymour
Hon Dr Shane Reti
Hon Paul Goldsmith
Hon Louise Upston (Chair)
Hon Mark Mitchell
Hon Tama Potaka
Hon Nicole McKee
Hon Casey Costello
Hon Penny Simmonds
Hon Karen Chhour

Officials present from:

Office of the Prime Minister
Officials Committee for SOU
Office of the Minister of Health

In Confidence

Office of the Associate Minister of Health

Cabinet Social Outcomes Committee

Letter of Expectations for Pharmac for 2024/25

Proposal

- 1 This paper asks you to note my priorities for Pharmac for 2024/25 as set out in my attached Letter of Expectations, which I plan to provide to the incoming Pharmac Chair in May 2024.

Relation to government priorities

- 2 My Letter of Expectations acknowledges the Government's commitment to ensuring timely access to quality health care and good outcomes for all New Zealanders, with relative need as the key criterion, and sets out my expectations and areas for focus in the year ahead as responsible Minister for Pharmac.

Comment

The role of Pharmac

Statutory objectives

- 3 In my letter and in this paper, I have used the term "medical technologies" to cover both Pharmac's original statutory responsibility for pharmaceutical treatment, as well as its subsequent additional responsibilities for medical devices.
- 4 Pharmac's statutory role as set out in the Pae Ora (Healthy Futures) Act 2022 (s.68(1)) is to secure "the best health outcomes that are reasonably achievable from pharmaceutical treatment and from within the amount of funding provided ...".
- 5 I propose to work with the Pharmac Board and the Ministry of Health on whether the current statutory objectives could be updated to enable it to optimise health outcomes from medical technologies. The letter asks Pharmac to reform its assessment and funding model so that it takes account of the positive fiscal impacts to the Crown, as well as the societal benefits of funding more medical technologies. I wish to explore with the Board how it could further support the Ministry to put forward medical technology Budget bids while maintaining its independence.

Delineation of the dual roles of value assessment and procurement

- 6 There are two components to Pharmac's current funding role in New Zealand:

- 6.1 a health technology assessment process for medical technologies; and
- 6.2 the procurement or purchasing of medical technologies.
- 7 In some comparable jurisdictions these two functions are performed by separate health agencies. I propose in my letter that Pharmac consider the complexity of technologies being assessed, and whether some applications can move directly to procurement. I am asking Pharmac to consider whether clear pathways and effective processes for technology assessments will enable it to assign appropriate resources to the different kinds of value assessment undertaken. I also suggest that there might be advantages in separating out its procurement processes from its assessment processes. I will engage with the Ministry and the Pharmac Board on whether New Zealand's needs might be better served by a clearer delineation of these roles.

Responsibility for medical devices

- 8 I note that the independent review of Pharmac recommended that the responsibilities for medical devices be transferred from Pharmac to Health New Zealand. The previous Government did not agree with that recommendation. I understand that the medical devices industry has voiced concerns about the length of time Pharmac has taken to implement appropriate processes. I will work with the Pharmac Board to explore its processes in relation to medical devices, and will engage with the Ministry on future systemic options in this area.

Treaty of Waitangi

- 9 The Pae Ora (Healthy Futures Act) 2022 requires all health entities to be guided by the health sector principles, as far as reasonably practicable, having regard to all the circumstances, including any resource constraints; and to the extent applicable to them. Previous expectations placed on Pharmac included an expectation to consider how it would contribute to "embedding Te Tiriti o Waitangi across the health sector". I do not believe this expectation is appropriate for Pharmac, and instead require it to focus on improving health outcomes for all New Zealanders regardless of background, with decisions based on robust evidence and clinical need.

Organisational culture

- 10 Pharmac's statutory role requires it to make difficult decisions on which medical technologies are prioritised for funding by Government. Those decisions significantly affect New Zealanders' lives, and it is important that Pharmac maintains its legitimacy, credibility and trust with the public. This will be reinforced by respectful, professional and collaborative relationships with stakeholders.
- 11 Accordingly, my Letter of Expectations asks Pharmac to strengthen actions which will improve its organisational culture, such as partnership and collaboration with stakeholders both inside and outside government.

Pharmac's processes

- 12 Ensuring patients have input into the assessment of funding of medical technologies is supported by international experience, the Pae Ora (Healthy Futures) Act 2022 and the independent review of Pharmac. That review also sought increased transparency and more timeliness in its processes. My letter sets out actions for Pharmac to address these and similar areas.

Broader health system priorities and accountability

- 13 In line with the letters of expectations sent to all health Crown agencies, I expect Pharmac to contribute as appropriate to the Government's priorities as set out in the Government Policy Statement on Health for 2024–2027, the recently announced Government Targets and the Health Targets.

Cost-of-living Implications

- 14 The proposals in this paper do not have any direct cost-of-living implications.

Financial Implications

- 15 The proposals in this paper do not have any immediate or direct financial implications.

Legislative Implications

- 16 The proposals in this paper do not have any immediate legislative implications.

Impact Analysis

- 17 A Regulatory Impact Statement or Climate Implications of Policy Assessment is not required as no regulatory changes are proposed and no substantial changes to greenhouse gas emissions will result from this proposal.

Population Implications

- 18 Medical technologies are a critical contributor to health outcomes across the population, and any improvement will benefit all populations in New Zealand.

Human Rights

- 19 The proposals in this paper are consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Use of External Resources

- 20 No external resources were employed in developing proposals in this paper.

Consultation

- 21 The Department of the Prime Minister and Cabinet was consulted on this paper.

Communications

22 The Letter of Expectations for Pharmac will be published on its website.

Proactive Release

23 This paper and associated minutes will be proactively released on the Ministry of Health's website within 30 working days of Cabinet consideration, subject to any redactions as appropriate under the Official Information Act 1982.

Recommendations

The Associate Minister of Health recommends that the Committee:

1 **note** the expectations I am setting for Pharmac for 2024/25.

Authorised for lodgement.

Hon David Seymour

Associate Minister of Health

Addendum 18 July 2024: The letter of expectations is available here: <https://pharmac.govt.nz/assets/Uploads/Letter-of-Expectations-2024-25.pdf>