

Pharmaceutical Management Agency

# Statement of Intent

2017/18 - 2020/21

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**Stuart McLauchlan**

Chair  
26 May 2017

**Prof Jens Mueller**

Board Member  
26 May 2017

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**PHARMAC is a critical part of the health system. Almost every New Zealander will be prescribed a medicine we fund, or receive a service involving a medical device, at some stage in their lives. For a quarter of a century we've been making responsible choices about what medicines to fund, and more recently what medical devices to contract.**

## INTRODUCTION

In 2018, PHARMAC will celebrate its 25-year anniversary. Since 1993, we've achieved significant value for the health system. Beyond community medicines, our role has expanded in recent years to include funding for cancer medicines, vaccines and haemophilia treatments. We now also make decisions about medicines and medical devices used in hospitals.

Looking ahead, we will maintain our relentless focus on funding new clinically effective and good value medicines, and providing value to District Health Boards (DHBs) on hospital medicines and medical devices.

PHARMAC works closely with other health agencies to ensure New Zealanders benefit from a high performing health system. Our Performance Framework on page 7 outlines the work we do every day to ensure New Zealanders live longer and healthier lives.

We want to further enhance the value we provide New Zealanders and have developed three bold goals to deliver even better health outcomes by 2025. These goals also contribute to the New Zealand Health Strategy. You can read more about this on page 14.

The health system is dynamic and the environment is constantly evolving. There are exciting opportunities ahead, as well as some challenges we expect to face. We are focussed on building our readiness and strengthening performance for ongoing success. We'll need to continue to be adaptable, transparent and efficient in an ever-changing environment, while maintaining New Zealanders' trust and confidence in our decision making as a critical part of the health system.

**Stuart McLauchlan**  
Board Chair





# Who we are

.....sentence - 1.....

PHARMAC decides which medicines to publicly fund  
in the community and which medicines and medical  
devices hospitals use to ensure New Zealanders live  
longer and healthier lives.

## OUR ROLE

PHARMAC helps New Zealanders live healthier and longer lives by making responsible choices about which medicines are publicly funded in the community, which medicines are used in public hospitals and which hospital medical devices can be under national contracts.

We manage a fixed budget called the Combined Pharmaceutical Budget (CPB). Within this, we manage and make funding decisions for:

- medicines and some medical devices used in the community;
- vaccines;
- cancer medicines; and
- haemophilia treatments.

PHARMAC also has a large and expanding role in DHB hospitals. We make decisions on the funding of all medicines used in hospitals, and we negotiate national contracts for hospital medical devices. In the future, we will manage budgets for hospital medicines and medical devices but for now, we are working towards this in a carefully planned way.

PHARMAC's legislative objective is "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".

We work to get the best health outcomes from our budget by focusing on improving:

- The range and value of publicly-funded medicines and devices
- The level of patient access to funded products
- How we work with others for the good of the health system
- The implementation of decisions to support health professionals and consumers
- The quality of prescribing and patient use of funded products
- The quality and usefulness of relevant research

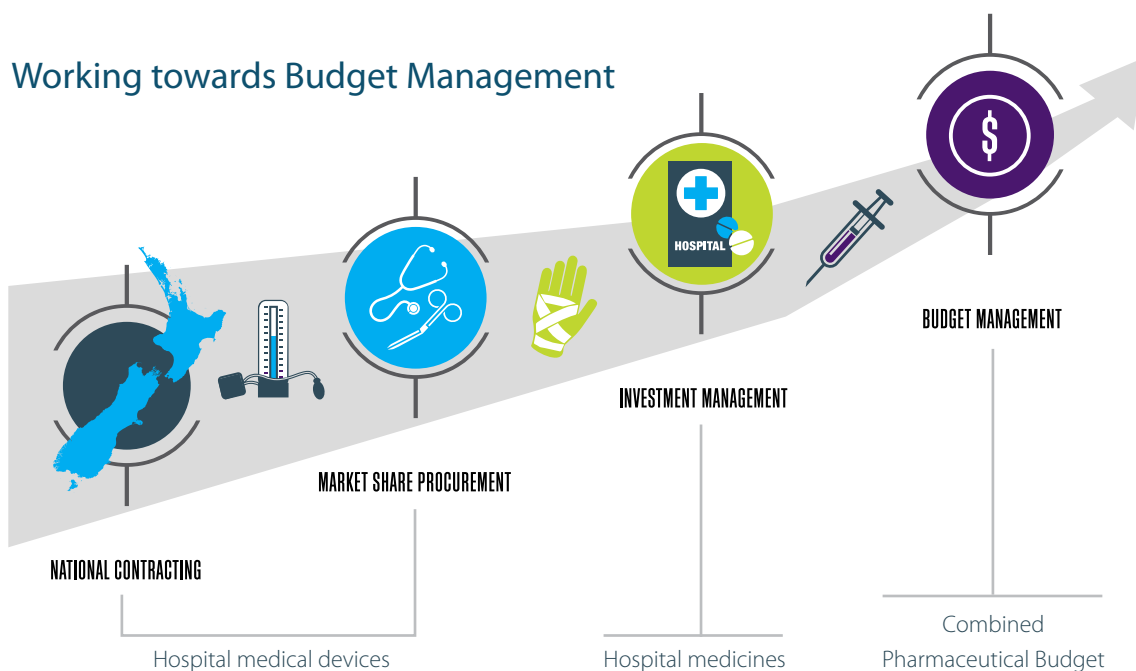
We make decisions by applying our Factors for Consideration – the wide range of factors that New Zealanders have told us are relevant to making funding choices. We think carefully about health need; the health benefits of medicines; their suitability; and costs and savings. We also consider the pros and cons of funding choices for

1. people who may benefit from treatment;
2. their family/whānau and wider society; and
3. the wider health system.



<sup>1</sup> New Zealand Public Health and Disability Act 2000. In addition, PHARMAC's activity is guided by the Crown Entities Act 2004, and current Government expectations, as outlined in Ministers' Letters of Expectations (as set out in the accompanying Statements of Performance Expectations).

## Working towards Budget Management



## THE FOLLOWING FUNCTIONS HELP US TO ACHIEVE OUR OBJECTIVE:

### Maintain and manage the Pharmaceutical Schedule

The Schedule lists all the medicines and therapeutic products that are publicly funded for use in the community and in hospitals, as well as the contracts and agreements for some hospital medical devices. PHARMAC decides which products to list, and in some instances manages supply. The Schedule helps to achieve national consistency - so prescribers and patients can access the same medicines and medical devices no matter where they live.

### Provide subsidies for patients in exceptional circumstances when a pharmaceutical isn't listed in the Schedule

PHARMAC manages the process and makes decisions on funding unlisted treatments for individuals in Exceptional Circumstances (under the Named Patient Pharmaceutical Assessment policy).

### Promote the responsible use of medicines

PHARMAC works with health care professionals and consumers to ensure medicines are not overused, underused or misused. We have a range of education, information, decision support tools and seminars to help promote and support optimal use of medicines.

### Engage in research as appropriate

Within our operational budget, we undertake and commission research that helps us to achieve our objective.



# How we make a difference

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Our work is critical to the health system's goal of ensuring all New Zealanders live well, stay well, get well.



## OUR PERFORMANCE FRAMEWORK

Our mission is to ensure the best health outcomes from New Zealand's investment in medicines and medical devices. The performance framework below shows what we do and the impact of our work. The impacts link to our three output classes, which can be

found in our Statement of Performance Expectations. The Strategy also lines up with the overall objective of the New Zealand Health Strategy- our work is critical to the health system's goal of ensuring all New Zealanders live well, stay well, get well.

HEALTH SYSTEM GOAL	ALL NEW ZEALANDERS LIVE WELL, STAY WELL, GET WELL			
OUR MISSION	Best health outcomes from New Zealand's investment in medicines and medical devices			
OUR GOALS BY 2025	Eliminate inequities in access to medicines	Generate \$ 1 billion of savings from medical device management to reinvest in health outcomes for New Zealanders.	Create systems that enable the best investment choices to be implemented across all PHARMAC activities	
THE IMPACT OF OUR WORK	<b>Increased access to effective medicines and medical devices</b> Savings are created to reinvest New medicines and medical devices are funded that are clinically effective and good value Funding and any access criteria are targeted to achieve the best health outcomes		<b>Available when needed</b> Funded products are available to people when and where needed	<b>Used optimally</b> Patients have improved outcomes from medicines and medical devices being prescribed, dispensed, accessed and used optimally <b>In a high performing system</b> Ongoing improvement in the design and operation of the health system, including how the system works together
WHAT WE DO	<b>Make choices and manage expenditure</b> <div> <div> <b>Community</b>           Manage the list of funded medicines and related products by ensuring total expenditure is within a fixed budget         </div> <div> <b>Hospital</b>           Decide on new medicines within available funding             Decide on contract arrangements and usage across all DHBs         </div> </div> <div> <b>Exceptional circumstances</b>            Decide on funding of treatment for people in exceptional circumstances         </div> Decide and monitor rules, or criteria for access to specific products and distribution arrangements		<b>Manage product supply</b> Use contracting methods and other mechanisms to ensure continued supply Monitor the continuity of supply of funded medicines and medical devices	<b>Support good decisions and actions</b> Inform and support health professionals and consumers on the use of medicines and medical devices <b>Contribute to a high performing system</b> Work with stakeholders to help ensure the health system is well-designed and well-coordinated
OUR APPROACH	We make responsible choices for New Zealand resulting from: <ul style="list-style-type: none"> <li>robust assessment and prioritisation</li> <li>advice from an extensive network of clinical experts</li> <li>wide-ranging stakeholder engagement and consultation</li> <li>purchasing strategies to promote competition between suppliers</li> </ul>			

# Measuring our performance

## IMPACT AREA 1:

## INCREASED ACCESS TO EFFECTIVE MEDICINES AND MEDICAL DEVICES

### Why this is important

Funding more clinically effective and good value medicines and medical devices helps New Zealanders to live longer and healthier lives. PHARMAC creates savings from funded medicines so we can purchase more medicines, or allow more people to benefit from existing funded medicines. We also make decisions about the access criteria to some funded medicines - so that within the funding available the right people benefit from the medicines they need and best health outcomes are achieved.

### How we will get there:

- For community – manage the list of funded medicines and related products by ensuring total expenditure is within the fixed budget
- In hospitals – decide on new medicines within available funding, and decide on contract arrangements and usage for medical devices across all DHBs
- Decide and monitor rules, or criteria for access to specific products and distribution arrangements
- Decide on funding medicines for people in exceptional circumstances

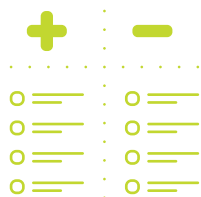
### How will we measure our success?

MEASURES	RATIONALE
The price paid for medicines and related products in the CPB, reduces in real terms over time, while access to them increases.	In managing the CPB we want to, in effect, get 'more for less'. We are always aiming to increase people's access to clinically effective, good value medicines by reducing prices. We will demonstrate this with a Price Volume Mix graph (PVM).
The number of New Zealanders receiving funded medicines increases.	We want to see an increase in the number of New Zealanders receiving funded medicines. This measure would help to reflect the success of our work in: <ul style="list-style-type: none"><li>• funding more medicines,</li><li>• removing or widening clinical access criteria so more people can get funded medicines; and</li><li>• reducing inequities in access to medicines.</li></ul>
Total value and total number of hospital medical devices under contract increases.	As we progress our work in hospital medical devices (for which we entered into our first contracts in February 2014) we expect to see an increase in the number of devices that we've secured contracts for. We also track our progress through the value of the contracts we've negotiated – demonstrating the extent of our work. This measure shows the growth of PHARMAC's medical devices work programme (and links to our second bold goal).
The average value of our funding decisions is higher than the average value of all investment proposals.	To get the best health outcomes – our overarching objective – we need to decide which funding applications represent the best health outcomes for us to progress and implement. This fundamentally relates to making the best of all choices available to us in any year. Combined with the integrity of our application process, including priority recommendations from PTAC, this measure helps us prove that the best choices were made.

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## OUR APPROACH

We make responsible choices for New Zealand resulting from:



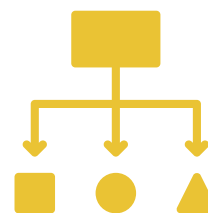
**ROBUST ASSESSMENT  
AND PRIORITISATION**



**ADVICE FROM AN  
EXTENSIVE NETWORK  
OF CLINICAL EXPERTS**



**WIDE-RANGING  
STAKEHOLDER  
ENGAGEMENT AND  
CONSULTATION**



**PURCHASING  
STRATEGIES TO  
PROMOTE COMPETITION  
BETWEEN SUPPLIERS**

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## IMPACT AREA 2: FUNDED MEDICINES AND MEDICAL DEVICES ARE AVAILABLE WHEN NEEDED

### Why this is important

Continued availability of funded products is critical to the efficient running of the health system- people need surety that funded products are available when and where they are needed.

### How we will get there:

- Use contracting methods and other mechanisms to ensure continued supply
- Monitor the continuity of supply of funded medicines and medical devices

### How will we measure our success?

MEASURES	RATIONALE
No supply situations result in patients losing access to a suitable funded medicine that they need.	Supply issues arise for a variety of different, and often uncontrollable reasons. We undertake a considerable amount of work to monitor and manage potential stock outages, such as sole-provider contracts, stock management tools and sourcing suitable alternatives. We do not want any situations where New Zealanders are without access to medicines they need.

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## IMPACT AREA 3:

### MEDICINES AND MEDICAL DEVICES ARE USED OPTIMALLY

#### Why this is important

The debate about access to medicines is often focused on new medicines. But getting the best out of what's already in the medicines 'toolbox' is just as important. Patients will have improved health outcomes when medicines and medical devices are prescribed, dispensed, accessed and used optimally.

PHARMAC helps ensure medicines and hospital medical devices are used in the most responsible way so that they are used when they are needed, and not under or over used. This includes a focus on optimal prescribing, dispensing, access and the way people use them.

Sometimes, an investment decision we make might mean that a new group of health professionals can prescribe funded products. Supporting new prescribers is important in ensuring the optimal use of the products as well as improving access so that more New Zealanders can get the healthcare they need.

#### How we will get there:

- Inform and support health professionals and consumers on the use of medicines and medical devices.



#### How will we measure our success?

MEASURES	RATIONALE
The objectives of PHARMAC's projects to improve the optimal use of medicines, are met.	We want to demonstrate that the information and education activities we undertake have a positive effect on the optimal use of pharmaceuticals.
Undertake research to identify medicines with gaps in equitable access and then develop targeted programmes to address these gaps.	This measure relates to our goal of eliminating inequities in access to medicines. The first step in us working towards this goal is identifying what particular medicines have access inequities, and for which groups of people. We will then be able to develop specific programmes to address and eliminate these inequities. Partnership with other health sector agencies will be essential.

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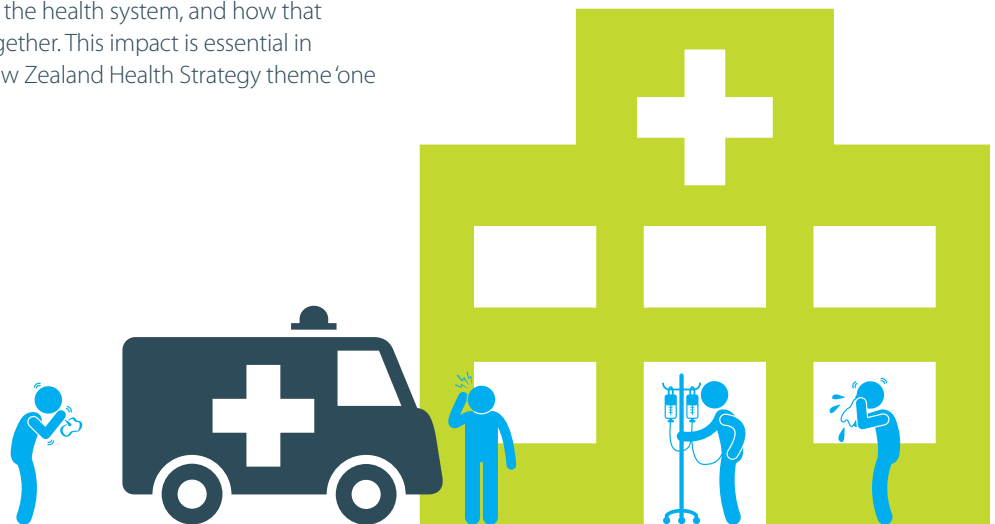
## IMPACT AREA 4: IN A HIGH-PERFORMING HEALTH SYSTEM

### Why this is important

PHARMAC works closely with many people in the health system towards the same end goal- that New Zealanders live well, stay well and get well. We are focused on the ongoing improvement in the design and operation of the health system, and how that system works together. This impact is essential in achieving the New Zealand Health Strategy theme 'one team'.

### How we will get there:

- Work with stakeholders to help ensure the health system is well-designed and well-coordinated.



### How will we measure our success?

MEASURES	RATIONALE
There is an improved perception by health sector agencies that PHARMAC works with.	An effective and joined up health system relies on strong engagement and collaboration. We want to understand whether we are working effectively with stakeholders, so that we can continue to improve our contribution.





# Our strategy

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By looking ahead and adopting goals and strategies, we can plan to maximise our effectiveness in the future - and the health outcomes achieved for New Zealanders.

# OUR BOLD GOALS

To guide our work ahead, we have adopted three bold goals that, if achieved, would mark a major change in our effectiveness and health outcomes for New Zealanders. The goals are ambitious, and they push past our everyday work to challenge us to deliver the very best we can for New Zealand. Each goal will be a significant challenge. We've aimed high knowing that progress along the way will also have substantial benefits for New Zealanders.

The goals that we're working towards by 2025, are:

## 1 Eliminate inequities in access to a selection of medicines.



Some people, and groups of people, in our community face barriers to good health care. We need to do more to focus on these people and groups. We want to prove that inequities in access to medicines can be eliminated. We will focus on particular medicines and how they are accessed. We can't achieve this bold goal alone – it will require committed collaboration with others across the health system.

## 2 Generate \$1 billion of savings from medical device management to reinvest in health outcomes for New Zealanders.



This is the newest area of our work, with high potential to free up funding for other health and government services while still meeting patient needs. To date, we have secured savings for DHBs of around \$37 million. Reaching \$1 billion of savings is a bold target – it took about 25 years to achieve that level for medicines – but well worth pursuing given the importance of ensuring government funding is spent as effectively as possible.

## 3 Create systems that enable the best investment choices to be implemented across all PHARMAC activities.



Longer-term, the ability to make the best possible investment decisions across all the different roles we have, would generate the best health outcomes for New Zealand. There are a number of analytical, process and system design issues to consider – but well worth considering to generate more value from government funding of PHARMAC's work.

These new goals are ambitious and their achievement will require significant collaboration with a wide range of stakeholders. The goals are set for 2025. Further activity is needed to develop work programmes and set interim targets for ongoing progress towards the goals.

## Our future environment

Before adopting our goals (and our enabling strategies discussed below), we carefully considered the challenges and opportunities that lie ahead. A range of important things stand out that PHARMAC will need to give ongoing focus;

- *the importance of the New Zealand Health Strategy* – We want to ensure PHARMAC's work and strategy supports the overall goals of the health system (as shown in our strategy diagram on page 14).
- *the importance of our support for, and close connections with, DHBs* – We cannot do the work that we do, and have the impacts we have, without the partnerships we have with DHBs. We are guided by a Memorandum of Understanding with 20 DHBs and work closely across all levels of DHBs from staff to clinicians to senior leadership.
- *growing demands for exemplary collaboration and engagement* – We must constantly improve our processes to ensure that there is an appropriate level of openness and transparency in all that we do, and look for ways to improve how we work with and communicate to others.
- *the emergence of new health technologies, including 'personalised medicines'* – The PHARMAC model is well-suited to evaluating and prioritising new health technologies. We need to closely monitor health technology developments and conduct robust assessments for New Zealand as quickly as we practically can.
- *increasing focus on the importance of health equity* – PHARMAC needs to understand this issue more deeply and we will need to work with our health sector partners, other Government agencies and stakeholders to address it together.
- *important changes elsewhere in the system with impacts for our work* – In the coming four years, there will be system changes affecting our work, including service shifts and new regulation that will replace the Medicines Act 1981.

## Our enabling strategies

Mindful of these challenges and opportunities ahead, we have adopted the following enabling strategies to give us the best chance possible to achieve our bold goals (see the strategy diagram on page 14 for further explanation of these strategies):

- investment in our capability to generate better outcome information and insights;
- relentless focus on delivering reliable results, whilst avoiding undue system impacts;
- new approaches to delivering funding benefits to patients; and
- redevelopment of core systems for technology assessment and implementation of decisions.

# Strategy by 2025



## VISION

Critical to the health system delivering better health for all New Zealanders

## MISSION

Best health outcomes from New Zealand's investment in medicines and medical devices

## CORE COMPETENCY

The distillation of diverse information to make and implement difficult choices



## GOALS

Eliminate inequities in access to medicines

Generate \$ 1 billion of savings from medical device management to reinvest in health outcomes for New Zealanders

Create systems that enable the best investment choices to be implemented across all PHARMAC activities



## ENABLING STRATEGIES

### IN ORDER TO ACHIEVE OUR VISION AND GOALS, WE WILL NEED ...

... investment in our capability to generate better outcome information and insights

To demonstrate our impact and delivery of great health outcomes through the funding choices we make, and the equitable access that is provided, we have to be able to monitor outcomes. This is an enhancement to our core competency, and will create future opportunities to engage, inform and equip others in the health system to better deliver for patients' needs.

... relentless focus on delivering reliable results, whilst avoiding undue system impacts

A health system that delivers great results for patients needs a reliable partner that earns the confidence of stakeholders and patients. "On or under budget every time" is essential to the system as a whole delivering the best outcomes for patients. We need to increase our integration with DHBs and the wider health system to understand sectoral issues and minimise adverse impacts.

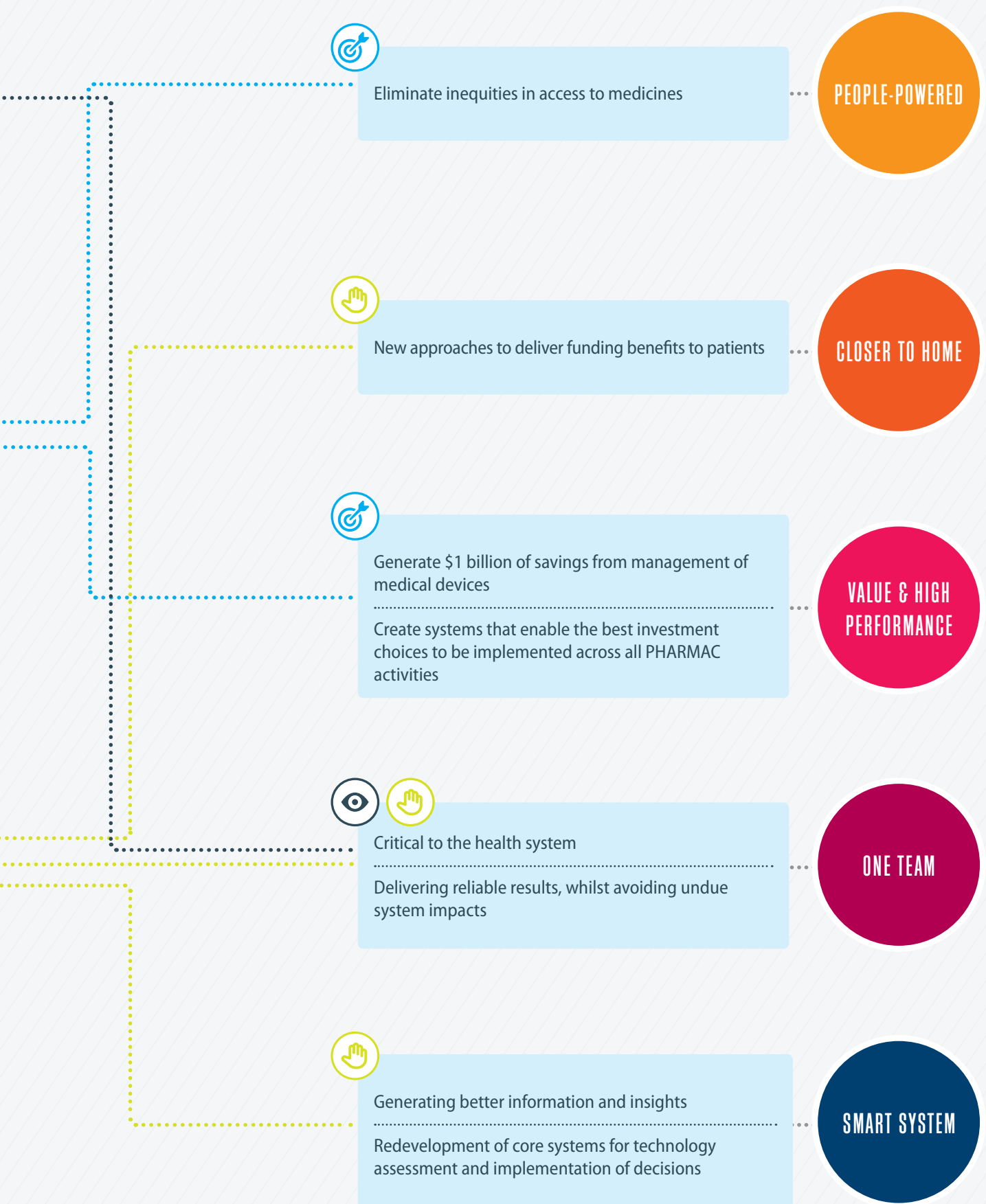
... new approaches to delivering funding benefits to patients

The current delivery models for pharmaceutical subsidies and products will need to be adapted to ensure they deliver to the varying needs of people. Health gains and equity can only be achieved if the pathway to accessing the benefits of the PHARMAC model is smooth and tailored. Our work will be informed by Te Whaioranga (our Māori Responsiveness Strategy) and our Pacific Responsiveness Strategy.

... redevelopment of core systems for technology assessment and implementation of decisions

Sound evidence evaluation, and the delivery of benefits through independent decisions, are essential. We will need to develop new processes and systems to replace or supplement our existing practices, in order to meet the challenges of increasing scope and a changing environment.

# New Zealand Health Strategy





## Who we work with

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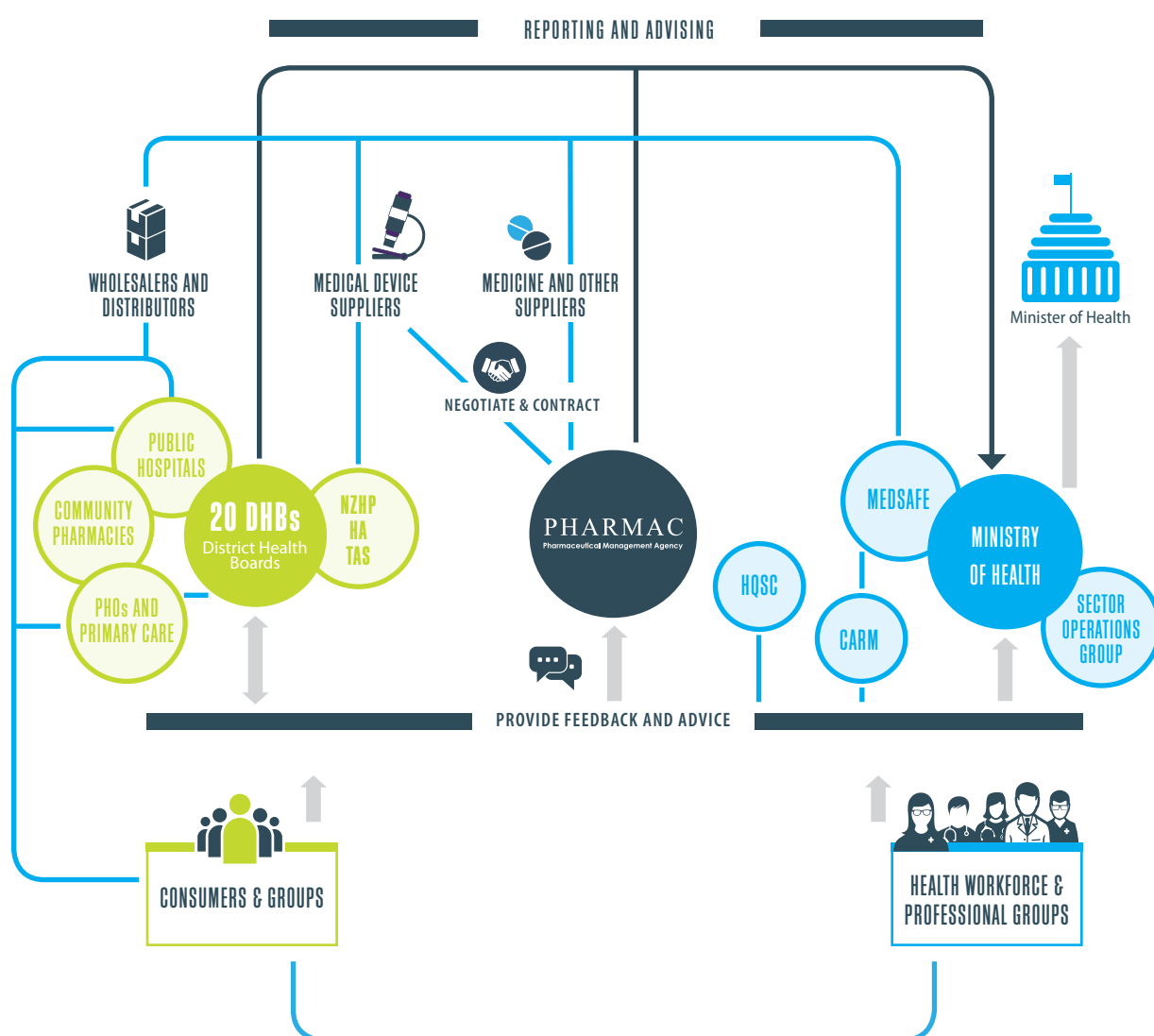
Our effectiveness significantly depends on how we work with others in the health system and how we respond to feedback. Working cohesively also helps to ensure ongoing improvement in the design and operation of the health system so we can achieve the system goal of people living well, staying well and getting well.



The diagram below shows the extent of our engagement across the health system. PHARMAC is committed to building stakeholder relationships that are effective and help achieve our outcomes.

The health system is complex, and it is only through deep and long-lasting relationships with our partners that we can together achieve longer and healthier lives for New Zealanders.

## Our engagement across the health system



New Zealand Health Partnerships (NZHP)  
 healthAlliance (hA)  
 Central Region's Technical Advisory Services (TAS)  
 Health Quality and Safety Commission (HQSC)  
 Centre for Adverse Reactions Monitoring (CARM)



## Our capability

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We have a strong focus on building capability to enhance current work and ensure PHARMAC is well-prepared for future challenges.

Like any organisation, we need a wide range of capability to be effective at what we do. By having a strong focus on our organisation capability, and projects and initiatives to improve it, we can keep enhancing PHARMAC's performance and resilience.

Our staff are our biggest asset, working across a wide range of roles that are central to making and implementing high-quality decisions. We have a strong focus on being a good employer and providing an attractive and supportive working environment. This includes ensuring equal employment opportunities; being supportive of people identifying as LGBTIQ; providing a safe working environment; running professional recruitment processes; offering fair remuneration; careful design of organisation structure and roles; and prevention of bullying and harassment. We also work hard at encouraging personal leadership and professional development at all levels, and on continuing to enhance an organisation culture that supports high performance and strong stakeholder relationships. These important matters are further discussed in our Annual Report.

Other key capabilities for PHARMAC include:

- **Effective governance** – A Governance Manual guides the Board's operations and sets out legal obligations, relevant procedures and the delegations framework for PHARMAC's decision making.
- **Stakeholder relationships** – PHARMAC places high value on stakeholder relationships, both to understand stakeholder views and ensure a good understanding of PHARMAC's work.
- **Deep skills in critical appraisal and evidence-based medicine** – These skills are central to our work. In addition to ongoing growth in these skills, we monitor international developments in evidence-based medicine. We also support PHARMAC's expert clinical advisory committees and benefit greatly from their knowledge and advice.
- **Systems for procurement and contracting** – In addition to ongoing development of negotiation and contract skills, we have a well-developed set of purchasing strategies and tools and systems to support procurement and contracting work.

- **Policies and procedures** – PHARMAC has in place a wide set of corporate and operational policies and procedures to guide our work, including to ensure probity and integrity across PHARMAC's operations. Policies and procedures are regularly reviewed. Operating policies and procedures are also published and consulted on when appropriate.
- **Cultural responsiveness** – As part of being a great Te Tiriti partner with Māori, we have a long-running and successful Māori responsiveness strategy (Te Whaioranga). We have also recently adopted a responsiveness strategy for Pacific peoples.
  - o **Te Whaioranga** – We build our internal capability to participate in Te Ao Māori and work closely with Māori communities to help address their access to, and use of medicines. Our Māori responsiveness strategy has guided our contributions to Māori health over the last 16 years.
  - o **Pacific Responsiveness Strategy** – In 2017, following extensive engagement with Pacific communities, we launched this strategy to provide direction and a framework for PHARMAC to further improve the health of Pacific peoples.
- **Risk management** – Our work is sometimes contentious and our commercial activity necessitates effective management of risk. We operate a risk management framework with a regular focus on risks and their management by both management and the Board.

If you are interested in working for PHARMAC  
please register on our careers site  
[www.careers.pharmac.govt.nz](http://www.careers.pharmac.govt.nz)

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