

In Confidence

Office of the Minister of Health

Cabinet Social Wellbeing Committee

Government response to the Pharmac Review Panel's report

Proposal

- 1 This paper seeks agreement to a Government response to the report and recommendations of the Pharmac Review Panel; and to release of the Government response together with the Panel's report.

Relation to government priorities

- 2 This proposal relates to the Government priority of managing New Zealanders' health in the long term. The Government made a pre-election commitment to conduct an independent review into Pharmac to identify improvements that would make the system better and more responsive to key challenges facing the health sector.

Executive Summary

- 3 The Pharmac Review Panel (the Panel) was appointed to look into whether Pharmac makes the best contribution it can to improving health outcomes for all New Zealanders, particularly Māori and Pacific peoples, as part of the wider health and disability system. The Panel's review (the Review) was established to help ensure that New Zealanders can have confidence in the work of Pharmac.
- 4 The Panel were asked to investigate and make recommendations on two key areas:
 - 4.1 how well Pharmac performs against its current objectives and whether and how its performance against these could be improved; and
 - 4.2 whether Pharmac's current objectives (with emphasis on equity for Māori and Pacific peoples) maximise its potential to improve health outcomes for all New Zealanders as part of the wider health system, and whether and how these should be changed.
- 5 The Panel has now completed its work, finding that Pharmac is performing an important role and that, to achieve its current objectives, its performance, especially on equitable outcomes for Māori and Pacific peoples, needs to improve. The panel has given me a report with 33 recommendations for change. This paper appends the Panel's report and recommends a Government response to the report and recommendations.
- 6 The Panel's recommendations focus on Pharmac's governance and accountability, its decision-making and the spread of its functions and responsibilities, and take a closer look at two areas of public concern, cancer medicines and rare disorders. The Panel recommends that I sponsor further changes to the Pae Ora (Healthy Futures) Bill (the

Pae Ora Bill) and give directions to Pharmac, the Ministry of Health and other agencies.

- 7 I note that changes to the Pae Ora Bill following review by the Health Committee will effect many of the Panel's legislative recommendations and provide for many of the directional changes the Panel seeks. The Bill will set clear expectations for health entities working collectively towards achieving equity and health outcomes, with increased strategic oversight and collaboration, for example.
- 8 I also note that more recent decisions on the roles and functions of health system entities suggest how entities will work together towards the outcomes that underlie some of the Panel's recommendations on the spread of Pharmac's functions. The panel recommended that Pharmac's roles in assessing and procuring vaccines and medical devices and in promoting responsible use of medicines should be narrowed. I accept advice from the Ministry of Health (the Ministry) that Pharmac's continued performance in these roles adds value and lowers risk to the public, the health system and the Government, especially in the new context underpinned by the Pae Ora Bill.
- 9 The Review has highlighted some significant areas for improvement and it will take serious commitment to make the progress I expect. I am pleased to note that Pharmac accepts the Panel's conclusions about where it should make improvements and is committed to doing so in collaboration with other health entities.
- 10 This paper seeks agreement to a Government response to the Panel's report and recommendations and to their public release.

Background

- 11 The Pharmaceutical Management Agency (Pharmac) is a Crown entity established in 1993 which has the statutory objective under section 47 of the New Zealand Public Health and Disability Act 2000 to "...secure for eligible people in need of pharmaceuticals, the best health outcomes that are reasonably achievable from pharmaceutical treatment and from within the amount of funding provided."
- 12 Pharmac is widely regarded as having been highly effective in achieving cost reductions that enable maximum value to be achieved from the fixed annual pharmaceutical budget. Since it was established, Pharmac's role has widened from managing medicines dispensed in community pharmacies to also include hospital medicines, vaccines, haemophilia products, cancer medicines, and medical devices.
- 13 Given Pharmac's role to manage pharmaceuticals funding within a fixed budget, it is inevitable that its decisions attract criticism. Petitions have been regularly presented to the Health Select Committee, often seeking priority for an expensive new treatment or objecting to a Pharmac decision to switch public funding between similar pharmaceuticals and raising the impact this can have on patients.
- 14 The Review was established to help address the concerns some have about Pharmac, while providing an opportunity to ensure Pharmac is well-positioned to make the best contribution it can to future health needs given the rapidly changing global, societal and technological landscape. The review was timely to take into account the health system reforms as it considered the ongoing role of Pharmac.

- 15 The Panel was asked to investigate and make recommendations on two key areas:
- 15.1 how well Pharmac performs against its current objectives and whether and how its performance against these could be improved; and
 - 15.2 whether Pharmac's current objectives (with emphasis on equity for Māori and Pacific peoples) maximise its potential to improve health outcomes for all New Zealanders as part of the wider health system, and whether and how these should be changed.

The Review took place at a time of unique challenge and opportunity

- 16 The Pandemic has placed significant additional pressure on New Zealand communities and public services especially the health system. Many of the ways we do things have changed in response as have priorities at different times over the course of the pandemic. The health system has focused on managing the pandemic and essential health service operation while also re-setting the system to be more equitable, effective and sustainable and assure the future health of all New Zealanders.

Pandemic challenges and opportunities for Pharmac

- 17 The pandemic has necessitated considerable additional work for Pharmac in managing continuity of pharmaceutical supplies through major global supply chain disruptions. Pharmac has worked closely with Medsafe, expert clinical advisors, distributors and district health boards (DHBs) to ensure critical supplies are used where they are most needed. Pharmac has more recently taken on an additional role of securing COVID-19 treatments. This re-direction of efforts has come at a cost to some other work such as providing information on business processes.
- 18 It has at times been difficult for Pharmac to continue with the usual pace of funding consideration for non-critical pharmaceuticals, not least because of pressure on the wider health system and the availability of expert advisors. Like elsewhere in the system, this difficulty has led to new ways of meeting, receiving input, prioritising and making timely decisions. It has further highlighted the need to collaborate across the sector in pursuit of better equity and health outcomes. Working through how better-connected pathways can work, such as for COVID-19 antiviral treatments, has come after the Panel completed its work.

Health system reform processes and how they have evolved

- 19 During the Panel's review, further decisions have refined the roles and functions of the new set of health sector entities (for example, the strategic leadership and advisory role of the Public Health Agency) and how they will operate collectively. The Health Committee has heard submissions on and refined the Pae Ora Bill, with its report back coming after the Panel completed its work.

Challenges and opportunities for the Review Panel

- 20 The Panel has managed very well in conducting this review during a pandemic while reliant on inputs from stretched agencies and informants dealing with pandemic challenges, both personal and work-related. It has taken advantage of new technologies enabling more people to participate remotely, and made every effort to

include people with important perspectives for whom remote technologies pose particular challenges.

- 21 The Panel has also faced a changing landscape over the course of the review. Pharmac has made changes to its ways of working during the pandemic and Government decisions on the set of new health entities and their functions have evolved. Some of the Panel's improvement recommendations have already been advanced or dealt with, emphasising the timeliness of the Panel's work prior to the health sector changes being finalised.

The Panel's findings and recommendations

- 22 The Panel's report is appended at attachment 1 and its summary of recommendations at attachment 2. The report, together with the Panel's interim report and summary of submissions, includes detail on how they conducted their review.

Pharmac performs an important role

- 23 The Panel states that "Pharmac's model has delivered significant benefits" and that "there is little reason to believe that a move away from the existing model would achieve better prices than Pharmac gets".
- 24 The Panel notes that Pharmac operates in a challenging space, a global market with very little New Zealand pharmaceutical production. Being small and distant from major production leaves New Zealand vulnerable to international changes in demand and supply, with security of supply an increasing focus for Pharmac. Additionally, rising numbers of new pharmaceuticals are now coming to market internationally, including with lower evidence bases, amplifying demand. A rise in precision, personalised, often biologic pharmaceuticals will increase the health benefits that can be achieved and the costs of achieving them.
- 25 The Panel notes that Pharmac achieves good prices for high-volume products when weighed against comparator countries, and some analyses show New Zealand performing well on price relative to other countries. While price comparisons between countries are very difficult, a challenge faced by all public purchasers of pharmaceuticals, the Panel concluded that New Zealand is benefitting from Pharmac's work.

Pharmac contributes to inequities in health

- 26 The Panel looked into who within New Zealand receives those benefits and concluded that Māori and Pacific populations are receiving a disproportionately low share of subsidised medicines and particularly of the new medicines funded over the last decade. While many factors outside Pharmac contribute to this effect, including barriers to accessing health services that diagnose problems and prescribe treatments, the Panel concludes that Pharmac's decision processes do not give due weight to equity considerations. The Panel considers that, recently, investment in cancer medicines has been made at the expense of other treatments and appears to favour non-Māori, non-Pacific populations and those living in urban areas.

Pharmac's performance can improve

- 27 The Panel calls "for better oversight, better processes and more voices to be heard in deciding which medicines will be funded and for whom." It "has been mindful that its

recommendations must support and enable Pharmac to become more closely knitted into this new integrated health system” and “that while processes at Pharmac need improvement, their development has to be seen against a backdrop of an entire health system that has failed to properly honour te Tiriti o Waitangi principles. The reform of the health and disability system is designed to redress this, and our recommendations are in keeping with the proposed Pae Ora (Healthy Futures) legislation.”

- 28 The Panel states “it is clear those who are familiar with Pharmac’s work are looking for significantly stronger te Tiriti o Waitangi responses from Pharmac”, “see the need to have greater involvement of Māori in decision-making and the need for monitoring to ensure outcomes for Māori are being achieved” and Pharmac must play its role and ensure mātauranga Māori and Kaupapa Māori are incorporated into its processes and analysis”.
- 29 The panel also considers that Pharmac can take a number of practical steps to improve procedural fairness and contribute to equity, including greater use of participatory processes, broadening the membership of advisory groups, collecting data to identify gaps in inclusion and increasing transparency around decision-making.
- 30 The Panel has stated: “For Pharmac to be effective and deliver its core objectives, it needs to be far more integrated into the health system as a whole. This will require more substantial commitments and effective actions both by Pharmac and by the key health agencies it must work with, to ensure a more joined-up, effective and equitable health system. The evaluation and funding of pharmaceuticals and the management of their supply are critically important, and these activities must be informed by the new health system frameworks and the priorities they establish.”

The Panel’s recommendations for how these improvements can be made

- 31 The Panel recommends changes to the Pae Ora Bill to make securing equitable health outcomes for Māori and other populations an explicit objective, along with working collaboratively with the Ministry, Health New Zealand (Health NZ) and the Māori Health Authority, and being subject to the guiding principles for health entities.
- 32 The panel considers there should be stronger strategic direction for Pharmac and that an updated medicines strategy under the New Zealand Health Strategy would provide this direction.
- 33 The Panel considered Pharmac’s decision-making “could be more transparent and explicit, and could address equity considerations much more rigorously and directly”. It seeks improvements in how Pharmac considers suitability of information used in analysis and distribution of needs and benefits, and how it deals with bias potential. It seeks review of the “factors for consideration” decision-making framework that Pharmac uses to assess funding applications; concluding that, as used, these do not appear to value equity meaningfully. A detailed list of recommendations for improvements to Pharmac’s decision-making processes is provided.
- 34 The Panel took an in-depth look at two topics on which concerns had been raised in public consultation – cancer medicines and rare disorders. On cancer medicines it concluded that, while New Zealand does lag behind other countries in funded access to new cancer medicines, once the benefits of those new medicines and of other cancer services are weighed up, this lag is much less apparent. The Panel concluded

that Pharmac should treat cancer medicines as for other pharmaceuticals and that it should collaborate more closely with the cancer sector, with a focus on ensuring equitable access to funded cancer medicines in partnership with Te Aho o Te Kahu.

- 35 On rare disorders, the Panel notes that “access to medicines is just one of many challenges that people with rare disorders face”, “New Zealand does not have a coordinated approach” and “the absence of a high-level strategy or formal definition ... has wider impacts than just on Pharmac”. They recommend the Ministry develops a rare disorders strategy and that Pharmac adopts a number of process changes that improve procedural fairness including by adding involvement, information, flexibility and transparency for people with rare disorders.
- 36 In considering “whether Pharmac’s current objectives¹ (with emphasis on equity for Māori and Pacific peoples) maximise its potential to improve health outcomes for all New Zealanders as part of the wider health system, and whether and how these should be changed”, the Panel recommends significant changes in how Pharmac’s objectives are pursued to secure equitable health outcomes for Māori and other population groups. The Panel recommends that “Pharmac’s best health outcomes objective includes securing equitable health outcomes for Māori and other populations”, and that “in seeking the best health and equity outcomes, Pharmac must work collaboratively with the Ministry, Health NZ and the Māori Health Authority”.
- 37 The Panel recommends some changes to the breadth of work Pharmac undertakes. It recommends a stronger role in advising the Government on supply management and a narrower scope of work for Pharmac. It considers that other new entities are closer to and more able to assess and prioritise vaccines and medical devices and influence best practice use of medicines.
- 38 The Panel also recommends that “an external quality assurance of some elements of the business – in particular, decision-making processes and equity outcomes – be carried out regularly, for example in alignment with the health strategic plan cycle”.

Assessment of the Panel’s findings and recommendations

- 39 A summary of cross-agency advice on the Panel’s recommendations is provided at attachment 3.

Findings on performance against Pharmac’s current objectives

- 40 Pharmac has, effectively, one objective “to secure for eligible people in need of pharmaceuticals, the best health outcomes that are reasonably achievable from pharmaceutical treatment and from within the amount of funding provided”. I accept the Panel’s findings on how well Pharmac performs against its current objectives and whether and how its performance against these could be improved. The Panel has

¹ The objectives of Pharmac are—

- (a) to secure for eligible people in need of pharmaceuticals, the best health outcomes that are reasonably achievable from pharmaceutical treatment and from within the amount of funding provided; and
(b) any other objectives it is given by or under any enactment, or authorised to perform by the Minister by written notice to the board of Pharmac after consultation with it.

found that Pharmac is doing an important job and that it needs to improve its achievements for New Zealanders, including its efforts to:

- 40.1 secure equitable outcomes for all New Zealanders, especially for Māori, Pacific peoples and disabled people;
 - 40.2 engage with and promote participation and share in decision-making for Māori and honour te tiriti o Waitangi;
 - 40.3 make its processes, decisions and information it holds more open and accessible to the public, consumer groups and people needing accessible information;
 - 40.4 include consumer advice and lived experience in many aspects of its work and decision-making including for people with rare disorders;
 - 40.5 collaborate much more strongly with other health agencies to achieve more equitable health outcomes; and
 - 40.6 explain the highly technical work it does and the impacts it has on people's health, and to do this with equity of health outcomes clearly visible.
- 41 Pharmac has confirmed that it accepts the Panel's overall findings and the intent of most of its recommendations and is determined to make the needed improvements. Pharmac has some work to make improvements in line with the Panel's recommendations already underway and acknowledges there is considerably more to do. I note that Pharmac is not alone in needing to improve in many of these areas. Securing better and more equitable outcomes for all New Zealanders is a key driver for the health sector changes the Government is making.
- 42 I also accept many of the Panel's recommendations, though consider that for some areas there are more effective ways to achieve the improvements needed.

Pae Ora (Healthy Futures) Bill

- 43 The Panel has made a number of recommendations for legislative change and I am pleased to report that the Pae Ora Bill, as it has been further developed after Pae Ora Select Committee consideration, effects almost all of these. Pharmac will, like all health entities, be required to uphold the full set of health sector principles (a change that Pharmac itself recommended to the Select Committee).
- 44 In addition to the principles, many of the provisions in the Pae Ora Bill will assist Pharmac along with all health entities in better upholding te Tiriti o Waitangi through establishing:
- 44.1 the Māori Health Authority to respond to the aspirations and needs of whānau, hapū, iwi and Maori
 - 44.2 a Hauora Māori strategy to set priorities for improving health and wellbeing outcomes for Māori
 - 44.3 iwi-Māori partnership boards to represent local Māori perspectives.
- 45 The Bill will assist health entities with achieving equitable health outcomes such as through setting up:

- 45.1 a number of strategies that will underpin health sector operations;
 - 45.2 a Government Policy Statement that will provide clear direction on priorities;
 - 45.3 a New Zealand Health Plan (Health Plan) that will set out population health needs, improvements to health outcomes and how they will be achieved;
 - 45.4 a Health Charter that will describe the values, principles, and behaviours that workers throughout the health sector are expected to demonstrate;
 - 45.5 a code of expectations for consumer and whānau engagement in the health sector;
 - 45.6 organisations with national scope to bring together health services for consistent coverage and to achieve equitable outcomes; and
 - 45.7 strong support for Māori engagement through iwi-Māori partnership boards.
- 46 Legislation, while giving important direction, is insufficient to achieve the needed improvements. An ecosystem of policies, implementation guidance and monitoring and accountability frameworks will help re-set the system for change and build strong Māori-Crown relationships at all levels, including within Pharmac. Taken together, this Bill and actions being taken across the health sector collectively to achieve more equitable health outcomes, meaningful involvement of Māori and greater consumer and whānau participation will spur the improvements the Panel has sought.
- 47 This is not to say that this work will be easy or straightforward. However, I know that the health sector works better together. Pharmac needs to work collectively with other entities, with each contributing its best and accountable to the collective as well as along traditional reporting lines.

Scope of Pharmac's work

- 48 As stated in paragraph 36, the Panel concludes that Pharmac's current objectives do not (with emphasis on equity for Māori and Pacific peoples) maximise its potential to improve health outcomes for all New Zealanders as part of the wider health system. Rather than recommending a change to the objectives, the Panel considers a narrower scope of work for Pharmac would maximise this potential, together with a stronger role in advising Government on supply management. I note that Pharmac, along with the Ministry of Health and Health NZ, is contributing to work led by the Ministry of Foreign Affairs and Trade to strengthen resilience of New Zealand's supply chains.
- 49 The Panel recommends moving management of vaccines, medical devices and responsible use of medicines to other health agencies. It considers that other new entities will be better placed to assess, prioritise and manage funding for vaccines and medical devices and to influence best practice use of medicines.

Vaccines and immunisation

- 50 The Panel has recommended that the new Public Health Agency should manage funding for, assess, prioritise and decide which vaccines should be publicly funded, for whom; that Pharmac should negotiate vaccine prices; and that Health NZ should oversee the vaccine supply chain.

- 51 Achieving good immunisation outcomes across all of our communities is vitally important to New Zealanders' health; COVID-19 has highlighted the benefits of immunisation more starkly than we as a nation have seen since the polio epidemic of the 1950s. However, which diseases we immunise against and which vaccines we use are only part of the question. COVID-19 has also highlighted inequitable outcomes across our communities and especially for Māori. To achieve good and equitable immunisation outcomes requires a whole system end-to-end approach with collective efforts, agility and responsiveness across all entities involved.
- 52 This collective end-to-end approach requires, for the special case of immunisation outcomes:
- 52.1 a strategy to which the collective entities and Māori representatives contribute and for which the Ministry is accountable;
 - 52.2 horizon scanning, expert advice and prioritisation for which the Public Health Agency, Medsafe and Pharmac all contribute and each have accountabilities for different aspects (such as the Public Health agency for disease priorities, population uptake and equity and vaccine characteristics required, Medsafe for safety and quality and Pharmac for product assessment and public value) and need to be in communication and responsive to each other;
 - 52.3 for key vaccine decisions, agreement by three parties (the Ministry, the Public Health Agency and Pharmac) collectively on vaccines to be added to or removed from the Combined Pharmaceutical Schedule and their priority relative to other health priorities, bound by confidentiality rules in considering the information underpinning the decisions (noting that Pharmac would be responsible for making and effecting the final decisions through the Pharmaceutical Schedule);
 - 52.4 vaccine purchasing, supply and budget management for which Pharmac is accountable and responsive to the collective, and to which others will contribute (such as the Public Health Agency for refining priorities, Health NZ for refining supply management);
 - 52.5 distribution, implementation and service design and delivery priorities for which Health NZ and the Māori Health Authority are accountable and to which Pharmac and other entities, together with many service providers, will contribute;
 - 52.6 monitoring and evaluation of uptake and effectiveness for which the Public Health Agency and the Māori Health Authority are accountable and to which all entities contribute; and
 - 52.7 a governance structure to oversee the collective work, steer the end-to-end process, give direction as changes emerge (whether in diseases, priorities, availability or uptake) or issues arise that threaten achievement of outcomes, and ensure the required levels of communication and confidentiality.
- 53 I am proposing in a separate paper the transition arrangements to effect Cabinet's in-principle decision to transfer COVID-19 vaccine purchasing and management from the Ministry of Health to Pharmac [SWC-21-MIN-0223]. To support this transfer, the Ministry is setting in place a strategy for COVID-19 immunisation and a governance

mechanism for alignment and collective action across the system entities involved, including Pharmac, the Ministry and, as it becomes established, the Public Health Agency, Health NZ and the Māori Health Authority. This approach will be refined and built on to govern all work towards immunisation outcomes.

- 54 The collective governance mechanism would support individual agency achievements, including Pharmac's, by strengthening accountabilities to the collective and highlighting impacts towards collective outcomes. Pharmac, like the other entities involved, would retain responsibility for its functions and decisions, and be accountable to the collective for responsiveness and support towards collective achievement of equity and health outcomes.
- 55 The Ministry will report on the strategy and mechanism by August 2022. This report will identify timeframes for producing an immunisation strategy for New Zealand and joint-agency accountabilities and oversight for health outcomes from immunisation that will oversee processes and working arrangements, align the activities of all parts of the system and provide for responsive engagement when the priorities of one part of the system change, such as with emerging changes in diseases, workforce or other health and system priorities.

Medical devices

- 56 The Panel has recommended that Pharmac's work relating to medical devices transition to Health NZ in timeframes that Health NZ sets.
- 57 Health NZ considers that, with proximity to hospital management and clinical functions, it is better placed than is Pharmac to undertake assessments and negotiate supply agreements for devices. Health NZ comments that a national schedule of medical devices for use in hospitals would help drive consistency and savings and there are clinical advantages in keeping device procurement and management close to where clinical and operational decisions are made.
- 58 Medical devices include a very wide range of products, from cotton swabs to magnetic resonance imaging (MRI) machines; blood glucose monitors, pulse oximeters and dental implants used in the community and heart valve or joint replacements in hospitals. Until new therapeutic products legislation comes into effect, there is no premarket approval or assessment of these products. Pharmac is at present the quasi-regulator of quality and assurer that no counterfeit and substandard devices are used in the health system. While this is not ideal and will be addressed by the Therapeutic Products Bill, Pharmac is noted to have brought rigor, discipline and sound financial management to the work of assessing, cataloguing and negotiating supplies of medical devices. Choice and actual purchase of devices currently sits with DHBs and will continue to sit with Health NZ unless or until Pharmac is given funding responsibility (as it has for hospital medicines, for example).
- 59 I have received advice from the Ministry that transfer of medical devices assessment and procurement functions away from Pharmac at this time would involve financial risks, risks to public health and safety and risks of capability loss to the system. The Public Service Commission and the Health and Disability System Transition Unit are concerned about timing with the significant work to be done in transforming the system, including development of the Health Plan and bringing together the disparate financial, information and clinical systems currently being used across the DHBs. The

Health and Disability Commissioner is concerned about ability of a new agency with broad responsibilities to protect public safety in the absence of a regulatory scheme.

- 60 I recommend that Pharmac retains responsibility for procuring medical devices and that this responsibility is reviewed once the Therapeutic Products Bill has been implemented. I am expecting Pharmac to work closely with Health NZ and other entities as they start the important work towards consistent access and clinical standards across New Zealand, on choices and supply of medical devices that support best health outcomes. In this way the health sector and public can have confidence in product safety and quality and in financial management.
- 61 It may be appropriate to review responsibility for devices that are more in the nature of capital purchases at an earlier stage. Devices that involve significant capital costs need to be well understood and maintained and there may be advantages in full responsibility moving to Health NZ after its initial focus on leading development of and managing within its fully costed multi-year Health Plan. I will ask the Ministry to advise on the timing of such a review when it reports on implementation progress by June 2023.

Responsible use of medicines

- 62 The Panel has recommended that the function to promote the responsible use of medicines should not rest with Pharmac. I am advised that much work across agencies is underway to, for example, improve safety and quality in medicine use, to prevent development of antibiotic resistance and to improve accessibility, uptake and use of medicines for people who need them. While Pharmac is not and should not be responsible for all of this work, Pharmac does have an important role and levers, particularly through the Pharmaceutical Schedule and related activities, that are not available to other entities. Promoting responsible use of medicines is one contribution towards achieving the best outcomes from pharmaceuticals and should be retained and aligned with system strategies and collective quality improvement initiatives.

Proposed Government response

- 63 A proposed Government response is provided at attachment 4.
- 64 I am grateful for the assiduous and extensive efforts the Panel has taken to examine Pharmac's work, which is both highly technical and of enormous importance to New Zealanders. The Review rightly gave prominence to performance gains in areas of equity, Māori and consumer engagement and transparency for the public and the Government agrees that these areas, and many of the specific recommendations the Panel has made, will be important to address.
- 65 The Panel's suggestion that Pharmac narrow its focus to concentrate on assessment and procurement solely of medicines, though, raises risks of perverse outcomes. Pharmac does have broader expertise that can contribute to the whole system and how it works towards equity and health outcomes. I consider instead that Pharmac should work in closer collaboration with other entities on those functions.

Implementation

- 66 I will ask the Pharmac Board to give priority to pro-equity, pro-collaborative and pro-consumer improvements and to improving its engagement with and participation of Māori and upholding the Crown's obligations under te tiriti o Waitangi. Pharmac will report to me by the end of July on its initial plan to make the improvements highlighted by the Review, to be followed by a full plan in October.
- 67 I will ask the Ministry of Health to focus first on the strategies and policy statement required by the Pae Ora Bill. Additionally, I will ask the Ministry to:
- 67.1 continue to progress the Therapeutic Products Bill for introduction in the House this year
 - 67.2 strengthen how it monitors and promotes the individual and collective performance of health sector entities, including Pharmac, so as to secure better and more equitable health outcomes for New Zealanders and give effect to te tiriti o Waitangi
 - 67.3 lead a process to apply learnings from COVID-19 with a focus on health system supplies that contributes to the Government's priority supply chain resilience work being led by the Ministry of Foreign Affairs and Trade
 - 67.4 lead development of a rare disorders strategy as recommended by the Panel, so that the health sector as a whole can provide much better support for people with rare disorders
 - 67.5 lead development of an immunisation strategy (initially focused on COVID-19) and collective oversight mechanism to ensure responsiveness and achievement of immunisation outcomes across all health sector contributors;
 - 67.6 report to Cabinet on the progress of collective health sector implementation of the Government response by 30 June 2023.

Financial Implications

- 68 There are no financial implications from the proposals in this paper. It is likely that Pharmac will identify operational costs as it plans to accomplish the improvements identified. Costs that cannot be met by reprioritising within its baselines may be raised for future consideration.

Legislative Implications

- 69 There are no legislative implications from the proposals in this paper beyond those already being progressed via the Pae Ora Bill as reported back by the Pae Ora Committee.

Population Implications

- 70 The Panel's review sought to identify any changes needed to ensure that Pharmac is set up to maximise its contribution as part of the wider health system to equity and health outcomes for New Zealanders. In making recommendations for improvement in Pharmac's future performance, the Review and the Government response are

designed to provide better in the future for the population health needs of Māori, Pacific Peoples, disabled people and other population groups.

Human Rights

71 There are no human rights implications from the proposals in this paper.

Consultation

72 Pharmac, the Ministries of Foreign Affairs and Trade and Pacific Peoples, Te Puni Kōkiri, the Health and Disability, Health Quality and Safety and Public Service Commissions, the Office for Disability Issues, ACC, Te Aho o Te Kahu, the interim Health New Zealand and Māori Health Authority, the Public Health Agency Establishment Unit, Te Arawhiti, the Treasury and the Department of the Prime Minister and Cabinet have been consulted and provided input to this paper and the Government response statement.

Communications

73 I recommend that the Panel's report be released together with the Government's response statement and published on the Pharmac Review website.

Proactive Release

74 This Cabinet paper will be released in accordance with the normal processes with redactions as appropriate under the Official Information Act 1982.

Recommendations

The Minister of Health recommends that the Committee:

- 1 note that the Pharmac Review Panel has delivered its final report, concluding that Pharmac's work is important and that its performance should be improved, including its efforts to:
 - 1.1 secure equitable outcomes for all New Zealanders, especially for Māori, Pacific peoples and disabled people;
 - 1.2 engage with and promote participation and share in decision-making for Māori and honour te tiriti o Waitangi;
 - 1.3 make its processes, decisions and information it holds more open and accessible to the public, consumer groups and people needing accessible information;
 - 1.4 include consumer advice and lived experience in many aspects of its work and decision-making including for people with rare disorders;
 - 1.5 collaborate much more strongly with other health agencies to achieve more equitable health outcomes; and
 - 1.6 explain the highly technical work it does and the impacts it has on people's health, and to do this with equity of health outcomes clearly visible;

IN CONFIDENCE

- 2 note that the Pae Ora (Healthy Futures) Bill and associated health sector changes will provide for many of the changes the Panel has suggested;
- 3 note that the Panel's suggestion that Pharmac narrow its focus away from vaccines, medical devices and responsible use of medicines raises risks of perverse outcomes and that, instead, Pharmac should work more closely with other entities on those functions;
- 4 note that the Ministry of Health will report to me by August 2022 on development of an immunisation strategy (initially focused on COVID-19) and collective governance mechanism to ensure responsiveness and achievement of outcomes across all health sector contributors;
- 5 agree to the proposed Government response to the Pharmac Review Panel's report and recommendations;
- 6 agree that the Government response be released together with the Pharmac Review Panel's report; and
- 7 note that the Ministry of Health will report to Cabinet on the progress of collective health sector implementation of the Government response by 30 June 2023.

Authorised for lodgement

Hon Andrew Little

Minister of Health

Appendices

Attachment 1. Pharmac Review: Final Report February 2022

Attachment 2. Pharmac Review: Final Report: Executive Summary February 2022

Attachment 3. Pharmac Review Panel recommendations - summary of agency comments

Attachment 4. Government response to the independent review of Pharmac