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Media release

## **2008 decisions highlight funding tensions, says PHARMAC CEO**

The past year has emphasised the difficult trade-offs that PHARMAC faces in allocating pharmaceutical spending, says CEO Matthew Brougham.

In its 2008 Annual Report, released today, PHARMAC reports that it has again achieved its statutory objective of managing pharmaceutical spending within budget, \$634.4 million compared with a budget of \$635 million. This was less than 0.1% under budget, representing the cost of about half a day's medicine dispensing.

Matthew Brougham says managing spending is made doubly difficult by having to balance demands for investing in new medicines with pharmaceutical companies wanting to raise prices on already-funded medicines.

PHARMAC's decision to raise subsidies on two medicines – metoprolol (Betaloc) supplied by AstraZeneca, and thyroxine (Eltroxin) supplied by GlaxoSmithKline – meant an extra \$5 million was spent on these medicines and so wasn't available for new investments. Both drugs are used by tens of thousands of New Zealanders.

"We decided it was better to maintain full funding for these drugs, although spending an additional \$5 million on the same products goes against the grain a little. We knew this would constrain our ability to fund new drugs, and it has.

"However, this sort of dilemma is unavoidable when we have to manage commercial pressures within a budget."

Despite this constraint, PHARMAC funded new medicines and widened access to others as part of 20 major funding decisions during the year. New medicines included treatments for mental health, migraines and breast cancer. Seven funding decisions related to cancer drugs used either in the community or DHB hospitals.

Pharmaceutical spending rose \$35 million compared to the previous year, and this was mainly driven by increasing volumes of prescriptions being written. Overall, prescription numbers rose 7% to 33.9 million.

The other major factor in rising spending was the impact of new spending decisions from previous years.

In addition to reporting its core function of managing pharmaceutical spending, PHARMAC also provides an update on progress in its work implementing *Medicines New Zealand*, the Government's strategy for the medicines system.

PHARMAC reports that it is well on track to meet the expectations of the strategy's action plan *Actioning Medicines NZ*.

"This work is now a central part of what PHARMAC does so it is important that we provide an update on our progress," says Matthew Brougham.

“We are committed to the aims and activities of *Medicines New Zealand*, and our work in relation to it will continue to be important into the future.”

*PHARMAC Annual Report, highlights 2007/08*

- Pharmaceutical spending \$634.4 million (less than 0.1% within budget)
- 20 major funding decisions – new medicines for cancer, mental health, migraines
- Prescriptions rose 7.4% to 33.9 million
- First PHARMAC Forum held
- Implementation of Medicines New Zealand is well advanced
- Continued expansion of One Heart Many Lives cardiovascular risk management campaign
- Launch of He Rongoa Pai He Oranga Whanau, Maori staying well with medicines programme

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