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25 November 2008

Dear Supplier

REQUEST FOR PROPOSALS – SOLE SUBSIDISED SUPPLY OF PIOGLITAZONE

PHARMAC invites proposals for the sole subsidised supply of **pioglitazone** 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, the Special Authority for pioglitazone and minutes from the Diabetes Subcommittee relating to widening of access to pioglitazone; 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 p.m. on 19 December 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.

We look forward to receiving your proposal.

Yours sincerely



Matthew Brougham
Chief Executive

Schedule 1: Pharmaceutical, background to RFP and types of proposals sought

1. Pharmaceutical

PHARMAC is interested in considering any proposal from suppliers of **pioglitazone**.

2. Background to RFP

The background to this RFP is as follows:

- Pioglitazone, at strengths of 15 mg per tablet (“**tab 15 mg**”), 30 mg per tablet (“**tab 30 mg**”), and 45 mg per tablet (“**tab 45 mg**”), are currently listed fully subsidised in:
 - the Oral Hypoglycaemic Agents sub-group of the Diabetes section of Section B of the Pharmaceutical Schedule; and
 - Part II of Section H of the Pharmaceutical Schedule.
- The listing of pioglitazone in Section B of the Pharmaceutical Schedule is subject to Special Authority criteria for patients with diabetes; full details of the Special Authority criteria can be found in Schedule 3 of this RFP.
- The only brand of pioglitazone currently listed in the Pharmaceutical Schedule is Actos (supplied by Eli Lilly).
- The listed prices and subsidies for Actos are as follows:

<i>Strength</i>	<i>Subsidy and Price</i>	<i>Pack Size</i>
Tab 15 mg	\$61.04	28
Tab 30 mg	\$93.90	28
Tab 45 mg	\$119.18	28

- There is a confidential rebate applying to all strengths of Actos.
- Actos has protection from subsidy reduction and delisting until 30 June 2009.
- The Diabetes Subcommittee of PTAC has recommended that the access to pioglitazone be widened as follows:
 - to include triple therapy (defined as a combination of metformin, sulphonylurea and pioglitazone);
 - that the HbA1c threshold is amended to 7% in all criteria options; and
 - that the requirement for renewal of the Special Authority be removed, i.e. that the initial Special Authority approval is amended from valid for 1 year to valid for life.
- PHARMAC now seeks proposals from suppliers for sole subsidised supply of pioglitazone in both the community and hospital (hereinafter referred to collectively as “**Sole Supply**”). Sole Supply would be for a period of up to 3 years (from 1 July 2009 until 30 June 2012). Sole Supply would commence only after 1 July 2009,

and in accordance with any transition period(s) determined by PHARMAC. Proposals should be based on the wider Special Authority criteria access described above, as recommended by the Diabetes Subcommittee of PTAC.

3. Types of proposals sought

3.1 PHARMAC seeks proposals from suppliers for any or all strength(s) of pioglitazone. In addition, PHARMAC is willing to consider the following types of proposals:

- aggregated prices for all strengths of pioglitazone; and
- proposals that include rebate arrangements. Please note that the proportion proposed to be rebated should be no more than 50% of the proposed gross listing price.

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

- proposals that include pharmaceuticals other than pioglitazone;
- proposals that include wider access than that recommended by the Diabetes Subcommittee or the complete removal of the Special Authority;
- proposals that entail a manufacturer's surcharge (i.e. where the price is higher than the subsidy paid);
- proposals for the supply of pioglitazone for only the community or hospital markets (i.e. proposals must be for supply to both markets with the same prices for both markets);
- proposals which include changes to the listed price during the Sole Supply period; and
- proposals which include bonusing mechanisms to pharmacies and/or wholesalers. For the avoidance of doubt, suppliers of pioglitazone would not be prohibited from undertaking bonusing mechanisms, however bonusing mechanisms will not be considered as part of the evaluation of any proposal.

3.3 Please note if a proposal for Sole Supply of pioglitazone is accepted and the successful supplier's brand of pioglitazone is not currently listed on the Pharmaceutical Schedule, there would be a minimum six months' transition period where the successful supplier's brand is to be available for supply and subsidised but would not be the Sole Supply brand of pioglitazone in the community or the hospital.

3.4 Subject to the above, PHARMAC is open to considering any other types of proposals 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 **5pm (New Zealand time) on 19 December 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 must be submitted to PHARMAC by facsimile (+64 4 460 4995) for the attention of Mike Bignall or by email (mike.bignall@pharmac.govt.nz).

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), 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. PHARMAC may request further information

- (a) PHARMAC may request such further information as it considers necessary from or about you for the purposes of clarifying or evaluating your proposal, including (but not limited to) a sample pack of pioglitazone (and if you intend supplying it in a different form from that sample pack, information about the form in which it will be

supplied), in which case you must supply that information within 10 business days of PHARMAC requesting it.

- (b) If PHARMAC requests further information from or about you it is not obliged to request the same or any other information from or about any other party.

4. 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).

5. 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.

6. **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 re-advertise 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 pioglitazone 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.

7. **Anticipated timetable**

- (a) Following receipt of proposals, PHARMAC anticipates:
 - (i) the Evaluation Committee evaluating proposals in December 2008/January 2009;
 - (ii) negotiating with submitter(s) of one or more preferred proposals in January/February 2009;
 - (iii) consulting on a provisional agreement in February 2009;
 - (iv) PHARMAC's Board or Chief Executive considering this provisional agreement in or after March 2009,

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 May 2009.

- (c) Please note that if a proposal for Sole Supply is accepted, the date of implementation may be later to allow for an orderly transition to any Sole Supply arrangement.

Schedule 3: Market information, Special Authority details and Diabetes Subcommittee Minutes

The following information relates to the estimated subsidised market size of pioglitazone in the community, and estimated market size of pioglitazone being sold to DHB Hospitals.

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 pioglitazone in the community and to DHB Hospitals 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 (tablets) for pioglitazone in the community for the years ending June 2006, June 2007 and June 2008 is shown below:

Pharmaceutical	Year End June 2006	Year End June 2007	Year End June 2008
Pioglitazone tab 15 mg	192,334	331,300	471,122
Pioglitazone tab 30 mg	121,633	250,424	356,494
Pioglitazone tab 45 mg	43,053	128,206	225,345

The number of units (tablets) for pioglitazone purchased by DHB Hospitals for the years ending June 2006, June 2007 and June 2008 is shown below:

Pharmaceutical	Year End June 2006	Year End June 2007	Year End June 2008*
Pioglitazone tab 15 mg	4,397	6,272	4,368
Pioglitazone tab 30 mg	1,324	2,037	1,338
Pioglitazone tab 45 mg	952	3,052	280

*Approximate based on 9 months data.

Current Special Authority

Pioglitazone is currently listed in the Section B of the Pharmaceutical Schedule subject to the following Special Authority:

Initial Criteria:

Initial application – (Patients with type 2 diabetes) from any relevant practitioner. Approvals valid for 1 year for applications meeting the following criteria:

Any of the following:

Monotherapy

1. All of the following:

1.1 To be used as monotherapy for patients who after six months of diet and lifestyle changes have inadequate glycaemic control (defined as HbA1c > 7.0% in tests carried out at least two months apart); and

1.2 Metformin is contraindicated or not tolerated after a minimum of a four-week trial period; and

1.3 Sulphonylurea is contraindicated or not tolerated or the patient is obese; or

In combination with sulphonylurea

2. Both:

2.1 For use in combination with a sulphonylurea for patients who after diet and lifestyle changes and a six-month trial of sulphonylurea have poor glycaemic control (defined as HbA1c > 7.5% measured within the last month of the six-month period); and

2.2 Metformin is contraindicated or not tolerated after a minimum of a four-week trial period; or

In combination with metformin

3. Both:

3.1 For use in combination with metformin for patients who after diet and lifestyle changes and a six-month trial of the maximum tolerated dose of metformin have poor glycaemic control (defined as HbA1c > 7.5% measured within the last month of the six-month period); and

3.2 Sulphonylurea is contraindicated or not tolerated, or the patient is obese; or

In combination with metformin after a trial of metformin and sulphonylurea

4. For use in combination with metformin for patients who after diet and lifestyle changes and a six-month trial of a combination of metformin and sulphonylurea at maximum tolerated doses have poor glycaemic control (defined as HbA1c > 7.5% measured within the last month of the six month period); or

In combination with insulin

5. For use in combination with insulin in patients requiring more than 1.5 units per kilogram of insulin a day for at least 6 months in conjunction with metformin if tolerated.

Renewal – (Patients with type 2 diabetes) from any relevant practitioner. Approvals valid for 1 year where patient is continuing to derive benefit from treatment.

Notes: Pioglitazone is not to be used in triple oral combination (defined as a combination of metformin, sulphonylurea and pioglitazone).

Pioglitazone should not be used in patients with heart failure.

Liver function tests should be performed at baseline.

Gastrointestinal side effects are relatively common when initiating metformin therapy. Upward titration of metformin dose over several weeks and taking metformin with food will help to minimize these side effects.

Intolerance and contraindications for metformin include: serum creatinine \geq 0.15 or creatinine clearance < 60 ml/min; significant liver impairment; severe left ventricular dysfunction; and intolerable gastrointestinal side effects that persist beyond 4 weeks duration.

Intolerance for sulphonylurea includes: nausea; diarrhoea; rash; blood disorders (thrombocytopenia, agranulocytosis, aplastic anaemia); erythema multiforme, exfoliative dermatitis, hepatitis; and syndrome of inappropriate antidiuretic hormone secretion (SIADH) with water retention and hyponatraemia.

Maximum tolerated dose of metformin defined as: A dose up to a maximum of 3 g daily.

Maximum tolerated dose of sulphonylurea defined as: A dose up to a maximum of glibenclamide 20 mg daily or glipizide 20 mg daily or gliclazide 320 mg daily.

For the purposes of these criteria “obese” is defined as body mass index (BMI) greater than 33 kg/m².

However, as ethnic differences between patients may vary BMI scores, practitioners may use discretion as to whether the patient meets this criterion.

It is considered that when applying, that the patient may have initiated “six months diet and lifestyle changes” from the date of diagnosis of type 2 diabetes.

Relevant record of the Diabetes Subcommittee of PTAC meeting held at PHARMAC on 18 June 2008

"The Subcommittee considered an application from PHARMAC staff regarding widening of access to pioglitazone on the Pharmaceutical Schedule.

The Subcommittee considered that pioglitazone had a similar therapeutic effect to metformin; however, it was not the same effect.

The Subcommittee considered that, if access was widened, metformin would continue to be used first line because of its superior safety profile. Members noted that pioglitazone has associated cardiovascular and fracture risks (particularly of concern in the young given the potential for years of exposure).

The Subcommittee noted that the 2008 Type 2 Diabetes National Clinical Guideline for Management in Primary and Secondary Care recommended that pioglitazone only be used as monotherapy if patients cannot tolerate other oral hypoglycaemic agents.

The Subcommittee reviewed data provided by PHARMAC staff on the pharmaceuticals used in combination with pioglitazone. The Subcommittee noted that triple therapy (metformin, sulphonylurea, and pioglitazone) was not permitted under the current Special Authority; however, the data provided indicated that approximately 17% of patients were taking pioglitazone as triple therapy. Members noted that there was now evidence to show that the use of pioglitazone in triple therapy was clinically appropriate in some patients. Members noted that triple therapy was funded in Australia.

The Subcommittee considered that, if access was widened to include triple therapy, there would be a reduction in patients initiating insulin (or at least a delay in initiation). Members considered that patients might be trialed on triple therapy for up to 6 months prior to initiating insulin. Members considered that a significant proportion of this reduction would result from patients being permitted to trial triple therapy and a small number of patients whom are needle phobic or refuse to take insulin.

The Subcommittee considered that the Special Authority should use one consistent HbA1c threshold across the criteria and considered that this should be 7%.

The Subcommittee considered that because of the increased fracture risk associated with pioglitazone, widening of access by altering the Special Authority criteria (as above) would increase the number of bone scans (DEXA scans) undertaken and, therefore, the costs related to the increased use of pioglitazone. Members considered that there could also be an increase in brain-type natriuretic peptide (BNP) diagnostic testing and echocardiography.

The Subcommittee considered that, if access was widened to triple therapy, up to 30% more patients might access pioglitazone (primary care patients would be expected to show the biggest increase).

The Subcommittee considered that, if the Special Authority was removed completely, some prescribers may prescribe pioglitazone first line despite the latest guidelines advising against this. Members considered that there were sufficient safety concerns and financial risk to keep the Special Authority for pioglitazone in place.

The Subcommittee considered that there was no need to have renewal criteria because if patients did not derive benefit from pioglitazone treatment would be stopped and the patient changed to an alternative.

The Subcommittee **recommended** that the access to pioglitazone be widened to include triple therapy, that the HbA1c threshold is amended to 7% in all criteria options, and that the requirement for renewal be removed. The Subcommittee gave this recommendation a medium priority.

The Subcommittee noted that generic pioglitazone was likely to be available soon and considered that there would be no significant implementation issues if generic pioglitazone was the only funded preparation."

Schedule 4: Proposal form

An electronic version of this form can be emailed to you on request.

Mike Bignall
PHARMAC
PO Box 10-254
(or for courier delivery:
Level 9, Cigna House
40 Mercer Street)
Wellington
New Zealand

Dear Mike

Proposal for the supply of Pioglitazone

In response to your request for proposals (**RFP**) dated 25 November 2008, we put forward the following proposal in respect of pioglitazone.

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

- (a) Our contact details:

Name of supplier	
Contact person	
Phone	
Email address	

- (b) Details of pharmaceutical presentation:

Chemical name	Pioglitazone
Strength (e.g. 15 mg)	
Form (e.g. tablet)	
Brand name	
Pack size (e.g. 30's)	
Packaging type (e.g. blister)	

- (c) Key features of our proposal:

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- (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 Sole Supply, reference price protection, risk sharing mechanisms, etc.):

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

Date of market approval (please attach copy of Medsafe Gazette notice)	
OR Date of submission of dossier (please attach confirmation from Medsafe that dossier has been submitted)	
OR Expected date of dossier submission to Medsafe	
<i>Insert any other consents required for pharmaceutical</i>	

- (f) Information about our ability to ensure the continuity of supply of the pharmaceutical:

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

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- (h) Reasons why PHARMAC should accept our proposal:

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- (i) Additional information that PHARMAC should consider when evaluating our proposal:

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