

18 July 2008

Media release

Medicine funding up \$17 million

The Minister of Health has approved an increased community pharmaceuticals budget for the 2008/09 financial year. The budget of \$653 million represents a \$17 million increase on 2007/08.

DHB spokesman on pharmaceuticals Murray Georgel and PHARMAC Acting CEO Steffan Crausaz welcome the increase, saying it continues the trend of growth in funding of pharmaceuticals over recent years.

PHARMAC manages pharmaceutical spending on behalf of DHBs, who hold the funding. PHARMAC and DHBs make a recommendation on the budget to the Minister of Health, who approves the budget level for each year, along with an indication of the forward funding path for coming years.

The budget for the next two years is expressed as a range, as it is only indicative. The approved funding path is:

- 2008/09: \$653 million
- 2009/10: \$669-\$672 million
- 2010/2011: \$686-\$692 million.

Murray Georgel, who is Chief Executive of the MidCentral DHB, says the decision on pharmaceutical funding has been made after taking into account the wider health sector and the priorities that DHBs are working towards.

“DHBs support the funding increase and have high confidence in PHARMAC’s ability to effectively manage the budget and make good decisions on behalf of DHBs and New Zealand,” says Murray Georgel.

“In deciding how much funding to allocate to pharmaceuticals, DHBs have to balance that with other demands on health funding.”

“We’re confident that this level of pharmaceutical funding is affordable for DHBs while giving scope for improving New Zealanders’ access to medicine.”

Steffan Crausaz says that together with PHARMAC’s continued programme of savings, freeing up further money for new investments, the funding increase will mean access to medicines will continue to improve.

“New Zealand faces the same challenges as other countries in deciding which medicines to fund. Careful choices have to be made to make sure our investments in new pharmaceuticals are affordable, and represent the best ways to improve the health of New Zealanders,” says Steffan Crausaz.

“This year’s increase means PHARMAC will be able to fund a range of new medicines, such as the anti-epilepsy drug levetiracetam for which we have recently announced funding. We are also currently asking for feedback about a proposal to fund imiquimod for a form of skin cancer.”

The ability to fund new medicines however also depends on whether pharmaceutical companies choose to increase prices on existing medicines. In 2007/08, PHARMAC raised subsidy levels on two important medicines, because the pharmaceutical companies had put their prices up, which meant some \$5 million was not available for funding new medicines.

“This shows the difficult balancing act we continually face. While we all like to see new medicines funded, sometimes the best decision is to spend more on an existing medicine to enable patients to still have it fully funded. This is an area where careful judgements always need to be made,” he says.

Steffan Crausaz says that over recent years New Zealand’s pharmaceutical prices overall have been decreasing. Because of market trends, increased competition in medicines supply and PHARMAC’s use of purchasing strategies (e.g. reference pricing and tendering), New Zealand’s pharmaceutical purchasing power has increased three-fold since 1993.

PHARMAC and DHBs will be working to further clarify and strengthen the budget- setting process, as part of the Government’s medicines strategy, *Medicines New Zealand*. Budget setting principles will be refined, and a Memorandum of Understanding between PHARMAC and DHBs will help further clarify and improve the way PHARMAC and DHBs work together.

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Background

What is the Community Pharmaceutical Budget?

The Community Pharmaceutical Budget is an amount of money set aside by District Health Boards for medicines that are dispensed in community pharmacies. So every time people pick up a subsidised medicine from their local pharmacy, the funding for this comes from the community pharmaceutical budget.

PHARMAC's job is to manage the budget on behalf of DHBs. PHARMAC estimates spending levels and decides which new medicines to add to the subsidised list. DHBs continue to hold the funding and pay for the medicines that are dispensed.

Who decides the pharmaceutical budget?

PHARMAC and DHBs take into account current usage patterns, potential new medicines that could be funded and what DHBs want to spend on medicines compared to other potential uses of health funding. A recommendation is made to the Minister of Health, who ultimately decides the budget.

Why does PHARMAC keep spending within the agreed budget?

PHARMAC is required by law to manage spending within the budget. This isn't always easy, and PHARMAC works to have spending as close to budget as possible. If the budget is over-spent, then this could constrain DHBs' ability to pay for other healthcare.

Does the budget include all pharmaceuticals?

No. The Community budget does not include medicines used in public hospitals, including the cancer medicines that need to be given to patients in hospital.

What does it include?

There are about 2000 products listed on the Pharmaceutical Schedule. Most of the treatments for conditions like heart disease, asthma, diabetes and pain relief are funded from the community pharmaceutical budget.

In 2007 more than 31 million prescriptions were funded, an all-time high, and about 2.6 million people received a subsidised medicine.

What about cancer drugs?

PHARMAC manages the list of hospital-administered pharmaceutical cancer treatments that all DHBs are required to fund (the cancer treatments 'basket'), though funding is held by DHB hospitals. As well as ongoing funding of existing treatments, DHBs will consider funding recommendations from PHARMAC on a case by case basis.

PHARMAC and DHBs are working towards transferring the funding for pharmaceutical cancer treatments to PHARMAC, and this is expected to occur from 1 July 2009.