

Level 14, Cigna House,  
40 Mercer Street, PO Box 10-254,  
Wellington 6143, New Zealand

Phone 64-4-460-4990

Fax 64-4-460-4995

[www.pharmac.govt.nz](http://www.pharmac.govt.nz)

23 April 2008

Dear Supplier

## REQUEST FOR PROPOSALS – SUPPLY OF DIABETES MANAGEMENT PRODUCTS

PHARMAC invites proposals for the supply of **diabetes management products** in New Zealand.

This request for proposals (**RFP**) letter incorporates the following schedules:

- Schedule 1 specifies the pharmaceutical for which PHARMAC is requesting proposals and sets out the background to the RFP and the types of proposals sought;
- Schedule 2 describes the process that PHARMAC expects to follow in relation to the RFP;
- Schedule 3 sets out information about the estimated size of the current subsidised market for the pharmaceutical; and
- Schedule 4 contains the RFP form in which you are to provide details of your proposal.

If you wish to submit a proposal, you must submit it to PHARMAC no later than **5.00 pm** on **Friday 23 May 2008**.

If you have any questions about this RFP, please contact **Mike Bignall** at PHARMAC by telephone (04) 916 7562 or email [mike.bignall@pharmac.govt.nz](mailto:mike.bignall@pharmac.govt.nz).

We look forward to receiving your proposal.

Yours sincerely



Matthew Brougham  
Chief Executive

## **Schedule 1: Pharmaceuticals, background to RFP and types of proposals sought**

### **1. Pharmaceuticals**

PHARMAC is interested in considering any proposal(s) from suppliers of (herein referred to collectively as “**diabetes management products**”):

- **blood glucose test strips and blood glucose diagnostic test meters; and/or**
- **blood ketone test strips and blood ketone diagnostic test meters; and/or**
- **lancets; and/or**
- **insulin pen needles; and/or**
- **insulin syringes, disposable with attached needle.**

### **2. Background to RFP**

The background to this RFP is as follows:

#### ***Blood glucose test strips and blood glucose diagnostic test meters***

- Blood glucose test strips and diagnostic test meters are currently listed fully subsidised in Section B of the Pharmaceutical Schedule.
- There are 3 brands of blood glucose test strips currently listed in the Pharmaceutical Schedule (Accu-Chek Performa, Accu-Chek Advantage\* and Optium). The current price and subsidy for blood glucose test strips is \$22.00 per 50 strips.

\* Accu-Chek Advantage will be delisted from the Pharmaceutical Schedule on 1 July 2008 and replaced with a different brand, Accu-Chek Performa, at the same price and subsidy.

- The following restriction applies to the prescribing and dispensing of blood glucose test strips in the community:

The number of test strips available on a prescription is restricted to 50 unless:

1. Prescribed with insulin or a sulphonylurea but are on a different prescription and the prescription is endorsed accordingly; or
  2. Prescribed on the same prescription as insulin or a sulphonylurea in which case the prescription is deemed to be endorsed; or
  3. Prescribed for a pregnant woman with diabetes and endorsed accordingly.
- There are 3 brands of blood glucose diagnostic test meters currently listed in the Pharmaceutical Schedule (Accu-Chek Performa, Accu-Chek Advantage\* and Optium). The current price and subsidy for blood glucose diagnostic test meters is

\$9.00 per meter (although Accu-Chek Advantage and Performa are listed at \$19.00 per meter and subject to a rebate).

\* Accu-Chek Advantage will be delisted from the Pharmaceutical Schedule on 1 July 2008 and replaced with a different brand, Accu-Chek Performa, at the same price and subsidy.

- The following restriction applies to the prescribing and dispensing blood glucose diagnostic test meters in the community:

A diagnostic blood glucose test meter is subsidised for patients who begin insulin or sulphonylurea therapy after 1 March 2005. Only one meter per patient. No further prescriptions will be subsidised. The prescription must be endorsed accordingly.

- The current test strips and meter brands have been subject to a dual supply arrangement that expired on 31 March 2008. The dual supply arrangement occurred as a result of an RFP in 2004. Before the dual supply arrangement there were a number of blood glucose test strip brands listed on the Pharmaceutical Schedule.
- For the first 12 months during the dual supply period, both dual supply suppliers were required to supply blood glucose diagnostic test meters free of charge to patients who were using a meter and test strip that was no longer subsidised as a result of the dual supply arrangement.

#### ***Blood ketone test strips and blood ketone diagnostic test meters***

- Blood ketone test strips and blood ketone diagnostic test meters are not currently listed or funded on the Pharmaceutical Schedule. Urine ketone tests are listed partially subsidised on the Pharmaceutical Schedule with no restrictions as follows:

<b>Brand</b>	<b>Subsidy (Price) and Pack Size</b>
Keto-Diabur 5000	\$4.53 (\$8.00) per 50
Keto-Diastix	\$4.53 (\$7.50) per 50
Ketur-Test	\$3.39 (\$6.00) per 50
Ketostix	\$3.40 (\$7.15) per 50

- PTAC has recently considered an application for funding ketone testing equipment however it deferred making a priority recommendation pending further information being provided by a pharmaceutical supplier. Any funding would require clinical advice and consideration by PTAC or the Diabetes Subcommittee and may be subject to restriction criteria.

#### ***Lancets***

- Lancet devices and lancet device consumables are not currently listed or funded on the Pharmaceutical Schedule.
- In 2007 PHARMAC conducted a Request For Information (RFI) to investigate the feasibility of funding lancet devices. PHARMAC considers that funding lancet device consumables through Wholesale Supply Orders (WSO) with a limit could be considered, however, funding lancet devices is not considered necessary given that these are already supplied free of charge with blood diagnostic test meters.

***Insulin pen needles and insulin syringes, disposable with attached needle***

- Insulin pen needles and insulin syringes, disposable with attached needle are currently listed fully subsidised in Section B of the Pharmaceutical Schedule. The following table outlines the sizes, brands and subsidies available for insulin pen needles and insulin syringes, disposable with attached needle:

<b><i>Insulin pen needles</i></b>		
<b>Size</b>	<b>Subsidy and Price and Pack Size</b>	<b>Brand</b>
29 g x 12.7 mm	\$11.75 per 100	ABM
	\$13.09 per 100	B-D Micro-Fine
31 g x 5 mm	\$11.75 per 100	ABM
	\$13.09 per 100	B-D Micro-Fine
31 g x 6 mm	\$11.75 per 100	ABM
	\$26.00 per 100	Novo-Fine *
31 g x 8 mm	\$11.75 per 100	ABM
	\$13.09 per 100	B-D Micro-Fine
<b><i>Insulin syringes, disposable with attached needle</i></b>		
<b>Size</b>	<b>Subsidy and Price and Pack Size</b>	<b>Brand</b>
Syringe 0.3 ml with 29 g x 12.7 mm needle	\$14.45 per 100	ABM
	\$15.92 per 100	B-D Micro-Fine
Syringe 0.3 ml with 31 g x 8 mm needle	\$14.45 per 100	ABM
	\$15.92 per 100	B-D Micro-Fine
Syringe 0.5 ml with 29 g x 12.7 mm needle	\$14.45 per 100	ABM
	\$15.92 per 100	B-D Micro-Fine
Syringe 0.5 ml with 31 g x 8 mm needle	\$14.45 per 100	ABM
	\$15.92 per 100	B-D Micro-Fine
Syringe 1 ml with 29 g x 12.7 mm needle	\$14.45 per 100	ABM
	\$15.92 per 100	B-D Micro-Fine
Syringe 1 ml with 31 g x 8 mm needle	\$14.45 per 100	ABM
	\$15.92 per 100	B-D Micro-Fine

\* Novo Fine insulin pen needles are subsidised only for children under 12 years of age.

Note: ABM insulin pen needles and insulin syringes, disposable with attached needle will be listed on the Pharmaceutical Schedule from 1 May 2008.

- The following restriction applies to the prescribing and dispensing of insulin pen needles and insulin syringes, disposable with attached needle:

Maximum of 100 devices per prescription

- The B-D Micro Fine and Novo Fine brands were sole supply until 29 February 2008 as a result of an RFP that was run in 2004. The ABM brand has subsidy and delisting protection until 31 October 2008.
- Alternative sizes have previously been listed on the Pharmaceutical Schedule.

***PHARMAC now seeks proposals for the supply of:***

- Blood glucose test strips and diagnostic test meters (from current or new suppliers); and/or
- Insulin syringes, disposable with attached needle (from current or new suppliers); and/or
- Blood ketone test strips and blood ketone diagnostic test meters; and/or
- Lancet device consumables.

**3. Types of proposals sought**

**3.1 PHARMAC is willing to consider the following types of proposals:**

- proposals that involve reference pricing, subsidy and/or delisting protection of diabetes management products, for a period of no more than three years;
- proposals that include blood glucose diagnostic test meters that provide additional technologies (e.g. voice readings, software functions) or additional diabetes management tools (e.g. lancet devices or blood ketone test strip functionality);
- proposals that include a bundled package of diabetes management consumable products (e.g. lancets and test strips);
- proposals that include bundling other pharmaceuticals other than diabetes management products; and
- dynamic or simple caps, rebates, or other expenditure risk sharing mechanisms (note caps/rebates may be for > 3 years). Proposals involving caps and rebates must specify price arrangements, and any other terms, applicable at the end of the supply protection period and/or cap period, and should not be subject to confidentiality.

**3.2 Proposals must include the following information:**

- proposals for blood glucose test strips must include a proposal for an appropriate diagnostic test meter;
- proposals for blood ketone test strips must include a proposal for an appropriate diagnostic test meter;
- the proposed prices of the diabetes management products included in the proposal;
- information about the supplier's ability to ensure reliability and continuity of supply of diabetes management products (including replacement/repair policies, battery replacement services and customer services where applicable);

- in relation blood glucose test strips and blood glucose diagnostic test meters, proof of device imprecision and inaccuracy test results (according to the 1996 American Diabetes Association standards for diabetes meters) assessed in a recent (within the last 18 months) independent test. We recommend that tests are conducted by:

Roger Johnson PhD  
 Scientific Specialist  
 Department of Chemical Pathology  
 LabPlus  
 Auckland Hospital

Telephone (09) 307 4949 ext 2009

- details of packaging and pack size of diabetes management products;
- ten samples of each of the diabetes management products for which proposals are submitted;
- in relation blood glucose test strips and blood glucose diagnostic test meters confirmation of whether information can be downloaded from meters to GP software systems and, where applicable, a list of the software with which the meters are compatible and technology required;
- in relation to blood ketone test strips and diagnostic meters, additional information such as that detailed in the *Guidelines for Submissions to PHARMAC & PTAC on New Chemical Entities and Generic Pharmaceuticals 2005* (i.e. therapeutic information, epidemiology information, market information, and costs and benefits) which is available on [www.pharmac.govt.nz](http://www.pharmac.govt.nz);
- in relation to lancets, the compatibility of the lancet device consumable with other lancet devices in the market or the proposed plans of supplying lancet devices to patients (i.e. would there be any costs to the patient);
- the supplier's rationale as to why PHARMAC should accept their proposal; and
- any other information in support of your proposal contemplated by Schedule 4.

### 3.3 PHARMAC is not willing to consider the following types of proposals:

- proposals for sole subsidised supply or dual supply for any diabetes management product or other pharmaceutical;
- proposals for blood glucose test strips only;
- proposals for blood glucose diagnostic test meters only;
- proposals for blood ketone diagnostic test meters only;
- proposals for blood ketone test strips meters only;
- limits on the number of patients to whom subsidy would be available;

- proposals including the widening of funded access to other products currently listed on the Pharmaceutical Schedule;
- proposals for part-funding of diabetes management products;
- bundling or cross-deal arrangements where pharmaceuticals other than diabetes management products would be subject to subsidy protection; or
- two part pricing arrangements, whereby PHARMAC may make an up-front payment (in addition to any ongoing subsidy) in return for the listing of a pharmaceutical or diabetes management product(s) on specific terms.

3.4 Subject to the above, PHARMAC is open to considering any other types of proposals that you may wish to put forward.

## Schedule 2: RFP process

PHARMAC expects to follow the process set out below in the sequence indicated.

### 1. Submission

- (a) You may submit more than one proposal. Each proposal will be considered as a separate proposal.
- (b) Proposals must be submitted no later than **5.00 p.m. (New Zealand time) on Friday 23 May 2008**. Late proposals will only be considered at PHARMAC's discretion.
- (c) You cannot withdraw your proposal, once submitted, while the RFP process is continuing.
- (d) All proposals (including samples) must be submitted electronically by email to Mike Bignall ([mike.bignall@pharmac.govt.nz](mailto:mike.bignall@pharmac.govt.nz)). In addition, submitters may also provide a hard copy of all proposals by courier or by post to PHARMAC at **Level 14, Cigna House, 40 Mercer Street, PO Box 10-254, Wellington 6143, New Zealand**, to the attention of **Mike Bignall**

### 2. Evaluation

- (a) Following the deadline for submitting proposals an Evaluation Committee comprising PHARMAC staff (including PHARMAC's Legal Counsel) will evaluate each proposal to select its preferred proposal(s).
- (b) The basis on which the Evaluation Committee will evaluate proposals, and the weight to be given to the criteria and other matters that it considers, are to be determined by the Evaluation Committee at its sole discretion. The matters to be taken into account by the Evaluation Committee will, however, include:
  - (i) the decision criteria set out in PHARMAC's then current Operating Policies and Procedures (**OPPs**), as published on PHARMAC's website ([www.pharmac.govt.nz](http://www.pharmac.govt.nz)), to the extent applicable;
  - (ii) any clinical advice from PTAC or its relevant sub-committee;
  - (iii) any other matters that the Evaluation Committee considers to be relevant (provided that PHARMAC will notify such matters and allow an opportunity for submitters of proposals to address them).
- (c) Each proposal will be evaluated on the basis that the price offered, the expenditure entailed, and any other terms included in the proposal, are the best that the supplier is able to offer. If you do not put forward your best terms you risk having your proposal excluded at the evaluation stage.
- (d) PHARMAC is not bound to select the lowest priced proposal or any proposal.

### 3. **Negotiation**

- (a) PHARMAC may negotiate with the submitter(s) of one or more preferred proposals, in the latter case whether or not the acceptance of either supplier's proposal would exclude acceptance of the other proposal.
- (b) Negotiations will proceed on the basis that PHARMAC's standard terms and conditions for supply of pharmaceuticals, which are available on request from PHARMAC, will apply.
- (c) Given that PHARMAC expects your proposal to be the best you can offer, PHARMAC does not intend to initiate negotiation with you on price. However, PHARMAC does not exclude the possibility that the final price agreed will be different from the price put forward in your proposal, as a result of the impact that other negotiated terms may have on price.
- (d) PHARMAC may negotiate and enter into a provisional agreement with a preferred supplier(s) on whatever special terms, in addition to PHARMAC's standard terms and conditions, PHARMAC considers appropriate.
- (e) If PHARMAC and the supplier(s) are unable to reach a provisional agreement within what PHARMAC considers to be a reasonable time, PHARMAC may terminate those negotiations and negotiate with a different supplier(s).

### 4. **Consultation and approval**

- (a) Any provisional agreement will be conditional on consultation with suppliers and other interested parties, to the extent PHARMAC considers consultation to be necessary or appropriate, and on Board approval (or approval by PHARMAC's Chief Executive under delegated authority).
- (b) PHARMAC will not consider any counter-offers received during consultation.
- (c) The provisional agreement and responses to consultation will be considered by PHARMAC's Board (or by PHARMAC's Chief Executive under delegated authority) in accordance with the decision criteria in PHARMAC's then current OPPs.
- (d) If the Board or the Chief Executive does not approve the provisional agreement, then PHARMAC may initiate negotiations for a provisional agreement with any other supplier(s).
- (e) The RFP process will be complete once PHARMAC has notified suppliers of either:
  - (i) the Board's or its Chief Executive's decision to accept a negotiated agreement; or
  - (ii) the termination of the RFP process.

### 5. **Miscellaneous**

- (a) PHARMAC reserves the right:

- (i) to make such adjustments to the above RFP process as it considers appropriate, at any time during the process, provided that it notifies suppliers affected by those changes;
  - (ii) not to accept any proposal;
  - (iii) to seek clarification of any proposal;
  - (iv) to meet with any supplier in relation to its proposal;
  - (v) to enter into an agreement or arrangement that differs in material respects from that envisaged in this RFP letter;
  - (vi) to suspend this RFP process. For example, if during the RFP process (and before a provisional agreement is entered into) it becomes apparent to PHARMAC that further consultation is appropriate or required we may suspend the RFP process in order to consult. In this situation we may ask you to adapt and resubmit your proposal in light of consultation, or alternatively we may request that new proposals be submitted;
  - (vii) to terminate this RFP process at any time, by notifying suppliers who submitted proposals, and, following termination, to negotiate with any supplier(s) on whatever terms PHARMAC thinks fit; and
  - (viii) to readvertise for proposals.
- (b) PHARMAC may consult or seek clinical advice from PTAC or its relevant sub-committee at any stage of the RFP process. PHARMAC will notify you if the clinical advice results in any changes to the terms of the RFP.
  - (c) You must not initiate or engage in any communication with other suppliers in relation to the RFP, whether before or after submitting their proposal(s), until such time as a provisional agreement is accepted by PHARMAC's Board or Chief Executive.
  - (d) You must not at any time initiate any communication with PHARMAC's directors or officers, the Ministry of Health, the Minister of Health or District Health Boards, with a view to influencing the outcome of this RFP process.
  - (e) You must pay your own costs for preparing and submitting your proposal.
  - (f) Proposals are submitted in reliance on your own knowledge, skill, and independent advice, and not in reliance on any representations made by PHARMAC.
  - (g) Your submission of a proposal will be taken as acceptance of the terms contained in this RFP letter. PHARMAC may exclude your proposal if you do not comply with any of the terms contained in this RFP letter.
  - (h) This is an RFP and not a tender. Your proposal is not an offer capable of being converted into a contract for the supply of diabetes management products or any other pharmaceutical that you submit a proposal on by PHARMAC's apparent acceptance and instead a separate agreement needs to be negotiated.

- (i) PHARMAC is not liable in any way whatsoever for any direct or indirect loss (including loss of profit), damage or cost of any kind incurred by you or any other person in relation to this RFP.
- (j) PHARMAC will consider your proposal and information exchanged between us in any negotiations relating to your proposal, excluding information already in the public domain, to be confidential to us and our employees, legal advisors and other consultants, the Ministry of Health and DHBs (**Confidential Information**). However, you acknowledge that it may be necessary or appropriate for PHARMAC to release Confidential Information:
  - (i) pursuant to the Official Information Act 1982; or
  - (ii) in the course of consultation on a provisional agreement entered into with a supplier; or
  - (iii) in publicly notifying any approval by the PHARMAC Board of that agreement; or
  - (iv) otherwise pursuant to PHARMAC's public law or any other legal obligations.

PHARMAC may consult with you before deciding whether to disclose Confidential Information for the purposes described in sub-clauses (i) to (iv) above. You acknowledge, however, that it is for PHARMAC to decide, in its absolute discretion, whether it is necessary or appropriate to disclose information for any of the above purposes, provided that PHARMAC shall act in good faith in disclosing any Confidential Information.

## 6. **Anticipated timetable**

- (a) Following receipt of proposals, PHARMAC anticipates:
  - (i) the Diabetes Subcommittee of PTAC evaluating the diabetes management products in June 2008;
  - (ii) the Evaluation Committee evaluating proposals in June / July 2008;
  - (iii) negotiating with submitter(s) of one or more preferred proposals in July;
  - (iv) consulting on a provisional agreement in July/August;
  - (v) PHARMAC's Board or Chief Executive considering this provisional agreement in or after July/August,

provided that the above time frames are only approximate and may be extended, without notice being required from PHARMAC, if any stages of the RFP process take longer than anticipated.

- (b) Under this indicative timetable, the earliest that changes to the Pharmaceutical Schedule could be implemented is 1 September 2008.

### Schedule 3: Current listing and market information

The following information relates to the estimated subsidised market size of diabetes management products. The information is approximate and indicative only. PHARMAC makes no representation as to the accuracy of this information or as to the level of sales or likely sales of any diabetes management products and, while PHARMAC has taken all reasonable care in preparing the information set out below, it accepts no liability for any errors or omissions in the information. PHARMAC is not obliged to notify you in the event of any change to the figures below.

The number of subsidised units for blood glucose test strips and diagnostic test meters in the community for the years ending March 2006, March 2007 and March 2008 is shown below:

Pharmaceutical	Year End March 2006	Year End March 2007	Year End March 2008 *
Blood glucose test strips	34,596,750	36,584,275	34,912,700
Blood glucose diagnostic test meters	3,084	3,573	5,611

\* Note data for this year end is based on forecast data of the last 2 months. Blood glucose diagnostics test meters have only been funded through the Pharmaceutical Schedule since 1 April 2005.

The number of subsidised units for insulin pen needles and insulin syringes, disposable with attached needle in the community for the years ending March 2006, March 2007 and March 2008 is shown below:

Pharmaceutical	Year End March 2006	Year End March 2007	Year End March 2008 *
Pen needle, 29 g x 12.7 mm	501,513	487,371	490,306
Pen needle, 31 g x 5 mm	57,921	80,679	97,526
Pen needle, 31 g x 6 mm	53,014	79,324	109,359
Pen needle, 31 g x 8 mm	2,226,420	2,465,642	2,715,807
Syringe 0.3 ml with 29 g x 12.7 mm needle	26,165	27,884	22,637
Syringe 0.3 ml with 30 g x 8 mm needle	249,047	126,970	0
Syringe 0.3 ml with 31 g x 8 mm needle	0	122,187	243,480
Syringe 0.5 ml with 29 g x 12.7 mm needle	216,310	195,869	183,931
Syringe 0.5 ml with 30 g x 8 mm needle	253,961	137,245	0
Syringe 0.5 ml with 31 g x 8 mm needle	0	98,664	225,350
Syringe 1 ml with 29 g x 12.7 mm needle	73,474	71,917	72,994
Syringe 1 ml with 30 g x 8 mm needle	71,079	40,403	0
Syringe 1 ml with 31 g x 8 mm needle	0	26,541	68,281

\* Note data for this year end is based on forecast data of the last 2 months.

The subsidised market for urine ketone tests had less than \$10,000 expenditure in the last financial year ending 30 June 2007.

#### Schedule 4: Proposal form

***You should expand the boxes as necessary. An electronic version of this form can be emailed to you on request.***

**[Supplier to insert date]**

Chief Executive  
C/- Mike Bignall  
PHARMAC  
PO Box 10-254  
(or for courier delivery:  
Level 14, Cigna House  
40 Mercer Street)  
Wellington  
New Zealand

Dear Mike

#### **Proposal for the supply of diabetes management products**

In response to your request for proposals (**RFP**) dated 23 April 2008, we put forward the following proposal in respect of diabetes management products.

Set out below is further information in support of our proposal.

(a) Our contact details:

Name of supplier	
Contact person	
Address	
Phone	
Facsimile	
Email address	

(b) Details of diabetes management products presentation:

Product name	
Strength (if applicable)	
Form (e.g. strip)	
Brand name	
Pack size (e.g. 50)	
Packaging type (e.g. foil or tube)	

(c) Key features of our proposal:

--

(d) Information relating to pricing (\$NZ, GST exclusive), including any related conditions or proposed terms affecting cost for PHARMAC (e.g. price in return for reference price protection, subsidy protection etc.):

--

(e) Evidence of market approval and any other required consents:

Date of Notification to WAND database	
Evidence of any other approval required or otherwise obtained in relation to supply of the pharmaceutical	
Device imprecision and inaccuracy levels (according to the 1996 American Diabetes Association standards for diabetes meters) judged in a recent (within the last 18 months) independent test (please attach results separately)	

(f) Operating information about our brand of blood glucose test strips and diagnostic test meter and/or blood ketone test strips and diagnostic test meter:

Volume of blood required	
Time taken for test	
Temperature range of operation	

(g) Information about our ability to ensure the continuity of supply of the diabetes management products:

--

- (h) Information about our previous supply performance and relevant expertise:

--

- (i) Proposals/suggestions (e.g. pricing, protection requirements etc) regarding the pharmaceutical(s) not expressly identified in this RFP that we would like PHARMAC to consider as part of our proposal:

--

- (j) Other relevant information about our brand of diabetes management products:

Availability of an 0800 number (incl. hours of operation)	
Repair/replacement policy	
Ability to download data and compatible software	
Other customer services	

- (k) Reasons why PHARMAC should accept our proposal and any additional information that PHARMAC should consider when evaluating our proposal:

--