

# MINISTRY OF HEALTH MONITORING REPORT FOR PHARMAC - QUARTER 2 2025/26

## Summary of progress and achievements in Quarter 2 (incorporating the monthly report for January and February 2026):

- From its existing medicines budget, as at 31 January 2026, Pharmac has made 15 decisions to widen access to medicines and listed 5 new medicines for implementation in 2025/26. Those decisions will benefit an estimated 362,000 patients.
- In November 2025 Pharmac released its 2025/26 Invitation to Tender. Incorporating 400-line items, this is the largest procurement initiative Pharmac undertakes and is expected to result in price savings of about \$40 million for re-investment in treatments.
- Pharmac reports that it has completed one action ( a Budget bid working with the Ministry) and is making concrete progress against the remaining 12 items from the 2025/26 Letter of Expectations. .
- Pharmac has completed or is on track with all actions from its second 90-day plan as part of its Reset Programme.
- Pharmac has signed a service level agreement with Health NZ for Health Technology Assessment services provided by Pharmac for medical devices.
- Pharmac has removed unnecessary renewal requirements for selected Special Authority approvals, making it easier for people to access needed treatments.
- The Consumer and Patient Working Group held an all-day, in-person workshop on 29 January 2026 attended by senior Pharmac staff. Pharmac reports that working group members noted Pharmac’s openness to explore innovative ideas.
- Pharmac reports strong progress in its planning and design of the new Pharmaceutical Schedule, having established a Data and Digital Governance Group, and commenced user experience-focused engagement.

## Key insights and themes:

- Pharmac is managing significant organisational change initiatives across the entity, alongside new developments such as the medical device arrangements while remaining on track with its core business activities.
- The expectations set out in the Minister’s 2025/26 Letter of Expectations are being progressed through Pharmac’s Statement of Performance Expectations (SPE) priority areas; all activities and measures are on track.
- Pharmac is making good progress on its reset programme, focusing on organisational culture and improving its relationships with stakeholders. It shared its progress with the Health Leadership Forum, and Pharmac reports that other health entities are considering adopting aspects of its approach.
- Following Government decisions to split the responsibilities for medical devices between Health NZ and Pharmac, both agencies are working together to implement the transition. s 9(2)(b)(ii), s 9(2)(g)(i)
- The current surplus in its operating budget is overstated by one-off revenue received in 2025/26 for IT developments. Pharmac is taking steps to manage underlying expenditure.
- In March 2026, Pharmac will commence a comprehensive review of its Exceptional Circumstances Framework which encompasses the Named Patient Pharmaceutical Assessment policy and other mechanisms that enable funding of medicines for individuals in special or exceptional circumstances. These arrangements enable patients with certain conditions and/or circumstances to access medicines which are not funded through the Pharmaceutical Schedule.

## Financial Performance

### Operating Budget – please note that PHARMAC’s reporting date is January 2026, not December 2025.

- Pharmac reported a January 2026 year-to-date (YTD) surplus result of \$4.831 million, which is \$5.870 million favourable to planned deficit of \$1.039 million.
- Key variances:
  - Personnel* (\$0.424 million favourable YTD) – driven by delayed recruitment. However, full year forecast indicates a ~\$0.4 million overspend. Personnel costs have the potential to become an ongoing issue, though Pharmac intends to remedy this by reviewing all staffing requests via their Budget and Investment committee.
  - Interest and Other Revenue* (\$0.559 million favourable YTD) – driven by high cash holdings and strong interest rates, as well as recoveries related to the development of the Health Sector Agreements and Payments system within Health NZ.
  - ICT Project Support/IT Support & Maintenance* (\$0.390 million favourable YTD) - due to delays in delivery.
  - Committee and Panel fees* (\$0.526 million favourable YTD) - due to delays in claim receipts, delays to committees starting, and the Cystic Fibrosis committee not being required.
  - Implementation and Equity Access Projects* (\$0.675 million favourable YTD) – due to project phasing. Expected to correct by year end.
  - Data and Digital Reset Programme* (\$3.020 million favourable YTD) – due to invoice delays, full utilisation expected by year end.
- Forecast:
  - In Quarter 2 reporting, Pharmac forecast an end of year \$3.541 million deficit, which is \$1.164 million favourable compared to a planned deficit of \$4.706 million.
  - There are significant expected increases in personnel and non-personnel operating expenditure in the remaining five months of the year, especially relating to projects, including their Data and Digital Reset Programme, which collectively have spent just \$0.455 million against a full year planned spend of \$5.732 million.

as of 31.1.26	YTD Actual \$000	YTD Budget \$000	Variance \$000	Full Year Forecast \$000	Full Year SPE Budget \$000	Variance \$000
<b>Financial Performance P&amp;L</b>						
Total Revenue	27,164	26,605	558.5	41,470	40,550	919.7
Total Expenditure	22,833	27,644	5,312	45,011	45,255	245
<b>Net Surplus/(Deficit)</b>	<b>4,831</b>	<b>(1,039)</b>	<b>5,870</b>	<b>(3,541)</b>	<b>(4,706)</b>	<b>1,164</b>
<b>Financial Position (Balance Sheet)</b>						
Total Equity	31,608	N/A	N/A	N/A	N/A	N/A
Cash Balance	4,215	N/A	N/A	N/A	N/A	N/A

### National Pharmaceutical Purchasing

- YTD Pharmac reported a net surplus result of \$131.189 million reflecting lower than forecast costs with Health NZ and the timing of rebate receipts.
- Key insights:
  - Separate COVID Treatment and COVID Vaccines appropriations have now closed, meaning Pharmac manages those items within its National Pharmaceutical Purchasing appropriation.
- Forecast:
  - Pharmac’s Quarter 2 forecast projects a full year surplus of \$18.932 million (~1% of available funding). Equity and cash balances remain strong.

s 9(2)(b)(ii), s 9(2)(g)(i)

## Operational performance

2025/26 Statement of Performance Expectations: Progress and Performance Measures	Ministry of Health comments
<p><b>Strategic Priority One: Enhanced Assessment and Decision-making</b> (Appendix 2, pg 15-16, pg 27-28)</p>	<p>There are 7 performance measures relating to this priority, of which two, (the number of medicines (volume)) and (the range of medicines (mix) have increased over time within budget) are formally measured annually. Two of the remaining measures relate to the time taken to assess and rank new applications, and two others to the time taken to publish minutes from the Pharmacology and Therapeutics Advisory Committee (PTAC), and the Specialist Advisory Committees (SAC). The remaining measure relates to reducing the backlog of applications.</p> <ul style="list-style-type: none"> <li>• Performance against the average time taken to assess and rank applications <u>within the last 5 years</u> has improved (28 months in Quarter 1, 26 months in Quarter 2) while the average for all (inc. those &gt; 5 years) proposals has remained static at 36 months in both quarters. (Note that older applications skew the average). Pharmac has established an internal task force which will present a 3-year improvement plan to its Board in April.</li> <li>• The targets related to the timely publication of PTAC (82 days vs a target of &lt;60 days) and SAC (98 days vs a target of &lt;90 days) minutes have not been achieved. However, the new measure to reduce the average time to publish PTAC and Advisory Committee <u>provisional</u> records within 30 days has been 100% achieved.</li> <li>• There has been a 13.24% reduction year to date in the backlog of applications yet to be ranked, with 232 applications in Quarter 1 down to 220 in Quarter 2. The end of year target is &lt;150.</li> </ul>
<p><b>Strategic Priority Two: Strategic Management of Medicines Budget</b> (Appendix 2, pg 16, pg 28-29)</p>	<p>Comment on performance on the 6 measures for this priority is set out below:</p> <ul style="list-style-type: none"> <li>• Two of the measures (the increase in the number of new medicines funded,) and (the increase in the estimated number of New Zealanders benefitting from new medicines funded) are formally measured annually, but in Quarter 2 year to date there have been 5 investments in <u>new</u> medicines and 15 access widenings for existing funded medicines, Pharmac estimates a total of 362,000 patient's will benefit in 2025/26. Pharmac will continue to track the numbers of new medicines and access widenings in the remainder of the year.</li> <li>• As well as the timeliness measures discussed above under Strategic Priority One, Pharmac reports on the average time from receiving funding application to first decision date. No target is set because this is dependent on many factors outside of Pharmac's control, especially budget availability.</li> <li>• A key indicator of timeliness is the percentage of decisions on initial Named Patient Pharmaceutical Applications (NPPA) made within 10 working days. Pharmac aims to achieve &gt;75%, and has achieved 77%, despite an increase in application volumes.</li> </ul>
<p><b>Strategic Priority Three: Strategic Management of Medical Devices</b> (Appendix 2, pg 16-17, pg 30)</p>	<p>There is one performance measure for this priority: manage expenditure on hospital medical devices under Pharmac contract to within 1% of budget for the year. This measure is on track at 0.28%</p> <ul style="list-style-type: none"> <li>• Pharmac is working with the Ministry and Health NZ to implement changes to the management of medical devices, which divides responsibility between Health NZ and Pharmac.</li> <li>• s 9(2)(g)(i)</li> </ul>
<p><b>Organisational Excellence</b> (Appendix 2, pg 17-19, pg 29)</p>	<p>Two performance measures relate to this topic. Public trust in Pharmac is measured by an annual external survey and will be available at year end. The other relies on a self-assessment of consumer engagement based on the Continuous Quality Safety Marker System. For the last two six-month periods, Pharmac has assessed its performance at a 2 out of 4. The next self-assessment is scheduled for March 2026.</p> <ul style="list-style-type: none"> <li>• The Reset Programme remains generally on track. Of the five actions in the second 90-day programme, one action (Medicine funding application process improvement) has been completed; three (vision and strategy, consumer consultation process and embedding lived experience in clinical meetings) are on track with progress continuing in Quarter 3. The action on communications approach has been delayed and will be completed in Quarter 3.</li> </ul>
<p><b>Organisational Capability</b> (Appendix 2, pg 19-20)</p>	<p>Pharmac reports positive trends in its employee experience metrics, with sick leave use of 5.23 days which is half the public sector average. Pharmac's 12-month rolling average unplanned turnover is higher than the public sector average, at 20% in Quarter 2 compared with the public sector average of 9.9% as at 30 June 2025. Key reasons for leaving were for new career opportunities, better remuneration and benefits and more challenge/job growth.</p>

PROACTIVELY RELEASED