

Government response to the independent review of Pharmac

June 2022

The Pharmac Review Panel has delivered its final report with findings and recommendations on its independent investigation of:

- how well Pharmac performs against its current objectives¹ and whether and how its performance against these could be improved; and
- 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 Government established the review to ensure that New Zealanders can have confidence that 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. Public consultation was a critically important part of the review so it would be informed by consumers, family and whānau perspectives and so the public can have confidence in its findings.

Summary of the Government's response

The Government welcomes the Panel's report and accepts its findings 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 Government welcomes the Panel's insights and Pharmac's commitment to improve.

As a result of this Review, Pharmac will have a much greater focus on improving the health of Māori, Pacific peoples, disabled people and other groups who do not yet share equitably in the benefits Pharmac provides. This will mean stronger relationships with Māori to honour te tiriti o Waitangi. It will mean Pharmac is more inclusive of people with health needs and explains its work more openly for the public. Pharmac will be working together with other health sector organisations on collective efforts to achieve better equity and health outcomes. All New Zealanders will be assured that Pharmac is working for them and their whānau and communities.

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.

The importance of the Panel's work

The Government is grateful for the Panel's assiduous and extensive efforts to examine Pharmac's work, much of it highly technical and of enormous importance to New Zealanders.

To have conducted the review during a pandemic while the health sector and our communities are under significant pressure is particularly noteworthy.

The Panel has engaged widely with many people, groups and organisations who are affected by Pharmac's work or who can potentially benefit from it. The Government acknowledges the extensive efforts the Panel has made to enable people to participate remotely and to include people with important perspectives for whom remote technologies are challenging.

This final report is especially timely as the Government progresses changes to the health sector and establishes new organisations Pharmac will work with. These changes come into effect from the beginning of July and will help Pharmac to make improvements that have been highlighted by the review.

The Panel's findings

The Panel has found that Pharmac performs an important role, that its model has delivered significant benefits and that there is little reason to believe that a move away from that model would achieve better prices.

The Panel has found that, based on the evidence it had available, Pharmac in all likelihood has contributed to inequitable health outcomes for Māori and Pacific peoples. Māori and Pacific peoples receive a lower share of subsidised medicines than would be expected, especially of new medicines funded over the last decade. Many factors outside Pharmac contribute to this low share, however Pharmac's decision processes do not give the due weight to equity considerations that is needed.

The Panel concludes that Pharmac's performance needs to improve so that it secures, for all New Zealanders, the best health outcomes that are reasonably achievable from pharmaceutical treatment and from within the amount of funding provided.

The Panel calls for Pharmac to increase substantially its efforts to:

- secure equitable outcomes for all New Zealanders, especially for Māori, Pacific peoples and disabled people
- engage with and promote participation and share in decision-making for Maori and honour te tiriti o Waitangi
- make its processes, decisions and information it holds more open and accessible to the public, consumer groups and people needing accessible information
- include consumer advice and lived experience in many aspects of its work and decision-making including for people with rare disorders
- collaborate much more strongly with other health agencies to achieve more equitable health outcomes, and

- 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.

Government response to the Panel's findings

The Government accepts the Panel's findings on how well Pharmac performs against its current objectives. 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".

The Panel has found, and the Government agrees, that Pharmac is doing an important job and that its performance needs to improve. Pharmac provides benefits for New Zealanders yet, to achieve its current objectives, these benefits need to be shared equitably; substantial improvements are needed to the contributions Pharmac makes to the health of Māori, Pacific peoples, disabled people and others. Securing better and more equitable outcomes for all New Zealanders is a key driver for the health sector changes the Government is making and will formalise through the Pae Ora (Healthy Futures) Bill.

Pharmac has confirmed that it accepts the Panel's findings and is determined to make the needed improvements. It has some work already underway, recognises there is considerably more to do and looks forward to working with other health sector organisations to make the strategic and operational changes that have been highlighted.

The Panel's recommendations

The panel has made 33 recommendations for changes intended to promote the required improvements. The 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 Government agrees with the improvements that are needed, and with the recommendations that will ensure Pharmac delivers on its role as a key partner in the health sector. Some of the panel's recommendations have been overtaken by events such as the wider health sector changes and there may now be better ways for the panel's desired changes to be achieved.

Governance and accountability recommendations

The Pae Ora (Healthy Futures) Bill brings in many of the Panel's legislative recommendations and sets expectations for health entities, including Pharmac, to make many of the directional changes sought by the Panel. The Bill sets up a new architecture and set of instruments that will mean all health entities will be working together to protect, promote and improve the health of all New Zealanders and achieve equity in health outcomes across our population groups.

Under the Pae Ora Bill, Pharmac, like all health entities, will uphold the full set of health sector principles and act in accordance with a Health Charter that embeds those principles, and a code for consumer and whanau engagement. Pharmac will act collectively with other health entities to give effect to Government strategies and priorities and on developing and working towards a multi-year Health Plan. Pharmac will work with the Māori Health Authority to engage with Māori and with iwi-

Māori relationship boards, and will collaborate to achieve equitable health outcomes for Māori and other population groups and address the wider determinants of health outcomes.

Under the Pae Ora Bill, Pharmac will be moving towards greater consumer participation in its work and more open and accessible engagement for people with a range of health needs and abilities. The Pharmac Board will continue to ensure a consumer advisory committee provides input and put in place a range of other measures for participation and providing more information, more easily understood, for interest groups and the public.

Also under the Pae Ora Bill, Pharmac's functions such as maintaining the schedule of pharmaceuticals will be undertaken in greater collaboration with other health entities and in alignment with the strategies required by the Bill and the enhanced performance monitoring that is being put in place. The strategies required by the Bill will provide strong guidance for Pharmac and other health entities on the equity and health outcomes to be achieved and the key directions for action to achieve them. This strong guidance will be broader, and more important in shaping how Pharmac works with other entities to improve New Zealanders' health, than a medicines strategy could be. The current Medicines Strategy continues to have a useful role in development of wider health services; it may be reviewed in future once the new therapeutic products regulatory scheme is in operation.

Pharmac has some unique abilities to influence better use of pharmaceuticals and the Government intends for these abilities to be maintained. For example, Pharmac cannot achieve responsible use of medicines alone but needs to take some actions that promote responsible use of medicines in order to achieve its objectives.

The Government has asked the public service across all sectors to reflect on what we have learnt during the pandemic, and what we can improve as we recover and prepare for future emergencies. Strengthening resilience of New Zealand's supply chains is one such area and Pharmac will be contributing along with the Ministry of Health and Health New Zealand to this work.

Decision-making recommendations

The Minister of Health is directing Pharmac to give high priority to considering equitable outcomes in its decision-making processes, and to further develop its analytical frameworks and tools to include distributional analysis and support achieving more equitable outcomes; and to report on the impacts its work, including its collective work with other agencies, has on improving equity and health outcomes.

Cancer medicines recommendations

The Government agrees with the Panel's recommendations that cancer pharmaceuticals should, by and large, be considered in the same ways as are other pharmaceuticals and that equitable access should be promoted. The Government notes that there will be important unique characteristics to be considered both for some cancer and some other pharmaceuticals, and that suitability and equitable outcomes are important. Pharmac is currently reviewing suitability of the child cancer treatments pathway, for example.

Rare disorders recommendations

The Government agrees that more can be done to improve the lives of people with rare disorders and to make it easier for people, practitioners and organisations to get the information and support that would help. The Minister of Health has asked the Ministry to lead development of a strategy that will lead to better, more timely services and more equitable support and outcomes for people and whānau with rare disorders.

The Government also notes that many of the Panel's recommendations for rare disorders are aligned with changes being brought in through the Pae Ora Bill. Pharmac is already starting to implement many of the changes sought.

Vaccines recommendations

Achieving good immunisation outcomes across all of our communities is vitally important to New Zealanders' health. The Government considers that there is little to be gained in splitting up functions as the Panel suggested. Better gains will be achieved with the sector working together. The Ministry, Public Health Agency and Pharmac will agree on a robust strategy for immunisation outcomes and the key vaccine decisions involved. Pharmac will use its purchasing skills to deliver the vaccines needed to protect New Zealanders, being responsive to needs of those involved in providing immunisation. All entities need to work together to achieve good and equitable immunisation outcomes in keeping with the high priority New Zealand has for preventing disease and improving health for all of our communities.

Medical devices recommendations

The Government does not agree that Pharmac's responsibility for pharmaceutical devices should be transferred to Health New Zealand at this stage, while Health NZ is being established. There is much to be done by the new entities without adding to that work, and a number of benefits to the public in Pharmac continuing to hold this responsibility.

Until new therapeutic products legislation is in effect, Pharmac's safety and quality assessments are important across these products, and particularly for the increasing numbers of personalised and biologic devices. A number of devices are listed on the Pharmaceutical Schedule and funded for community use; it is probable that this will continue and expand in future.

The Government may review device procurement responsibilities in time. There are many different types of devices. While a full review will wait until the Therapeutic Products Bill is implemented and regulation for devices is in place, responsibility for large devices involving significant capital outlay may be considered earlier. For now, the Minister of Health has asked Pharmac to continue to work closely with Health NZ as it works to promote consistency in health services across New Zealand.

Responsible use recommendation

The Government agrees that Pharmac's pharmaceutical assessments should take an equity approach and also notes that Pharmac promotes responsible use of medicines in ways that are not open to other entities and that should continue. Examples include placing restrictions on antibiotic use to help prevent development of resistance, or on products in short supply to make sure they are available for the people who need them most.



June 2022

HP 8180