

Aide-Mémoire

Meetings with Pharmac on 23 January 2024

Date due to MO:	19 January 2024	Action required by:	N/A
Security level:	BUDGET SENSITIVE	Health Report number:	H2023034530
To:	Hon Dr Shane Reti, Minister of Health		
Copy to:	Hon David Seymour, Associate Minister of Health		
Consulted:	Health New Zealand: <input type="checkbox"/> Māori Health Authority: <input type="checkbox"/>		

Contact for telephone discussion

Name	Position	Telephone
Simon Medcalf	Deputy Director-General, Regulation and Monitoring Te Pou Whakamaru	s 9(2)(a)
Peter Jane	Principal Advisor, System Planning and Accountability, Regulation and Monitoring Te Pou Whakamaru	s 9(2)(a)
Sarah Turner (Board appointments)	Deputy Director-General, Government and Executive Services Te Pou Whakatere Kāwanatanga	s 9(2)(a)

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Date due: 19 January 2024

To: Hon Dr Shane Reti, Minister of Health

Security level: BUDGET SENSITIVE **Health Report number:** H2023034530

Details of meetings: Meeting with Minister Reti: 23 January 2024, 2.30 -3.00 pm
6.6 Executive Wing, Parliament

Meeting with Minister Seymour: 23 January, 3.00 -3.30 pm
7.6 Executive Wing

Purpose of meeting: This is the first meeting between Minister Reti and Pharmac. You will be meeting with Dr Peter Bramley (Acting Board Chair) and Sarah Fitt (Chief Executive).

Dr Diana Sarfati, Director-General of Health, and Maree Roberts, Deputy Director-General, Strategy, Policy and Legislation from the Ministry of Health (the Ministry) will attend as the officials.

At the meeting you may wish to discuss the following:

- Expectations for 2024/25
- Budget 2024
- Manifesto commitment on cancer treatments
- Pharmac's decision-making model.

Pharmac has provided a suggested agenda for both meetings which is attached as Appendix 1. The agenda includes fiscal and Budget matters included in this briefing. In addition, Pharmac has suggested that they could update Ministers

on current medicine/vaccine supply issues and discuss the frequency of reporting and meeting.

Pharmac has also provided a briefing on its current work on hospital medical devices for the meeting with Minister Seymour.

Pharmac report quarterly to Ministers and the Ministry provides advice to you on its performance. In recent years the Pharmac Chair and Chief Executive have met (approximately) quarterly with the responsible Minister.

Suggested talking points are provided below for the above meetings, as well as (if there is time):

- Medical devices work
- Rule 8.1 B of the Pharmaceutical Schedule (cancer treatments for children)
- Upcoming Board appointments.

Comment:

Background information on Pharmac

Pharmac is responsible for deciding which medicines and related treatments are publicly funded in New Zealand. This includes negotiating contracts for their provision from suppliers, alongside an increasing role in hospital medical devices. Medicines are funded from a capped appropriation from the Combined Pharmaceutical Budget (CPB). Demand for new medicines exceeds funding available from savings generated by Pharmac.

Who are you meeting with

You are meeting with Dr Peter Bramley, Board Chair and Sarah Fitt, Chief Executive of Pharmac.

- Dr Bramley has considerable experience in executive management roles across the New Zealand public health sector. He was the Interim Lead Hospital and Specialist Services Waitaha Canterbury/Te Tai o Poutini West Coast at Health New Zealand, and also served as Interim Regional Director Te Waipounamu with responsibility for oversight of health care delivery across the South Island. He has previously been the Chief Executive of Canterbury, West Coast and Nelson Marlborough DHBs, and in those roles was the National Lead DHB Chief Executive for mental health, procurement and supply chain, and the resident medical officer workforce. He has previous experience as a senior manager of hospital clinical services, and in the private sector at MYOB. He is a director for Emerge Aotearoa, New Zealand Health Innovation Hub and Health One, and is a member of the Board of Directors for the Health Roundtable.
- Dr Bramley was appointed to the Pharmac Board as Deputy Chair in April 2023, and became acting Chair following the resignation of Hon Steve Maharey in December 2023. He was also the DHB Chief Executive

representative on the Pharmac Board for 4 years before the formation of Health New Zealand | Te Whatu Ora.



- Sarah Fitt was appointed as Chief Executive of Pharmac in January 2018, having been Pharmac's Director of Operations since 2013. Before joining Pharmac, Sarah spent 12 years as Chief Pharmacist at Auckland Hospital and worked as a clinical pharmacist in the NHS specialising in HIV, intensive care and hepatology.



Accountability processes

Ministers have the opportunity to influence the priorities and performance of Crown entities through the documents and processes set out in the Crown Entities Act. Essentially these provide for the responsible Minister to set out their priorities and expectations through a Letter of Expectations. That letter guides Crown entities in preparing an annual Statement of Performance Expectations (SPE) and, 3-yearly or as requested by the responsible Minister, a Statement of Intent.

The Ministry has begun work on a draft Letter of Expectations to Pharmac which will be provided to you once we have engaged further with you and the Associate Minister of Health (Pharmac) on the Government's priorities for the health Crown entities.

Board appointments

There will need to be a formal appointment process for the Chair of Pharmac, with Dr Peter Bramley currently acting. The terms of current members are set out in the table below.

Pharmac Te Pātaka Whaioranga			
Full Name	Position(s)	Original Appt Date	Current Term Expiry
Vacant	Chair; Member		
Dr Peter Bramley	Acting Chair (Deputy Chair; Member)	10/04/2023	9/04/2026
Mrs Talia Tiori Anderson-Town	Member	4/12/2021	3/12/2024
Dr Anthony Jordan	Member	4/12/2021	3/12/2024
Dr Diana Siew	Member	23/03/2022	22/03/2025
Dr Margaret Wilsher	Member	3/07/2023	2/07/2026

The statutory appointments process for Pharmac will follow the recruitment and appointment process outlined in the Public Service Commission | Te Kawa Mataaho *Board Appointment and Induction Guidelines*, including consideration by the Cabinet Appointments and Honours (APH) Committee.

The recruitment and appointment process for statutory health roles is robust to ensure that a range of appropriately skilled and qualified candidates are put forward for ministerial consideration.

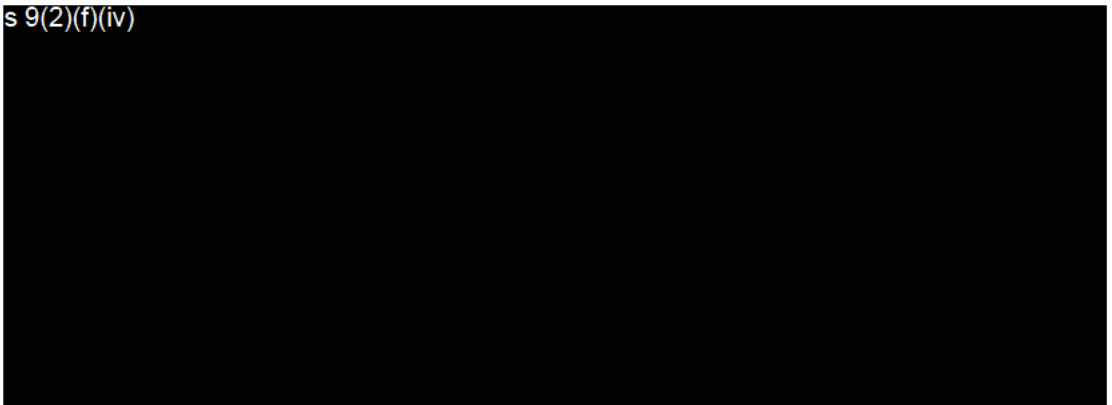
The Government and Executive Services directorate will provide the Associate Minister of Health (Pharmac) with more detailed advice by the end of January 2024 seeking his agreement to the process and timeframes for the Chair recruitment and appointment process. This advice will also seek his input into the proposed skills matrix for the Board and the Chair position description.

Current operational considerations

Pharmac's Briefing to the Incoming Minister (BIM) has been provided to the Minister of Health previously (H20233263 refers). It provides a useful overview of Pharmac's role, operations and current issues.

Funding shortfall

s 9(2)(f)(iv)



s 9(2)(f)(iv)

Pharmac's decision-making model

The Coalition agreement on health commits to updating Pharmac's decision-making model. This includes ensuring it appropriately takes patient voice into account and reforming the funding model to account for positive fiscal impacts on the Crown of funding more medicines.

In response to the independent review of Pharmac commissioned by the previous Government and which reported in February 2022, Pharmac has been working on increasing patient and consumer voice. Its recent focus includes the appointment of consumer representatives to its Pharmacological Therapeutic Advisory Committee (PTAC) and other specialist subcommittees.

In response to the independent review, Pharmac is also beginning work on modifying its Factors for Consideration framework, which makes explicit the issues that inform Pharmac's decision-making on the medicines that are made available through public funding.

One of the 4 factors for consideration in Pharmac's model is "costs and savings", which is divided into 4 sub-categories:

- Health-related costs and savings to the person
- Health-related costs and savings to the family, whānau and wider society
- Costs and savings to pharmaceutical expenditure
- Costs and savings to the rest of the health system.

Funding medicines or related products can have flow-on impacts for the rest of the health system. For example, if a treatment can be given at home rather than in hospital it would free up a hospital bed for someone else to use.

The independent review of Pharmac

Over the past 2 years, Pharmac has modified its activities to address the Government response to the independent review of Pharmac into its Statement of Performance Expectations. The Ministry monitors progress against those initiatives through the quarterly reporting process. The Ministry considers that Pharmac has made satisfactory progress in addressing the review. We will shortly provide you with a report on the 2023/24 Quarter 1 performance of the health Crown entities, including Pharmac.

Pharmac's operating budget

Pharmac has advised that its operating budget has become insufficient to meet the increasing demands placed upon it, including responding to the independent review and the next stage of work on medical devices. It is increasingly forced to fund operating deficits out of cash reserves. s 9(2)(f)(iv)

s 9(2)(f)(iv)

The Acting Director-General of Health wrote to the Board Chair on Friday 12 January to provide an update on the Government's fiscal objectives and implications for Budget 2024. Pharmac has been asked to:

- Work proactively with the Ministry to identify material savings and efficiency improvements, including trade-offs and impacts on their ability to carry out their functions
- Work proactively with the Ministry to identify how cost pressures can be managed within existing funding envelopes
- Provide any information to the Ministry so that the Government can be assured that expectations are being met while continuing to deliver for New Zealand.

Pharmac's organisational culture

There was considerable public attention in October 2023 to comments in material released by Pharmac in response to a Privacy Act request by Rachel Smalley. In response, Pharmac undertook to implement 4 immediate and 4 short-term actions to improve its organisational culture, which included work with staff on Code of Conduct, Privacy Act, engagement with stakeholders, and the Official Information Act.

Progress was reported to Pharmac's Board at its meeting on 1 December 2023 and that paper was pro-actively published on Pharmac's website. Progress has been made on the actions and will be reported further to the Pharmac Board in February 2024. Pharmac reports that all activities are progressing or have been achieved.

Current programme of work

Manifesto commitment on cancer treatments

A coalition agreement initiative is to fund 13 specific cancer treatments through separate ring-fenced funding from the CPB, as informed by a 2022 Cancer Control Agency report on the availability of cancer medicines in New Zealand.

Following initial advice and options on this initiative in consultation with Pharmac and other health agencies, you requested further advice on funding this initiative through the CPB.

s 9(2)(f)(iv)

Rule 8.1b of the Pharmaceutical Schedule

Rule 8.1b of the Pharmaceutical Schedule is a longstanding rule which provides cancer medicines to children without following Pharmac's normal processes. In mid-2021, a patient advocate queried with the Human Rights Commission whether it was fair to treat children with cancer in this way but not children with other diseases. Pharmac subsequently commenced a review and have undertaken not to make any changes affecting current patients.

Pharmac is currently checking with submitters to the consultation request, which attracted considerable feedback, that it has accurately captured their feedback. Pharmac will provide an update on next steps for the review when that process is completed.

Continuous Glucose Monitors (CGMs)

The Government has signalled that it wishes to prioritise the provision of continuous glucose monitors (CGMs) to help those with type 1 diabetes manage the disease.

CGMs are currently not publicly funded, however Pharmac has been progressing a funding and procurement process for CGMs and other diabetes-related medical devices (insulin pumps and insulin pump consumables). Subject to completing its procurement processes and available funding, Pharmac would publicly fund access to CGMs for all individuals with type 1 diabetes irrespective of age from 2024 onwards.

Medical devices

Pharmac has commenced a strategic programme for the purpose of driving value for money outcomes in medical device spending and consistency in accessing hospital medical devices. There are three phases to the programme:

- Build a national list of medical devices purchased by Health New Zealand using national contracting as a tool
- Enable more explicit evidence-based decisions on which devices are added to the Pharmaceutical Schedule and generating market tension to improve value for money
- Plan the transition to hospital medical devices being managed within a fixed funding allocation in a similar way to medicines.

Pharmac is working on completing the first phase. It is preparing for the second phase through testing how it collaborates with Health New Zealand on commercial processes, in particular health technology assessment processes. Health New Zealand has agreed to support Pharmac with funding and seconded staff.

Pharmac has provided Minister Seymour's Office with a separate briefing detailing the current status of its medical devices work, and offering further discussion if the Minister wishes.



Simon Medcalf
Deputy Director-General
**Regulation and Monitoring | Te Pou
Whakamaru**

PROACTIVELY RELEASED

s 9(2)(g)(i)

PROACTIVELY RELEASED

s 9(2)(g)(i)



PROACTIVELY RELEASED

Appendix 1: Pharmac's suggested agenda**MEETING AGENDA**

1. Introductions
2. Update from Minister
3. Fiscal update
 - CPB Update
 - One off Funding
 - Operational Funding
4. Other points of interest
5. Reporting and meeting frequency
6. Medicine/vaccine supply issues
7. General business

PROACTIVELY RELEASED