

17 June 2004

To All Interested Parties

By facsimile (5 pages)

Eli Lilly proposal regarding Actos (pioglitazone) and Zyprexa (olanzapine)

PHARMAC has entered into a provisional agreement with Eli Lilly and Company (NZ) Limited involving Actos and Zyprexa.

In summary the proposal would:

- result in PHARMAC listing Actos under certain Special Authority criteria;
- provide subsidy protection for Actos until 30 June 2007;
- reduce the price and subsidy for Zyprexa tablets by 10%;
- expand funded access to Zyprexa to include patients suffering from acute mania associated with bipolar disorder;
- result in PHARMAC listing Zyprexa Zydis (olanzapine wafers) under certain Special Authority criteria;
- provide subsidy protection for Zyprexa and Zyprexa Zydis until 28 February 2006.

The detailed features of the proposal are outlined further in this letter.

The PHARMAC Board will consider this proposal at its July 2004 meeting with a proposed implementation from 1 September 2004. If you have comments to make on this proposal and would like those comments to be considered by the PHARMAC Board then please send them to Deepti at PHARMAC **by 5 p.m. on 2 July 2004**. The PHARMAC Board will consider all comments submitted by this date.

The main features of this proposal are as follows:

Actos (pioglitazone)

- PHARMAC proposes to list Actos tablets in Section B of the Pharmaceutical Schedule on 1 September 2004 at the following prices and subsidies.

Chemical	Form and pack size	Proposed price and subsidy
Pioglitazone	Tablet 15 mg x 28	\$61.04
	Tablet 30 mg x 28	\$93.90
	Tablet 45 mg x 28	\$119.18

Note: prices and subsidies are ex-manufacturer, exclusive of GST.

- PHARMAC would provide subsidy protection for all presentations of Actos until 30 June 2007 and Eli Lilly would agree not to increase prices for all presentations of Actos until 30 June 2007.
- Actos would be listed in Section B of the Pharmaceutical Schedule under a confidential rebate arrangement.
- The prescribing and dispensing of all presentations of Actos in Section B of the Pharmaceutical Schedule would be subject to the following Special Authority criteria.

Initial application only from a relevant specialist. Approvals valid for one year for applications meeting the following criteria:

Either:

- 1 All of the following:
 - 1.1 To be used as monotherapy for patients with type 2 diabetes who after six months of diet and lifestyle changes do not have adequate glycaemic control (inadequate control defined as HbA1c > 8.0% in test carried out at least two months apart; and
 - 1.2 Metformin is not tolerated or contraindicated. Intolerance and contraindications as defined in the notes below, a minimum of a four week trial period of metformin is required; and
 - 1.3 Sulphonylurea is not tolerated or contraindicated. Overweight patients are only eligible under the criteria of contraindication to sulphonylureas if their body mass index (BMI) exceeds 35; or
- 2 Both:
 - 2.1 For use in combination with a sulphonylurea when diet and lifestyle changes and a twelve month trial of sulphonylurea results in inadequate glycaemic control (inadequate control defined as HbA1c > 8.0% in tests carried out at least two months apart); and
 - 2.2 Metformin is not tolerated or contraindicated. Intolerance and contraindications as defined in the notes below, a minimum of a four week trial period of metformin is required.

Renewal only from a relevant specialist. Approvals valid for one year for applications meeting the following criteria:

All of the following:

- 3 Patient has had their HbA1c levels tests twice in the last six-month period of pioglitazone treatment; and
- 4 HbA1c level test 1 < 8.0%; and

5 HbA1c level test 2 < 8.0% (measured at least two months after test 1).

Note

Pioglitazone is not to be used in combination with metformin.

Pioglitazone is not to be used in combination with insulin.

Pioglitazone is not to be used in triple oral combination (defined as a combination of metformin, sulphonylurea and pioglitazone).

Pioglitazone is not to be used in patients with heart failure.

Liver function tests should be performed at baseline.

Gastrointestinal side effects are relatively common when initiating metformin therapy. Upward titration of metformin dose over several weeks and taking metformin with food will help to minimize these side effects.

Intolerance and contraindications for metformin:

- i) Serum creatine ≥ 0.15 or creatine clearance < 60 ml/sec
- ii) Significant liver impairment
- iii) Severe left ventricular dysfunction.

- Additionally, Actos would be listed in Part II, Section H of the Pharmaceutical Schedule from 1 September 2004 as follows:

Chemical	Form and strength	Brand	Price	DV Limit	DV Limit applies from	DV Pharmaceuticals
Pioglitazone	Tablet 15 mg x 28	Actos	\$61.04	0%	1 Sept 2004	(B)
	Tablet 30 mg x 28		\$93.90	0%	1 Sept 2004	(B)
	Tablet 45 mg x 28		\$119.18	0%	1 Sept 2004	(B)

Note: prices are ex-manufacturer, exclusive of GST; (B) – subject only to part (b) of the definition of “DV Pharmaceutical”.

Zyprexa (olanzapine)

- The price and subsidy for Zyprexa currently listed in Section B of the Pharmaceutical Schedule would be reduced as follows:

Chemical	Presentation and pack size	Current price and subsidy	Proposed price and subsidy
Olanzapine	Tablet 2.5 mg x 30	\$60.80	\$54.72
	Tablet 5 mg x 30	\$120.49	\$108.44
	Tablet 10 mg x 30	\$243.44	\$219.10

Note: prices and subsidies are ex-manufacturer, exclusive of GST.

- Zyprexa tablets would be listed in Section B of the Pharmaceutical Schedule under the following Special Authority criteria:

Initial application only from a psychiatrist. Approvals valid for two years for applications meeting the following criteria:

Any of the following:

- 1 Patient with first episode schizophrenia or related psychoses; or
- 2 Both:
 - 2.1 Patient suffering from schizophrenia and related psychoses; or acute mania in bipolar disorder who is likely to benefit from anti-psychotic treatment; and
 - 2.2 Either:

- 2.2.1 An effective dose of risperidone had been trialled and has been discontinued because of unacceptable side effects; or
- 2.2.2 An effective dose of risperidone had been trialled and has been discontinued because of inadequate clinical response after four weeks; or
- 3 The patient has suffered from an acute episode of schizophrenia or bipolar mania and has been treated with olanzapine short-acting intra-muscular injection.

Renewal only from a psychiatrist. Approvals valid for two years for applications meeting the following criteria: the treatment remains appropriate and the patient is benefiting from treatment.

Note:

Initial prescriptions to be written by psychiatrists or psychiatric registrars and subsequent prescriptions can be written by General Practitioners.

- Zyprexa Zydis (olanzapine wafers) would be listed in Section B of the Pharmaceutical Schedule under the following prices and subsidies:

Chemical	Presentation And pack size	Current Subsidy	Proposed price and subsidy
Olanzapine	Wafer 5 mg x 28	Not subsidised	\$102.19
	Wafer 10 mg x 28	Not subsidised	\$204.37

Note: prices and subsidies are ex-manufacturer, exclusive of GST.

Zyprexa Zydis would be listed in Section B of the Pharmaceutical Schedule under the following Special Authority criteria:

Initial application - (acute treatment) only from a psychiatrist. Approvals valid for six weeks for applications meeting the following criteria:

All of the following:

1. The patient meets the current criteria for standard olanzapine tablets; and
2. The patient is non-adherent to oral therapy with standard olanzapine tablets; and
3. The patient is under direct professional supervision for administration of medicine.

Initial application - (chronic treatment) only from a psychiatrist. Approvals valid for one year for applications meeting the following criteria:

All of the following:

4. The patient meets the current criteria for standard olanzapine tablets; and
5. The patient is unable to take standard olanzapine tablets, or once stabilized refuses to take olanzapine tablets; and
6. The patient is under direct professional supervision for administration of medicine.

Renewal - (acute and chronic treatments) only from a psychiatrist. Approvals valid for one year for applications meeting the following criteria:

Both:

7. The patient is unable to take standard olanzapine tablets, or once stabilized refuses to take olanzapine tablets; and
8. The patient is under direct professional supervision for administration of medicine.

Note: Initial prescriptions to be written by psychiatrists and subsequent prescriptions can be written by psychiatric registrars or General Practitioners.

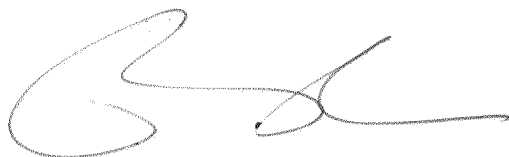
- All presentations of Zyprexa and Zyprexa Zydis would be listed in Section B of the Pharmaceutical Schedule under a confidential rebate arrangement.
- PHARMAC would provide subsidy protection for all presentations of Zyprexa and Zyprexa Zydis until 28 February 2006.
- Zyprexa and Zyprexa Zydis would be listed in Part II, Section H of the Pharmaceutical Schedule from 1 September 2004 as follows:

Chemical	Form and strength	Brand	Price	DV Limit	DV Limit applies from	DV Pharmaceuticals
Olanzapine	Tab 2.5 mg x 30	Zyprexa	\$54.72	0%	1 Sept 2004	(B)
	Tab 5 mg x 30		\$108.44	0%	1 Sept 2004	(B)
	Tab 10 mg x 30		\$219.10	0%	1 Sept 2004	(B)
	Wafer 5 mg x 28	Zyprexa Zydis	\$102.19	0%	1 Sept 2004	(B)
	Wafer 10 mg x28		\$204.37	0%	1 Sept 2004	(B)

Note: prices are ex-manufacturer, exclusive of GST; (B) – subject only to part (b) of the definition of “DV Pharmaceutical”.

If you wish to make comments on this proposal, please forward them to Deepti at PHARMAC by **5 pm on Friday, 2 July 2004.**

Yours sincerely



Stuart Bruce
Acting Chief Executive