

# Managing medicine supply



Many people depend on regular supply of medicine to maintain their health, so continued availability of funded medicines is of concern to PHARMAC.

Medicine supply problems occur throughout the world for a number of reasons, such as problems with manufacture or availability of raw materials. While we seek to limit and manage supply problems, some problems are a fact of life. Due to PHARMAC's close involvement with the medicines supply chain, we have a number of mechanisms in place that enable us to respond rapidly when any medicine supply issues arise.

## Ensuring continued medicine supply

New Zealand has a small pharmaceutical market and, because most production occurs overseas, is vulnerable to international changes in demand and supply of medicines. These changes can be difficult to predict, and may arise because of things like manufacturing shortages, increases in demand because of an epidemic, or changes in regulatory rules in other countries.

Many of these factors are outside PHARMAC's control. But we try to reduce the risk of out of stocks occurring through the way we contract with pharmaceutical suppliers. For example, contracts can require companies to notify us when stocks fall below a certain level, and to make monetary payment to us to cover the cost of a replacement product. This enables us to take steps to encourage continued supply, or communicate rapidly when a disruption to supply is likely.

## Why have contracts?

The main mechanism we have for continuing supply is a legally enforceable contract with pharmaceutical suppliers. In addition to a supplier's general responsibility to maintain ongoing supply, the contracts mean that if they become aware of a possible shortage, they are required to notify PHARMAC so that action can be taken. The company is also usually liable for any extra costs involved in sourcing another product.

The contracts require suppliers to let us know if stock levels fall below two months' supply, or if they become aware that an out of stock situation is possible. With advance notice, we can take action (see below for examples of types of action we might take).

- We receive routine updates about stock levels from pharmacists, wholesalers and pharmaceutical suppliers through our existing relationships (we have a specific contract management team whose role it is to manage contractual supply relationships), or via the 0800 contact line or website.
- We take a company's supply track record into account when we are thinking about awarding a supply contract.
- We consult on medicine funding decisions so that people can raise any supply concerns they are aware of, along with other issues.

## Responding to an out of stock

When aware of a potential stock issue, we act as quickly as we can. There are a number of ways we can manage stock issues:

- We work with the supplier to find alternative stock.
- If the medicine is under a sole supply contract, we can suspend sole supply so we can seek supply of alternative medicines during the suspension period.
- We consult with Medsafe, the Government's medicine regulator, about the possible use of unregistered medicines. If appropriate, we can seek urgent Medsafe registration for an alternative medicine.
- We use stock management tools, such as advisory notes to clinicians and pharmacists, or Close Control (shorter duration dispensing).
- We can investigate the possibility of finding an alternative medicine supply from overseas.
- We recover the costs of sourcing alternative stock through our supply contracts.
- We communicate with stakeholders, such as the Pharmacy Guild, to inform people so they can manage stock requirements.

## Communication

Deciding when to notify people that an out of stock might occur is always a judgement call. If notice is given too early, it can turn a potential out of stock into an actual out of stock, because 'panic buying' may occur. Many stock shortages do not result in out of stocks.

We work with Medsafe and the Pharmacy Guild when deciding what public notice is required and when.

PHARMAC is the Government agency that decides, on behalf of District Health Boards (DHBs), which medicines get subsidised so that they are more affordable for New Zealanders and available nationally. The subsidies PHARMAC sets are funded from a fixed budget that is part of DHB funding. PHARMAC also promotes the optimal use of medicines, carries out some procurement for DHBs, and manages special access programmes for some medicines.

Information Sheets on various PHARMAC topics are available from our website: [www.pharmac.govt.nz/patients/infosheets](http://www.pharmac.govt.nz/patients/infosheets)

If you have specific areas of interest (such as consultations, committees or vacancies), visit our website and subscribe to news feeds in the area(s) of interest to you: <http://pharmac.govt.nz/feeds>

## Contacting Us

Call us on **0800 66 00 50** (between 9am and 5pm, Monday to Friday), or on **04 460 4990** (between 8am and 5.30pm, Monday to Friday).

Write to us at: **PHARMAC, PO Box 10 254, Wellington**  
– we respond to all letters

Email us at [enquiries@pharmac.govt.nz](mailto:enquiries@pharmac.govt.nz) – we respond to all emails