

PHARMAC

Pharmaceutical Management Agency

Media release

PHARMAC DELIVERS BETTER HEALTH IN 2002

Almost 40,000 New Zealanders have access to better health as a result of pharmaceutical funding decisions made in the 2002 financial year.

PHARMAC's 2002 Annual Review, published today, highlights that new or expanded access was provided to 24 different pharmaceuticals and produced savings worth more than \$36 million in the 2002 financial year.

Commenting at the launch of PHARMAC's Annual Review 2002, Wayne McNee says New Zealanders are continuing to benefit from PHARMAC's policies, both in financial and health terms.

"It has been another busy and successful year during which PHARMAC has again met or exceeded its targets," Wayne McNee says.

Notable decisions in 2002 include the widening of access to statins for raised cholesterol, the listing of leflunomide for severe rheumatoid arthritis, and the removal of the expenditure cap on beta interferon for multiple sclerosis.

"Our analysis of these decisions alone shows they will result in better health for an additional 38,600 people, which is consistent with PHARMAC's legislated objective.

"That is a satisfying outcome for what has been an eventful and often challenging year."

Other achievements during the year include PHARMAC taking on responsibility for managing pharmaceutical expenditure by District Health Board hospitals, developing and implementing a Maori Responsiveness Strategy and forming a Consumer Advisory Committee

Wayne McNee says PHARMAC will continue to manage pharmaceutical expenditure carefully, particularly since savings may be harder to achieve in future.

Strategies such as tendering for off-patent medicines have been the major sources of savings, however with fewer products coming off patent these savings may not be as large as in past years.

This, combined with the demand for new more expensive treatments, could impact on the ability of New Zealanders to access new pharmaceuticals.

“Our challenge will be to continue to achieve savings in order to afford new treatments to be listed on the Pharmaceutical Schedule,” Wayne McNee says.

“Tendering for off-patent medicines has been an extremely effective way of negotiating lower prices with suppliers, and this continues to be the case. The 2001-02 tender is forecast to achieve savings of \$20 million over three years.”

“Typically savings in the region of 80-90 percent are achievable when drugs come off-patent, but lesser reductions are achieved in subsequent tender rounds. This means other strategies, such as multi-product agreements, will become increasingly important both for listing new drugs and producing savings, and that PHARMAC will have to continue to carefully manage expenditure.”

ENDS

More information: 021 863 342.

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RELATIONSHIPS CRUCIAL TO PHARMAC'S CONTINUED SUCCESS

PHARMAC has pledged to continue building on the relationships that have been established with the pharmaceutical industry, the community and health providers in the past year.

In the agency's 2002 Annual Review, released today, Wayne McNee emphasises the importance of strengthening community links, and building on the progress that has already been made.

These include developing formal relationship agreements with all 21 District Health Boards, consulting face-to-face with Maori at a series of hui as part of the development of PHARMAC's Maori Responsiveness Strategy, and developing a Consumer Advisory Committee (CAC).

"PHARMAC is committed to maintaining and improving the relationships that have been developed during the past year," Wayne McNee says.

"As an organisation that is focussed on improving health outcomes it is vital that PHARMAC has strong links to other health sector groups, the industry, clinicians and the wider community."

"If public sector health organisations such as PHARMAC are to succeed in improving people's health, it is vital that they hear the views of the end user – the patient – as part of their decision-making processes."

"If they don't do this, they risk making decisions that don't reach the people they are aimed at, or are not understood by them."

The Annual Review summarises PHARMAC's operations in managing pharmaceutical expenditure in 2002, and comments on issues within the pharmaceutical sector.

The development of formalised links with DHBs and PHARMAC's new role in managing hospital pharmaceutical expenditure, the development and implementation of the Maori Responsiveness Strategy and the development of CAC are among PHARMAC's highlights of 2002.

Other highlights include PHARMAC providing new or wider access to 24 subsidised treatments, and negotiating savings worth \$36.8 million. During the year, 76 of the 80 funding applications considered by the PHARMAC Board were approved, an approval rate of 95 percent.

“PHARMAC has again been successful in the past year in managing pharmaceutical expenditure within budget, enhancing the number of pharmaceuticals available under subsidy and negotiating further savings,” Wayne McNee says.

“Our analysis shows that these decisions will result in improved access to better health for more than 38,600 New Zealanders.”

“We are happy with the progress that has been made, but there is still more to do. The pharmaceutical budget is effectively DHB money, so PHARMAC needs to ensure it is making decisions in consultation with DHBs. This is particularly the case since PHARMAC is now responsible for managing hospital pharmaceutical expenditure, and is developing a process for assessing new pharmaceuticals for use in hospitals.”

“It is also important that PHARMAC continues to hear the views of the end user – the patient – and the links into the community through the Maori Strategy and the Consumer Advisory Committee will give PHARMAC a greater ability to do that.”

ENDS

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NZ FRONT RUNNER IN MANAGING PHARMACEUTICAL EXPENDITURE

Other countries grappling with rising pharmaceutical costs are following New Zealand's lead, PHARMAC Medical Director Peter Moodie says.

In PHARMAC's 2002 Annual Review, released today, Dr Moodie says a number of countries are facing up to the reality of having to prioritise their healthcare budgets, and are proposing to use a number of strategies currently employed by New Zealand.

"Rising pharmaceutical expenditure is emerging as a major issue in a number of countries, including Australia, the United States and in Europe," Dr Moodie says.

"To address this they are using a number of the strategies, such as reference pricing and increased use of generic medicines, that have been in place in New Zealand for some years."

Examples of some of these strategies include:

- In France: The French Government has announced it will introduce reference pricing in 2003.
- In Sweden: A generic substitution programme and reference pricing is underway.
- In Australia: A number of initiatives such as tendering for off-patent medicines, increasing patient co-payments and moves to reduce demand for pharmaceuticals are being examined to address continuing double-digit rises in pharmaceutical expenditure.
- In the United States: Oregon Governor John Kitzhaber has announced a scheme (OregonRX) to provide guidance on the most cost-effective medicines.
- In the United States: President George W Bush has announced moves to make it easier for generic medicines to enter the marketplace.

"New Zealand has taken the lead in the area of prioritising its set healthcare budget, and we can all be proud of the achievements to date," Dr Moodie says.

Effective prioritisation based on sound clinical evidence has been the foundation of PHARMAC's funding decisions in 2002.

The Annual Review notes that PHARMAC has provided new or enhanced access to 24 different treatments. Analysis of these new funding decisions shows they are sustainable and affordable and are estimated to provide improved health for 38,600 New Zealanders.

“Quality clinical evidence is the essence of good clinical care, and also of effective cost-benefit analysis,” Dr Moodie says.

“The reality is that health funding is limited and prioritisation has to occur. Sometimes this means having to say no.

“PHARMAC’s policies are continuing to provide New Zealanders with access to better health at an affordable price.

“Effective prioritisation of public health resources is a philosophy that has been accepted by the New Zealand medical community and a reason why PHARMAC’s policies continue to be successful.”

Some of the significant decisions in 2002 included the widening of access to statins for raised cholesterol, the listing of leflunomide for severe rheumatoid arthritis, and the widening of access to latanoprost eye drops for glaucoma.

The availability of funding and acceptable commercial arrangements made these decisions possible, but they were all driven by an identified need for effective clinical care in these areas, based on developing priority areas for funding.

“Basing funding decisions on good quality clinical evidence and effective prioritisation criteria has enabled PHARMAC to obtain access to improved health for New Zealanders, and has achieved that from within budget, even when the volume of drugs prescribed has been rising at a steady rate,” Dr Moodie says.

“That is a responsible use of public resources and an area where New Zealand leads the world.”

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