

Hon Dr Ayesha Verrall

Minister of Health
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Hon Steve Maharey
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Tēnā koe Steve

Letter of Expectations 2023/24 for Pharmac | Te Pātaka Whaioranga

As Minister of Health, and your shareholding Minister, I want to thank you for your commitment over the past year to delivering your agreed objectives during a period of significant change in the health system. This letter sets out my expectations to you as Chair for your organisation for 2023/24.

I am confident that Pharmac will deliver on these expectations as part of the reformed health system. The roles, functions, and performance expectations of your entity are reconfirmed under the Pae Ora (Healthy Futures) Act 2022. I expect you to continue to maintain and improve your good performance of those functions, in keeping with the aspirations of the reforms. You have an important role to support the health system to meet the obligations under Te Tiriti o Waitangi, achieve equitable health outcomes, be accessible, cohesive and whānau-centred. Approaches that are focused on quality, learning and continuous improvement will support improved health outcomes.

My current priorities are to support and develop the health workforce, address ongoing planned care challenges and plan for winter resilience. I note that Pharmac's role in vaccines is a key part of the winter response. I also want to focus on bedding in the health reforms.

While Te Whatu Ora and Te Aka Whai Ora are primarily responsible for the interim Government Policy Statement (iGPS), Pharmac should also consider how it can contribute to the iGPS priorities of:

1. achieving equity in health outcomes
2. embedding Te Tiriti o Waitangi across the health sector
3. keeping people well in their communities
4. developing the health workforce of the future
5. ensuring a financially sustainable health sector
6. laying the foundations for the ongoing success of the health sector.

Further detail is available on the iGPS at: www.health.govt.nz/publication/interim-government-policy-statement-health-2022-2024

The Government has finalised its response to the independent review of Pharmac in June 2022. Thank you for beginning to address the actions outlined in the Government response to the review. Advancing these actions will contribute to meeting our collective aims in

achieving Pae Ora as per the Act. I understand you are working in close collaboration with Manatū Hauora, and the sector, to continue the actions from the response. I look forward to further progress on the work you have already started, as well as the inclusion in your Statement of Intent (see below) of longer-term strategic actions to address the review.

It will be important for you to think about the valuable insights into wider system performance that your organisation could provide. In the spirit of the reforms, I expect you to identify and pursue any opportunities to work collaboratively and collectively with other entities where this will result in health gains. It will be important to monitor the efficiency of the health system following the reforms.

I expect that your reporting, and the monitoring undertaken by Manatū Hauora, will enable me to assess both the performance of your entity, and how you are contributing and collaborating with others towards overall system performance. Manatū Hauora will engage with you further on the proposed approach to monitoring collective and system performance as work in these areas develops.

The free flow of information between parties is a core principle of monitoring that I expect both your organisation and Manatū Hauora to follow. It is critical that the advice I receive from Manatū Hauora about your Board and entity's performance is well informed. Please continue collaborating and sharing information with Manatū Hauora so that it has the information it needs to assess your financial and non-financial performance.

As part of that sharing of information, I am requesting that you now provide copies of Board meeting agendas, minutes, and associated papers as agreed, with Manatū Hauora. This will ensure Manatū Hauora, as my agent, has an understanding of the quality of information the Board is receiving and can see how risks are effectively identified, managed, and reported to the Board. This requirement will be reflected in your 2023/24 Output Agreement.

As you will be aware, for the first time, Budget 22 provided 2 years (2022/23 and 2023/24) of funding for Vote Health. From Budget 24 onwards, future health budgets will move to three-year funding cycles. Multi-year health budgets are fixed. What this means is that there will not be a Budget 23 process for new spending initiatives or new cost pressures for Vote Health.

However, I can confirm that you will receive cost pressure funding in 2023/24 to address current and future Vote Health cost pressures as this was agreed and announced through Budget 22. The quantum of funding you will receive will be confirmed in May 2023, and it is likely to be based upon a similar uplift to your baseline funding as was received through Budget 22. I trust that you will prioritise this funding towards addressing your key budget pressures.

Manatū Hauora is now developing its work programme for Budget 24 to ensure that the health system is well placed to take advantage of the first three-year budget. To inform this planning, please continue to raise any current or future financial pressures you may face with Manatū Hauora. Further guidance on Budget 24 processes will be made available to you closer to the time. Given the Government's shift to multi-year budgets, you should focus on strengthening your longer-term financial planning and forecasting.

The code of expectations for health entities' engagement with consumers and whānau was approved in August 2022. The Pae Ora (Healthy Futures) Act requires you to act in accordance with the code when engaging with consumers and whānau, it also requires you

to report annually on how you have given effect to the code. I look forward to seeing your progress in this area, including how you have embedded Te Tiriti into your engagement.

Pharmac-specific expectations

In 2022/23 you began to manage the appropriation for the national purchasing of pharmaceuticals. I understand that management of the new appropriation and reporting against it is complex. I expect you to continue to work with Manatū Hauora and Te Whatu Ora to refine reporting and monitoring of this important budget.

Thank you for your work in advising on purchasing and access decisions to support the outcomes of the COVID-19 immunisation programme and to secure the supply of COVID-19 treatments. I expect you to continue to work closely with the cross-agency immunisation steering group and sector to ensure our COVID-19 response remains appropriate for our emerging needs and changing priorities.

We have now reached the point in the accountability cycle where your Statement of Intent needs to be refreshed. Accordingly, I ask you to provide a draft Statement of Intent for the period 2023/24 to 2026/27, alongside a Statement of Performance Expectations for 2023/24.

Drafts of both documents should be provided to Manatū Hauora no later than 30 April 2023 in line with the requirements of the Crown Entities Act.

Thank you for your dedication to working together to support our reformed health system in meeting its goals.

Ngā mihi nui



Hon Dr Ayesha Verrall
Minister of Health

cc Ms Sarah Fitt, Chief Executive, Pharmac | Te Pātaka Whaioranga