

17 November 2003

**TO: PHARMACEUTICAL SUPPLIERS AND INTERESTED PARTIES**

**CONSULTATION ON DRAFT INVITATION TO TENDER FOR SUPPLY OF PHARMACEUTICALS TO DHB HOSPITALS AND/OR COMMUNITY PHARMACIES**

PHARMAC is consulting on the terms and conditions of the proposed Invitation to Tender ("the **Invitation**") to be considered by the PHARMAC Board at its December 2003 meeting. Please find attached a copy of the draft Invitation which all tender bids would be subject to if a bid was accepted by the PHARMAC Board or the Chief Executive under delegated authority.

The draft Invitation is under development and may change before it is taken to the December Board and the final Invitation subsequently issued. PHARMAC is asking for comments on the composition of the draft Invitation. PHARMAC does not intend to send out any further drafts for consultation.

Any feedback regarding the draft Invitation should be received by PHARMAC no later than **5pm, Wednesday 3 December 2003**. PHARMAC reserves the right not to consider any feedback received after this date. Consultation feedback received by the due date will be presented to the PHARMAC Board when it considers the Invitation at its December meeting.

**Feedback**

We seek comments on all sections of the draft Invitation. The draft Invitation is based on the format of the Invitation to Tender dated 19 December 2002 for community supply and/or hospital supply. The structure of the draft Invitation, and some of the changes are briefly described below.

*Structure*

The draft Invitation is set out as follows:

- Schedule 1: Definitions and interpretation;
- Schedule 2: Products to be tendered (the product list for hospital and/or community pharmaceuticals will be inserted here prior to the issuing of the final Invitation to Tender – for more information, please refer to "Other matters" later in this letter);
- Schedule 3: Tender process (for both hospital and community tenders);
- Schedule 4: Offer Letter, and Tender Submission Form;
- Schedule 5: Contract terms for Hospital Supply Status;
- Schedule 6: Contract terms for Sole Supply Status; and
- Schedule 7: Additional contract terms for foreign exchange bids.

*Back-up supply*

PHARMAC proposes to remove backup supply bids from this tender process. Backup supply contracts could still be negotiated outside of the tender process.

*Failure to supply*

PHARMAC proposes to add a specific clause defining failure to supply. Clauses 8.5 of Schedule 5 and 5.5 of Schedule 6 have been included in the draft Invitation for this reason.

*Transition periods*

PHARMAC is proposing to alter the date of the price and subsidy change for the tender winning brand in the community so that it is effective on the first day of the second month of the First Transition Period. The reference pricing of other brands would occur on the first day of the Second Transition Period, as has been past practice. This change is proposed to address the issue of different prices in the community and hospital during the First Transition Period.

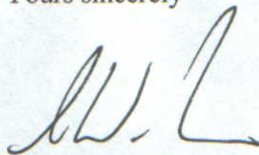
*Other matters*

Other matters to be aware of while reading the draft Invitation include:

- The product list has not been included in the attached draft. The final product list will be released with the Invitation to Tender.
- PHARMAC has recently consulted on products to be included on the community pharmaceuticals list and the hospital pharmaceutical list. This list will be finalised by the PHARMAC Board following clinical feedback and assessment of any commercial proposals received.
- PHARMAC anticipates the combined tender, if approved by the PHARMAC Board, would follow similar time lines to previous community tenders (as set out in our letter of 5 September 2003). That is, the Invitation to Tender would be released in late December, tender bids for hospital and/or community supply would be due early March 2003 with the expectation that tenders will be awarded from April 2003 onwards.

Please direct any queries you may have regarding this letter or the draft Invitation to Matthew Perkins or Andrew Davies at PHARMAC.

Yours sincerely



Wayne McNee  
Chief Executive