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Media release

Promoting competition continuing to pay dividends, says PHARMAC

Promoting competition through its purchasing strategies is continuing to provide long-term benefits, according to Government medicine funder PHARMAC.

In its Annual Review, published today, PHARMAC Funding and Procurement Manager Steffan Crausaz says competitive processes such as tendering, where PHARMAC chooses one brand to subsidised out of a range of bidders, have been very successful and led to some of the lowest medicine prices in the world.

“If we take the price of five commonly-prescribed medicines in New Zealand and compare them with what is paid for the same drugs in Australia, Britain and Canada, we can see that we are doing well,” says Steffan Crausaz (see chart below)

“There are significant price differentials with all three countries. None of these countries use the tendering system that we use. Under our sole supply system, it’s the purchasers (the District Health Boards and taxpayers) that reap the benefits of competition: competition between suppliers provides savings that allow reinvestment in medicine. This achieves long-term benefits for New Zealand – more than \$400 million of savings since 1997 that have been reinvested in new medicines”

Steffan Crausaz says tendering for sole supply provides greater incentive to lower prices than when there are several suppliers involved.

This is reflected both in comparisons with other countries that don’t use sole supply, and in PHARMAC’s own experience.

“In one recent competitive process, the average across all bids was 17% higher for dual supply than for sole supply. If this was the case across all tendered medicines, it would represent \$17 million of extra spending each year, money we then wouldn’t have available to invest in new medicines,” he says.

Steffan Crausaz says as a result New Zealanders are benefitting from lower prices, because the funding released can be used to fund other new medicines, and there is an overall gain in health outcomes.

Steffan Crausaz says PHARMAC thinks carefully about which medicines to include in the tender, and takes a range of factors into account such as pack size, taste, shape, or pill

colour. It also seeks assurance from the Government's medicine regulator Medsafe about the quality, safety and efficacy of the medicine, and takes steps to ensure ongoing supply.

"We have to ensure that every dollar we spend on behalf of the New Zealand taxpayer is spent to get value for money, and this analysis gives us an indication that we are on the right track," he says.

Table:

Comparative prices of five medicines in Australia, New Zealand, UK and Canada.

New Zealand has lower prices for these medicines than all four countries.

Medicine	Price per 30 tablets	NZ Price (subsidised brands)	UK Price (subsidised brands)	Canada (subsidised brands)	Australia Price (subsidised brands)
Paracetamol	500 mg	\$0.29 (1)	\$1.09	\$1.07 (7)	\$3.10 (4)
Simvastatin	20 mg	\$1.00 (1)	\$2.21	\$52.24 (9)	\$40.78 (16)
Omeprazole	20 mg	\$3.05 (1)	\$4.02	\$41.45 (5)	\$37.68 (13)
Amoxicillin	500 mg	\$1.64 (1)	\$4.79	\$12.88 (5)	\$19.62 (11)
Citalopram	20 mg	\$1.35 (1)	\$2.96	\$32.98 (12)	\$30.20 (13)

Notes:

1. All prices are public list prices obtained from the following sources:

Australia - Online searchable version of the Schedule of Pharmaceutical Benefits
www.pbs.gov.au (accessed 27/10/2009)

UK - BNF 58 (September 2009)

Canada - Alberta Interactive Drug Benefit List
<https://www.ab.bluecross.ca/dbl/publications.html> (accessed 28/10/2009)

2. Differences in population size and clinical practice have not been considered in this analysis

3. All prices are expressed in New Zealand dollars using the following exchange rates:

Australia = 0.814143 UK = 0.456225 Canada = 0.796052

Ends