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30 April 2003

Barrie Saunders  
Saunders Unsworth  
PO Box 10-200  
WELLINGTON

Dear Barrie

**Re Direct to Consumer Advertising (DTCA) and 2003 report by Toop et al**

Thank you for your letter of 12 March 2003, and apologies for the delay in responding. As well as responding to the specific questions you raised, I have attached a copy of a PHARMAC Board paper (November 2002) outlining the fiscal risk issues associated with DTCA to provide you with additional information. This paper has previously been released under the Official Information Act.

We are withholding a few portions of the memorandum under sections 9(2)(b)(ii) of the OIA for the following reason:

- [9(2)(b)(ii)] withholding some of the information is necessary to protect information where making it available would be likely to unreasonably prejudice the commercial position of either the person who supplied it or who is the subject of the information.

In the circumstances of this case, we do not consider that there are any other considerations which render it desirable in the public interest to make the information available.

PHARMAC manages the pharmaceutical budget on behalf of the government; therefore our analysis focuses on subsidised medicines only. Analysis has not been done on all the subsidised products that are advertised directly to consumers due to a lack of historical data at a brand level which means analysis is not possible.

A review of Pharmhouse data for four subsidised pharmaceuticals advertised directly to consumers (Flixotide, Losec, Oxis and Lamisil) identified growth in expenditure of \$3.66 million from 1999 to 2001. Growth in prescription numbers was higher than expenditure growth. The containment of expenditure growth can be attributed to PHARMAC's expenditure management strategies. If subsidy levels had remained constant over time expenditure growth would have been higher. For example, using May 2002 as a constant subsidy level, there would have been expenditure growth in these four pharmaceuticals of over \$11.2 million from 1999 to 2001.

In line with previous years, total dispensing volumes for the year 2001/02 for pharmaceuticals listed on the Pharmaceutical Schedule showed an appreciable increase over that of the previous year. Dispensings totalled 42.0 million in 2001/02, compared with 39.7 million in 2000/01. These 2.26 million extra dispensings represent an increase of 5.7%. Of this growth, DTCA

possibly accounted for 21.8% (493,034 dispensings) based on the analysis of Pharmhouse data for Flixotide, Losec, Oxis and Lamisil.

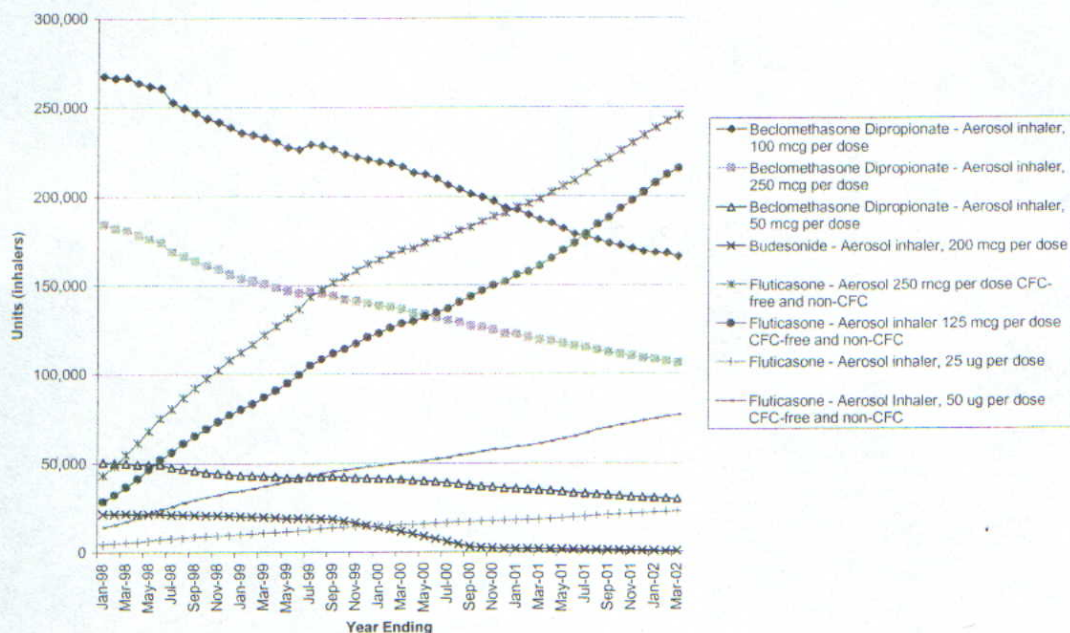
As noted above, PHARMAC has not analysed data for all medicines advertised directly to consumers. Switching to new and more expensive medicines may occur in other therapeutic areas, which have not been analysed.

*Evidence that DTCA leads GPs to switch to new and more expensive medicines that offer no real benefits for patients.*

An example of a therapeutic area where there has been a significant switch to a newer more expensive product is the asthma market for Metered Dose Inhalers (preventer medication). The following graph shows the switch from beclomethasone to fluticasone (Flixotide) following GSK's Flixotide advertising campaign, which started in 1998.

**Graph One: Dispensings of Metered Dose Inhaler Units (Pharmhouse data July 2002)**

Note: units refer to inhalers not doses



The Cochrane Collaboration meta-analysis<sup>1</sup> does not demonstrate clear superiority of fluticasone over beclomethasone. New Zealand data indicates that while Flixotide should be given as half the daily dose of beclomethasone this isn't routinely occurring, and it is often being given at the same daily dose level.

<sup>1</sup> Adams N, Bestall JM, Jones PW. Fluticasone versus beclomethasone or budesonide for chronic asthma (Cochrane Review). In: The Cochrane Library, Issue 1, 2002. Oxford: Update Software.

A similar situation exists in the gastro-intestinal therapeutic group with a switch from H2Antagonists to Proton Pump Inhibitors (PPIs).

*Scale of switching and the fiscal implications to the Crown*

Using the example of fluticasone, there was a 46% increase in prescriptions from 1999 to 2001.

*What PHARMAC has done or will do to deal with the perceived problem*

Under the Health and Disability Act 2000 PHARMAC has a legislative function to promote the responsible use of pharmaceuticals. As part of this function the PHARMAC Demand Side Management team undertakes educational campaigns targeting health professionals and patients. These campaigns are based on independent clinical evidence and where possible clinical guidelines. For example, PHARMAC in conjunction with eleven stakeholder groups such as the Thoracic Society and Royal Australasian College of Physicians has embarked on an Asthma Management campaign. The campaign is based on the recently released New Zealand Guidelines Group "The Diagnosis and Treatment of Adult Asthma" and is funded by the twenty-one District Health Boards. The campaign objective is "To achieve daily doses of inhaled corticosteroids in adults with asthma that are appropriate, effective and consistent with international and New Zealand evidence".

The goals of the campaign are:

- to increase the level of understanding by health professionals and patients of the need and long-term usage of ICS as part of a total asthma management package;
- to promote evidence-based practice in the management of asthma;
- to promote the self-management of asthma using Asthma Self Management Plans developed in partnership between patients and their primary health care team;
- to increase awareness amongst health professionals and patients with asthma of the clinical and fiscal impacts of over-use of inhaled corticosteroids (ICS), to ultimately achieve appropriate dosing of ICS; and
- to promote the regular clinical re-assessment of asthma needs and to encourage back-titration of medication to appropriate effective doses of inhaled corticosteroids.

As well as these demand side management strategies PHARMAC has monitored the impact of DTCA on the pharmaceutical budget and provides this information to the Ministry of Health as required. PHARMAC also undertakes supply side activities in various areas to manage expenditure for newer, more expensive medicines such as innovative contracting arrangements with pharmaceutical companies.

Please contact me if you have any further questions.

Yours sincerely



Wayne McNee  
Chief Executive