

13 August 2004

To: All Hospital Pharmacists & Wholesalers

Consultation on proposed changes to the mechanism of pricing for Losec and Atacand

PHARMAC and AstraZeneca have reached a provisional agreement to change the mechanism by which AstraZeneca provide price reductions to DHB Hospital Pharmacies for Losec and Atacand.

In April 2004 PHARMAC and AstraZeneca reached agreement to reduce the prices of Losec and Atacand via a quarterly rebate, this mechanism delays the saving to DHB Hospitals until such time as the rebate can be processed and requires significant calculation and administration on the part of both AstraZeneca and PHARMAC.

This provisional agreement proposes a change to this mechanism while maintaining the same effective price for both these pharmaceuticals.

As summary of this key aspects of this provisional agreement are as follows:

- AstraZeneca agrees to provide a discount on invoice on Losec such that the prices listed in Section H of the Pharmaceutical Schedule and the prices paid by DHB Hospital Pharmacies would be as represented in the table below:

	Price as Listed in Section H of the Pharmaceutical Schedule	Discount Price for period 1 October 2004 ending 30 June 2005	Discount Price for period 1 July 2005 ending 30 June 2006	Discount Price for period 1 July 2006 ending 30 June 2007
Losec (30 x 10mg capsules)	\$17.37	\$5.21	\$4.34	\$3.47
Losec (30 x 20mg capsules)	\$24.81	\$7.44	\$6.20	\$4.96
Losec (30 x 40mg capsules)	\$44.66	\$13.40	\$11.17	\$8.93

- AstraZeneca agrees to provide a discount on invoice on Atacand such that the prices listed in Section H of the Pharmaceutical Schedule and the prices paid by DHB Hospital Pharmacies would be as represented in the table below:

	Price as Listed in Section H of the Pharmaceutical Schedule	Discount Price for period 1 October 2004 ending 30 June 2007
Atacand (28 x 4mg capsules)	\$22.19	\$13.31
Atacand (28 x 8mg capsules)	\$26.42	\$15.85
Atacand (28 x 16mg capsules)	\$32.23	\$19.34

- These discounted prices would only be made available on purchases by DHB Hospital Pharmacies made directly from AstraZeneca, all wholesalers and distributors would be charged the full Section H list price and no other rebate mechanism would apply to these purchases.
- AstraZeneca would agree not to impose a requirement on DHB Hospitals to order a minimum quantity of Losec or Atacand at any one time which is greater than an amount equal to one week's normal supply for that DHB Hospital.

If you wish to make comments on this proposal, please forward them to Stephen Malcolm at PHARMAC by **5 p.m. on Friday, 27 August 2004.**

A copy of this letter can be found on PHARMAC's website at www.pharmac.govt.nz/consultation.asp.

Yours sincerely



Wayne McNee
Chief Executive