

30 September 2005

By email and facsimile (7 pages)

To DHBs and all interested parties

PROPOSED PROCESS FOR NATIONAL CONTRACTING OF BULK IV FLUIDS AND DIALYSIS FLUIDS

This consultation letter is divided into the following sections:

- Background to PHARMAC's involvement;
- Proposed process for national procurement of bulk IV fluids;
- Proposed process for national procurement of dialysis fluids;
- Proposed timelines for national procurement of bulk IV fluids and dialysis fluids;
- Consultation on the range of potassium chloride solutions to be considered for national contracts;
- Consultation on the range of heparin solutions to be considered for national contracts;
- Proposed product list for bulk IV fluids;
- Summary

We seek comment from DHBs, suppliers and any interested parties on any or all aspects of the proposed procurement process. Please note the deadline for consultation responses is **5pm Friday 21 October 2005**. All consultation responses received by this time will be considered by PHARMAC staff, the relevant specialist subcommittee of PTAC, the Hospital Pharmaceutical Advisory Committee (HPAC) and the PHARMAC Board as appropriate.

1. Background to PHARMAC's involvement

PHARMAC is consulting on the proposed process for the supply of dialysis fluids and bulk IV fluids to District Health Board (**DHB**) Hospitals in New Zealand.

As part of the two year review of the National Hospital Pharmaceutical Strategy (**NHPS**) PHARMAC evaluated possible areas where extension of the NHPS could assist DHBs in managing expenditure through nationally consistent contracts. The PHARMAC Board at its May 2004 meeting resolved to extend the NHPS to include dialysis fluids and bulk IV fluids following discussions between PHARMAC staff and DHB CEOs and DHB Chairpersons.

In November 2004 PHARMAC requested information on the range of dialysis fluids and bulk IV fluids currently used in DHB Hospitals and pricing arrangements that existed currently.

At its September 2005 meeting, the PHARMAC Board appointed the following people to the Bulk IV Fluids subcommittee of PTAC:

- Billy Allen, Hawke's Bay DHB;
- Paul Barrett, Canterbury DHB (HPAC member);
- Peter Boon, Southland DHB;
- John de Fluiter, Waikato DHB;
- Dr Grant Howard, Waikato DHB;
- Dr Sisira Jayathissa, Hutt Valley DHB (PTAC member);
- Kate Laidlow, Lakes DHB; and

- Ron McLay-Barnes, Otago DHB.

The following people were appointed to the Dialysis Fluids subcommittee of PTAC:

- Neil Aitchison, MidCentral DHB (HPAC member);
- Dr John Collins, Auckland DHB;
- Dr Sisira Jayathissa, Hutt Valley DHB (PTAC member);
- Maureen McCullam, Hawke's Bay DHB;
- Dr Krishan Madhan, Taranaki DHB;
- Karin Norman, Waikato DHB;
- Associate Professor Johan Rossman, Counties-Manukau DHB.

PHARMAC seeks comment on the proposed process to provide national contracts for both dialysis fluids and bulk IV fluids.

2. Proposed process for national procurement of bulk IV fluids

While there are some similarities between the two fluid markets, PHARMAC proposes that the procurement process for dialysis fluids and bulk IV fluids be run as two distinct processes.

For bulk IV fluids, PHARMAC is consulting on the attached list of products (see Attachment One to this letter). Following consultation, PHARMAC would seek advice from the Bulk IV Fluids subcommittee of PTAC in order to form a complete list. PHARMAC proposes at that point to conduct a Request for Proposals (RFP) which would allow any current or potential supplier of bulk IV fluids to submit an aggregated proposal for one or more products.

Any products not contracted for via the RFP process would be considered for inclusion in a tender for sole supply of bulk IV fluids (subject to any DV Limits – as defined in Section H of the Pharmaceutical Schedule). The terms of the tender would be consulted on prior to it being issued and the tender would contain a product list of all the products being tendered.

Potential questions for consultation:

- 2.1 *What advantages/disadvantages would result to your organisation as a result of the proposed two-step process (RFP followed by line-by-line tender) for bulk IV fluids procurement?*
- 2.2 *Does your organisation propose any amendment(s) to the proposed RFP process?*
- 2.3 *Does your organisation support the potential for RFP proposals to contain dialysis fluids and other products?*
- 2.4 *Does your organisation propose any amendments(s) to the proposed tender process for bulk IV fluids and other products?*
- 2.5 *What are the benefits and risks from a national tender where one supplier may be awarded the entire market for a certain product? Are these product specific or generic to all brands of the same line item?*
- 2.6 *Are there any other comments you wish to make regarding the proposed procurement process for bulk IV fluids?*

3. Proposed process for national procurement of dialysis fluids;

As outlined in Section 2 of this letter for bulk IV fluids, PHARMAC propose to run a two step process for national procurement of dialysis fluids. The first stage would be an RFP process – where products could be aggregated with other dialysis fluids, bulk IV fluids and/or other products – followed by a line-by-line tender where the tender winner would be the sole national supplier of that line item.

The RFP would follow the same process and timelines as that proposed for bulk IV fluids.

The product list of dialysis fluids to be considered for national contracts would be developed following receipt of advice from the Dialysis Fluids subcommittee of PTAC and would be consulted on prior to any tender being issued.

Potential questions for consultation:

- 3.1 *What advantages/disadvantages would result to your organisation as a result of the proposed two-step process for dialysis fluids procurement?*
- 3.2 *Does your organisation propose any amendment(s) to the proposed RFP process?*
- 3.3 *Does your organisation support the potential for RFP proposals to contain bulk IV fluids and other products?*
- 3.4 *Does your organisation propose any amendment(s) to the proposed tender process for dialysis fluids?*
- 3.5 *What are the benefits and risks from a national tender where one supplier may be awarded the entire market for a certain product?*
- 3.6 *Are there any other comments you wish to make regarding the proposed procurement process for dialysis fluids?*

4. Proposed timelines for national procurement of bulk IV fluids and dialysis fluids;

The following is a proposed timeline for both bulk IV fluids and dialysis fluids procurement. Please note this timeline is indicative and subject to change.

October 2005	Consultation on procurement process for bulk IV fluids and dialysis fluids
21 October 2005	Consultation responses due to PHARMAC
Early November 2005	Consideration of consultation responses by the clinical subcommittee of PTAC
Late November 2005	PHARMAC Board decision on proposed process for procurement of dialysis fluids and bulk IV fluids
December 2005	Issuing of Request for Proposals for dialysis fluids and/or bulk IV fluids
Mid January 2006	Proposals due to PHARMAC

- January 2006 onwards** Clinical and commercial evaluation of proposals received, negotiations with suppliers, contracting and consulting on proposals recommended for acceptance
- March 2006 onwards** PHARMAC Board decision on any proposals progressed
- May 2006 onwards** Listing of contracted products on Section H of the Pharmaceutical Schedule

Potential questions for consultation:

- 4.1 *Are there any comments you wish to make regarding the proposed timelines for dialysis fluids and bulk IV fluids procurement?*

5. Consultation on the range of potassium chloride solutions to be under national contracts;

At the request of the DHB Safe and Quality Use of Medicines (SQM) group, PHARMAC is consulting on the range of potassium chloride premix solutions (IV bags) that should be used nationally. While PHARMAC is not proposing to restrict the range of presentations of potassium chloride premix solutions available, we acknowledge having a reduced range of products used may reduce the risk of medication error in DHB hospitals.

Accordingly, PHARMAC is seeking to work with DHBs and the SQM group to identify what strength(s) and mix of potassium chloride premix bag(s) is required nationally and we will consider contracting for that strength or strengths.

We understand that the following range potassium chloride premix solution (IV bag) is currently being used in various DHB hospitals (though we note other forms may be used by some DHBs):

- Potassium chloride 10 mmol with glucose 10%, 500 ml
- Potassium chloride 40 mmol with glucose 5%, 500 ml
- Potassium chloride 20 mmol with glucose 5%, 1,000 ml
- Potassium chloride 40 mmol with sodium chloride 0.9%, 500 ml
- Potassium chloride 20 mmol with sodium chloride 0.9%, 1,000 ml
- Potassium chloride 30 mmol with sodium chloride 0.9%, 1,000 ml
- Potassium chloride 40 mmol with sodium chloride 0.9%, 1,000 ml
- Potassium chloride 30 mmol with compound sodium lactate, 1,000 ml
- Potassium chloride 20 mmol with glucose 4% sodium chloride 0.18% 500 ml
- Potassium chloride 20 mmol with glucose 4% sodium chloride 0.18%, 1,000 ml
- Potassium chloride 30 mmol with glucose 4% sodium chloride 0.18%, 1,000 ml
- Potassium chloride 40 mmol with glucose 4% sodium chloride 0.18%, 1,000 ml

Potential questions for consultation:

- 5.1 *What other strengths, if any, of potassium chloride are currently available/in use in New Zealand?*
- 5.2 *Do you support reducing the range of potassium chloride premix solutions available nationally? If so, why? If not, why not?*
- 5.3 *What strengths and combinations of potassium chloride IV bags is it essential to have under national procurement contracts? What strengths are desirable to have under national procurement contracts? Why?*

- 5.4 *In addition to contracting for a reduced range of potassium chloride premix solution (IV bag) presentations, do you support PHARMAC restricting access to the other forms of potassium chloride premix solutions? i.e. if three IV bag presentations were agreed on as being essential, should DHBs be prevented from buying other forms of potassium chloride premix solutions? Why?*
- 5.5 *Are there any other comments you wish to make regarding the range of potassium chloride premix solutions (IV bags) available in New Zealand?*

6. Consultation on the range of heparin solutions to be under national contracts;

Like potassium chloride solutions, PHARMAC understands there is currently a range of heparin premix solutions available at different DHB hospitals. The SQM group has identified heparin premix bags as another chemical where a reduced range of presentations available may reduce the risk of medication error in DHB hospitals.

Accordingly, PHARMAC is seeking to work with DHBs and the SQM group to identify what premix concentrations are required and should be considered for national contract.

Potential questions for consultation:

- 6.1 *What strengths of heparin premix bags are currently available/in use in New Zealand?*
- 6.2 *Do you support reducing the range of heparin premix solutions available nationally? If so, why? If not, why not?*
- 6.3 *What strengths of heparin premix bags is it essential to have under national procurement contracts? What strengths are desirable to have under national procurement contracts? Why?*
- 6.4 *In addition to contracting for a reduced range of heparin premix bags presentations, do you support PHARMAC restricting access to the other forms of heparin premix bags? i.e. if three presentations were agreed on as being essential should DHBs be prevented from buying other forms of heparin premix bags? Why?*
- 6.5 *Are there any other comments you wish to make regarding the range of heparin premix bags available in New Zealand?*

7. Proposed product list for bulk IV fluids;

Attached to this letter is the proposed product list for bulk IV fluids to be contracted nationally. PHARMAC does not propose to restrict access to the range of bulk IV fluids currently available; however, under the proposed tender, some products may be subject to only having one supplier in DHB hospitals in New Zealand.

Potential questions for consultation:

- 7.1 *Does the bulk IV fluids list adequately capture the range of bulk IV fluids currently available in New Zealand? Should some additional products be included in the product list? Should some products be removed from the product list?*
- 7.2 *Is it appropriate for individual line items to be subject to a sole supplier contract? i.e. are there clinical or commercial reasons why individual line items should be supplied by more than one supplier? What are these reasons?*
- 7.3 *Are there any clinical considerations that should be identified when considering different brands of the same line item?*

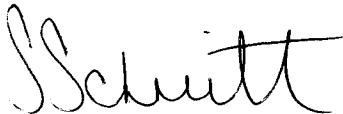
7.4 *Are there any other comments you wish to make regarding the proposed bulk IV fluids product list?*

8. Summary

If you have comments to make on any aspects of the proposed procurement process for bulk IV fluids and/or dialysis fluids please forward them to Matthew Perkins at PHARMAC by **5pm, Friday 21 October 2005**. If you have any questions, require clarification on any aspect of the proposals or would like to meet with PHARMAC to discuss the proposals, please contact Matthew Perkins (Ph: +64 9 9167 507; Email: matthew.perkins@pharmac.govt.nz).

We look forward to hearing from you.

Yours sincerely

A handwritten signature in black ink that reads "Schmitt". The signature is written in a cursive style with a large initial 'S'.

Sarah Schmitt
Manager, Hospital Pharmaceuticals

Attachment One – proposed product list for bulk IV fluids

Dextran 40 10% with sodium chloride 0.9%, 500 ml
Dextran 70 6% with sodium chloride 0.9%, 500 ml
Glucose 10%, 1,000 ml
Glucose 10%, 500 ml
Glucose 5%, 1,000 ml
Glucose 5%, 250 ml
Glucose 5%, 500 ml
Hartmanns, 1,000 ml
Lactated ringers, 500 ml
Mannitol 10%, 1,000 ml
Mannitol 15%, 500 ml
Mannitol 20%, 500 ml
Plasmalyte 148 replacement with glucose 5%, 1,000 ml
Plasmalyte 148 replacement, 1,000 ml
Plasmalyte 148 replacement, 500 ml
Plasmalyte oral rehydration solution, 500 ml
Potassium chloride 10 mmol with glucose 10%, 500 ml
Potassium chloride 20 mmol with glucose 4% sodium chloride 0.18% 500 ml
Potassium chloride 20 mmol with glucose 4% sodium chloride 0.18%, 1,000 ml
Potassium chloride 20 mmol with glucose 5%, 1,000 ml
Potassium chloride 20 mmol with sodium chloride 0.9%, 1,000 ml
Potassium chloride 30 mmol with compound sodium lactate, 1,000 ml
Potassium chloride 30 mmol with glucose 4% sodium chloride 0.18%, 1,000 ml
Potassium chloride 30 mmol with sodium chloride 0.9%, 1,000 ml
Potassium chloride 40 mmol with glucose 4% sodium chloride 0.18%, 1,000 ml
Potassium chloride 40 mmol with glucose 5%, 500 ml
Potassium chloride 40 mmol with sodium chloride 0.9%, 1,000 ml
Potassium chloride 40 mmol with sodium chloride 0.9%, 500 ml
Ringers, 1,000 ml
Ringers, 500 ml
Sodium bicarbonate 5%, 500 ml
Sodium chloride 0.18% with glucose 4%, 1,000 ml
Sodium chloride 0.18% with glucose 4%, 500 ml
Sodium chloride 0.45% , 500 ml
Sodium chloride 0.45% with glucose 2.5%, 500 ml
Sodium chloride 0.9% with glucose 5%, 1,000 ml
Sodium chloride 0.9%, 1,000 ml
Sodium chloride 0.9%, 100 ml
Sodium chloride 0.9%, 250 ml
Sodium chloride 0.9%, 500 ml
Sodium chloride 3%, 1,000 ml
Water, 1,000 ml