

1 August 2003

To: All pharmaceutical suppliers, medical groups and interested parties.

By facsimile (2 pages)

Consultation on parity pricing of topical combination corticosteroids.

PHARMAC proposes to apply parity pricing to topical combination corticosteroids. The following table provides details of the proposed parity pricing to Micreme H (hydrocortisone 1% with miconazole nitrate 2%) which, if approved by the PHARMAC Board, would be applied from 1 October 2003:

Chemicals and strength	Brand name	Pack size and form	Current subsidy	Current surcharge ¹	Proposed subsidy	Estimated surcharge ^{1,2}
betamethasone dipropionate 0.05% with clotrimazole 1%	Lotricomb	15g OP cream	\$4.90	\$5.67	\$1.32	\$12.33
betamethasone valerate 0.1% with clioquinol 3%	Betnovate-C	15g OP cream and ointment	\$4.90	Fully funded	\$1.32	\$6.66
betamethasone valerate 0.1% with fusidic acid 2%	Fucicort	15g OP cream	\$4.90	\$3.87	\$1.32	\$10.53
diflucortolone valerate 0.1% with chlorquinaldol 1%	Nerisone C	15g OP cream	\$4.90	\$3.99	\$1.32	\$10.66
hydrocortisone 1% with miconazole nitrate 2%	Micreme H	15g OP cream	\$1.32	Fully funded	\$1.32	Fully funded
hydrocortisone 1% with natamycin 1% and neomycin sulphate 0.5%	Pimafulcort	15g OP cream and ointment	\$4.90	\$2.21	\$1.32	\$8.87
hydrocortisone butyrate 0.1% with chlorquinaldol 3%	Locoid C	15g cream	\$4.90	\$2.23	\$1.32	\$8.89
triamcinolone acetonide with gramicidin 250 ug, neomycin sulphate 2.5 mg and nystatin 100,000u per g	Viaderm KC ³	15g cream and ointment	\$3.49	Fully funded	\$3.49	Fully funded

Note: subsidies are ex-manufacturer, exclusive of GST; 1. Calculations include wholesalers' and pharmacy mark-ups; 2. Calculations of new surcharges are based on the assumption that there would be no price reductions for the relevant affected products; 3 Viaderm KC has been awarded sole subsidised supply status, therefore is not subject to parity pricing.

Parity pricing is defined in section 3.2.1 (i) of PHARMAC's Operating Policies and Procedures. The Operating Policies and Procedures stipulate that parity pricing is a mechanism whereby PHARMAC may reduce the subsidy payable for a pharmaceutical in a particular therapeutic subgroup to the level of the subsidy payable for a pharmaceutical in any other subgroup.

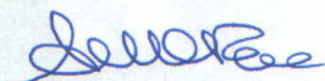
On the 28 February PHARMAC circulated a consultation document regarding the reapplication of reference pricing in the topical combination corticosteroids therapeutic subgroup established in February 1997. A number of consultees expressed concern about the

effect of reference pricing, and that not all products in the subgroup had same or similar therapeutic effect. On the basis of consultation responses and clinical advice we propose not to proceed with the proposal.

However PHARMAC considers this is an area of pharmaceutical expenditure which results in less clinical benefit than other pharmaceuticals in which PHARMAC would like to invest. The current budgetary situation means that savings in other areas are required to fund new investments. The application of parity pricing would result in such savings and as opposed to reference pricing, would acknowledge the differing therapeutic effects of these medications.

The proposal will be considered by the PHARMAC Board at its August 2003 meeting. If you wish to make comments about this proposal please forward them to PHARMAC by mail or facsimile to the attention of Adam McRae no later than **5pm Friday, 15 August 2003**.

Yours sincerely



Adam McRae
Therapeutic Group Manager Intern