

Briefing for decision

Pharmac Fees Review

Date due to MO: 24 March 2026 **Action required by:** 31 March 2026

Security level: IN CONFIDENCE **Reference:** H2026079408

To: Hon David Seymour, Associate Minister of Health (Pharmac)

Proactive release: This **title** is proposed by the Ministry of Health for proactive release.

Contact for telephone discussion

Name	Position	Telephone
Brent Johnston	Deputy Director-General, Performance and Governance – Te Pou Tokomanawa	s 9(2)(a)
Stasha Mason	Manager, Statutory Appointments and Integrity Services, Performance and Governance – Te Pou Tokomanawa	

Minister's office to complete:

- Approved
 Decline
 Overtaken by events
 Needs change
 Seen
 See Minister's Notes
 Withdrawn

Comment:

PROACTIVELY RELEASED

Briefing for decision

Pharmac Fees Review

Security level: IN CONFIDENCE **Date:** 25 March 2026

To: Hon David Seymour, Associate Minister of Health (Pharmac)

Purpose of report

1. This paper responds to your request for supplementary information in relation to the fee changes proposed for the Board of Pharmac (H2025075632 refers), including information on private sector directors' fees.

Background

2. You have asked for information on directors' fees for private sector entities, which is included in **Appendix A**. As requested, this includes information for seven private sector entities; including their industry, employee count, budget, throughput and Board fees compared to Pharmac.
3. A more detailed comparative analysis was undertaken by the Public Service Commission to inform the changes to the *Cabinet Fees Framework for members appointed to bodies in which the Crown has an interest* (the Framework) [CBC-25-MIN-0031 refers].
4. The Public Service Commission undertook a review that compared Crown entity board fees with private sector fees. That review found a substantial gap had formed between private and public sector board fees, with Crown entity board fees typically around 30 to 50 percent of comparable private sector fees [CBC-25-MIN-0031 refers]. This included organisations with comparable or lower turnover than Pharmac.
5. The revisions to the Framework ranges, including the increase of 80 percent for Group 3 bodies (such as Pharmac), were designed to narrow this gap while still maintaining an appropriate public sector discount. For Pharmac, the revised settings allow fees to better reflect the sustained scale, complexity, and risk profile of the organisation, while remaining materially below the fees paid for private sector governance roles.
6. The Framework provides guidance on the classification and remuneration of Crown entities but is not prescriptive. It requires judgement to be applied to reflect differences in scale, function, and operating context, while supporting consistency and fiscal discipline across the public sector.

Advice

7. The Ministry of Health (the Ministry) undertook a consistent assessment of board fees for each affected Crown entity against the revised Framework, applying judgement to reflect entity-specific scale, complexity and governance demands.

8. The assessment considered the scale, functions, and complexity of Pharmac, including the governance of a \$1.76 billion medicines purchasing appropriation, complex commercial procurement activity, and system-critical decisions that attract a high degree of public, clinical and political scrutiny. The proposed Board fee increases reflect these sustained governance demands, Pharmac's current operating budget and its financial and non-financial performance, and the need to attract and retain suitably qualified and experienced governors, while remaining below private sector organisations of comparable scale. See **Appendix B** for further information.
9. While the fee ranges in the Framework have increased by up to 80 percent, the Ministry is recommending that Pharmac Board fees increase by:
 - a. 63.2 percent for the Chair
 - b. 66.3 percent for the Deputy Chair
 - c. 63.2 percent for members.
10. The proposed fees sit well within the revised Framework range for a Group 3a Level 2 body and can be approved by you without Cabinet referral. Pharmac has confirmed that the proposed fee increases are affordable within existing baseline.
11. Pharmac manages two appropriations from Vote Health. The largest is for the purchase of medicines for New Zealanders totalling \$1.76 billion. The second is Pharmac's operating budget, totalling \$32.5 million. s 9(2)(b)(ii)
[Redacted text]
12. Following its successful implementation of the Government's uplift in the pharmaceuticals budget, Pharmac is now working to increase its investment in medicines through its usual methods of seeking savings through procurement initiatives. s 9(2)(b)(ii)
[Redacted text]
13. Alongside the above core business activity Pharmac is continuing to successfully undertake a range of significant programmes of change responding to external reviews, the Minister's Letters of Expectations and policy changes. These include:
 - a. the work programme to improve organisational culture and stakeholder relations
 - b. the new arrangements for managing medical devices alongside Health New Zealand
 - c. internal process improvements
 - d. data and digital upgrade.
14. Collectively, these initiatives represent a material shift in Pharmac's operating model and stakeholder environment, increasing expectations on the Board for strategic leadership, change, oversight, risk management, and system stewardship.
15. The Ministry proposes the fee increases are backdated to 1 September 2025 to reflect the timing of Cabinet's agreement to the revised Fees Framework, the subsequent period required to undertake entity-specific assessments and Ministerial approvals, and

s 9(2)(f)(iv)


Next Steps

16. An updated letter advising Pharmac’s Chief Executive and the Board Chair of the approved changes to the Board fees is attached as **Appendix C** for your approval and signature, provided you agree to the recommendations in this paper.
17. A further briefing will be provided to the Minister of Health and Associate Ministers in April 2026 on the fees review for ministerial advisory groups and committees.

Recommendations

We recommend you:

- | | |
|--|---------------|
| a) note that Cabinet agreed a revised <i>Cabinet Fees Framework for members appointed to bodies in which the Crown has an interest</i> (the Framework) in July 2025, which increased fee ranges but requires Ministerial approval for any fee changes | Yes/No |
| b) note that the revisions to the Framework were informed by a review undertaken by the Public Service Commission that compared public sector board fees with private sector directors’ fees | Yes/No |
| c) note the continued classification of Pharmac as a Group 3a Level 2 body under the Framework | Yes/No |
| d) approve the proposed increase in Pharmac Board fees, backdated to 1 September 2025, which means: <ul style="list-style-type: none"> • Chair fees increase from \$66,000pa to \$104,360pa • Deputy Chair fees increase from \$41,250pa to \$65,250pa • Member fees increase from \$33,000pa to \$52,200pa. | Yes/No |
| e) sign and send the revised letter to Pharmac’s Chief Executive and Chair. | Yes/No |


 Brent Johnston
 Deputy Director-General
**Performance and Governance –
 Te Pou Tokomanawa**
 Date: 25 March 2026

Hon David Seymour
Associate Minister of Health (Pharmac)
 Date:

ENDS.

Appendix A – Pharmac and Private Sector Comparisons (based on 2025 annual reports)

Organisation	Current Board fees	Industry	Employees	Budget	Throughput
Pharmac	Total Board member remuneration: \$191,563 Chair: \$66,000 Deputy Chair: \$41,250 Members: \$33,000	Health	195 (20 part-time and 175 full-time).	Operating Budget: \$37m. Medicines Budget: \$1.690b.	31 new treatments funded 52 treatments with access criteria widened. Funded medicines for 89,436 additional patients.
NZME Limited	Total Board remuneration pool: \$900,000 Chair: \$175,100 Base Board member: \$103,000 Chair of committee: +\$20,600 Member of committee: +\$10,300	Media	~1,300	Operating expenses: \$283m	10 radio brands, 12 print publications, plus OneRoof.
Southern Cross	Total Board remuneration pool: \$840,000 Chair: \$185,000 Base Board member: \$92,500 Chair of committee: +\$15-20,000 Member of committee: +\$7.5-10,000	Health insurance	520	Overhead expenses: \$274m Incurred claims expense: \$1.783b.	951,808 insurance customers.

Tower Limited	Total Board remuneration pool: \$900,000 Chair: \$180,000 Base Board member: \$100,000 Chair of committee: +\$10,000	Insurance	966	Insurance service expense and other operating expenses: \$420m	318,000 insurance customers.
Steel and Tube	Total Board remuneration pool: \$642,500 Chair: \$165,000 Base Board member: \$87,500 Chair of committee +\$10-15,000	Metal Manufacturing	~900	Operating expenses: \$95m	101.7 kiloton of metal sold
Serko	Total Board remuneration pool: \$780,000 Chair: \$180,000 Base Board member: \$100,000 Chair of committee: \$20,000 Member of Committee: \$10,000	Travel booking	421	Operating expenses: \$108m	3.3m completed room nights. 4.1m managed travel bookings.
Pacific Current Group	Total Board remuneration pool: \$750,000 Chair: \$160,000 Base Board member: \$110,000	Investment services	5	Expenses: \$50m	\$30b funds under management.
Enprise Group	Total Board remuneration pool: \$150,000 Chair: \$40,000 Board member: \$25,000	Software investment	~100	Operating expenses: \$25m	\$25m revenue.

Appendix B – How Pharmac’s proposed Board fees were determined

- Pharmac is currently classified as a Group 3a level 2 body, and this does not change under the new Framework. However, the fees for Pharmac will increase.
- We propose that the fees for Pharmac are set at step four of the fee range for Group 3a Level 2, in line with our scoring assessment against the Framework.
- The following shows how we reached the proposed fees. Note that the blue shaded areas indicate our assessment.

Table 1 – Total score for Pharmac – Te Pātaka Whaioranga

Categories	Business size and complexity / functionality	Score provided by the Framework	Total
Size	Budget/turnover of \$1.2b+	14	18
Business complexity / functionality	Primary function of devolved purchaser (\$1b-\$10b)	4	

Table 2 – Group 3a annual fees

Total score	Level	Fees range – chair	Fees range - members
21-24	1	\$73,100 - \$162,200	\$36,500 - \$80,400
15-20	2	\$62,300 - \$132,400	\$31,200 - \$66,200
11-14	3	\$55,900 - \$96,700	\$27,900 - \$48,300
7-10	4	\$51,600 - \$72,200	\$25,800 - \$36,500
6 or less	5	\$25,800 - \$54,200	\$12,900 - \$27,100

Note: The fee for the responsibilities of a Deputy Chair is an additional 25 percent of the member rate.

Table 3 – Group 3a Level 2 steps

Group	Level	Steps based on scoring	Chair's range \$62,300-\$132,400	Deputy Chairs range \$39,000-\$82,750	Members Range \$31,200-\$66,200
Group 3a	Level 2	15	\$62,300.00	\$39,000.00	\$31,200.00
Group 3a	Level 2	16	\$76,320.00	\$47,750.00	\$38,200.00
Group 3a	Level 2	17	\$90,340.00	\$56,500.00	\$45,200.00
Group 3a	Level 2	18	\$104,360.00	\$65,250.00	\$52,200.00
Group 3a	Level 2	19	\$118,380.00	\$74,000.00	\$59,200.00
Group 3a	Level 2	20	\$132,400.00	\$82,750.00	\$66,200.00
Group 3a	Level 2	Midpoint	\$97,350.00	\$60,875.00	\$48,700.00

Table 4 – Pharmac current fees compared to proposed new fees

Position	Current			New Framework		
	Classification	Fee Range	Fee	Classification	Fee Range	Proposed Fee
Chair	Group 3a Level 2	\$34,623- \$73,552	\$66,000	Group 3a Level 2	\$62,300- \$132,400	\$104,360
Deputy Chair*		\$21,636.25- \$45,966.25*	\$41,250*		\$39,000- \$82,750*	\$65,250*
Member		\$17,309- \$36,773	\$33,000		\$31,200- \$66,200	\$52,200

*The fee for the responsibilities of a deputy chair is an additional 25 percent of the member rate.

PROACTIVELY RELEASED

Appendix C – Revised letter to Pharmac Chief Executive and Chair

PROACTIVELY RELEASED

Hon David Seymour

MP for Epsom

Deputy Prime Minister (from 31 May 2025)

Minister for Regulation

Associate Minister of Education (Partnership Schools)

Associate Minister of Finance

Associate Minister of Health (Pharmac)



s 9(2)(g)(i)

PROACTIVELY RELEASED

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