

30 July 2010

## Proposal relating to the funding of various Special Foods

PHARMAC is seeking feedback on a proposal relating the listing of various special foods in the Pharmaceutical Schedule. PHARMAC and Abbott Laboratories have entered into a provisional agreement that would result in funding various new formulations, pack sizes and flavours of special food products and a new infant elemental formula, as well as fully funding an oral supplement and amending the terms of listing for a range of products already supplied by Abbott.

In summary the proposals involve, from 1 October 2010:

- partially funding new elemental formula products (Elecare and Elecare LCP) under the existing Special Authority criteria as per the other funded elemental infant formula products;
- reducing the subsidy for Neocate and Neocate LCP to the proposed subsidy of Elecare and Elecare LCP;
- reducing the subsidy and price for the oral supplement Ensure so that it would become fully funded and funding a new oral supplement fully funded (Ensure NG) under the existing Special Authority criteria for other funded oral supplements;
- reducing the subsidy for Sustagen Hospital Formula to the proposed subsidy of Ensure NG; and
- listing various new formulations (pack sizes and flavours) of various special food products that are already supplied by Abbott.
- listing all of the products in Section H of the Pharmaceutical Schedule .

We note that this proposal is independent of the Special Foods Consultation Document dated January 2010 which contained various proposals regarding the funding and access arrangements for a number of special foods. We anticipate making a decision on some of those proposals in the next few months.

Further details of the proposals can be found on the following pages.

### Feedback sought

PHARMAC welcomes feedback on this proposal. To provide feedback, please submit it in writing by 5 pm on **Friday 13 August 2010** to:

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All feedback received before the closing date will be considered by PHARMAC's Board (or Chief Executive acting under delegated authority) prior to making a decision on this proposal.

## Details of the proposals

### *New Listing Proposals*

We have entered into a provisional agreement with Abbott Laboratories Limited to fund a number of new special foods in Section D of the Pharmaceutical Schedule from 1 October 2010 at the following subsidies and prices (ex-manufacturer, excluding GST):

Special Food	Brand	Form	Flavour(s)	Pack Size	Proposed subsidy (and, where different, price)
Oral supplement 1 kcal/ml	Ensure NG	Powder	Vanilla	400 g	\$4.22
Oral supplement 1 kcal/ml	Ensure NG	Powder	Vanilla Chocolate	900 g	\$9.50
Elemental formula 1 kcal/ml	Elecare	Powder	Unflavoured Vanilla	400 g	\$52.90 (\$56.00)
Elemental formula 1 kcal/ml	Elecare LCP	Powder	Unflavoured	400 g	\$52.90 (\$56.00)
Enteral feed with fibre 1 kcal/ml	Jevity	Liquid	N/A	237 ml	\$1.32
Enteral feed with fibre 1 kcal/ml	Jevity RTH	Liquid	N/A	500 ml	\$2.65
Enteral feed with fibre 1.5 kcal/ml	Ensure Plus	Liquid	N/A	250 ml	\$1.75
Enteral feed 1 kcal/ml	Osmolite	Liquid	N/A	250 ml	\$1.24
Enteral feed 1 kcal/ml	Osmolite RTH	Liquid	N/A	500 ml	\$2.65
Renal oral feed 2 kcal/ml	Nepro	Liquid	Strawberry	200 ml	\$2.43
Paediatric oral feed 1 kcal/ml	Pediasure	Liquid	Vanilla	200 ml	\$1.07

### *Amendments to terms of listing for already listed special food products*

The subsidy and price for Ensure would be reduced in Section D of the Pharmaceutical Schedule from 1 October 2010 and, as a result, would become fully funded as follows (ex-manufacturer, excluding GST):

Special Food	Brand	Form (Flavours)	Pack Size	Current subsidy (and price)	Proposed subsidy and price
Oral supplement 1 kcal/ml	Ensure	Powder (Chocolate, Strawberry, Vanilla)	400 g	\$4.75 (\$7.22)	\$4.22

### Reference Pricing Proposals

The subsidy for Neocate and Neocate LCP would be reduced to the level of the subsidy for the equivalent elemental infant formula (Elecare and Elecare LCP) through the application of reference pricing from 1 October 2010 as follows (prices and subsidises are ex-manufacturer, excluding GST):

Special Food	Brand	Form	Pack Size	Current subsidy and price	Proposed subsidy
Elemental formula 1 kcal/ml	Neocate	Powder	400 g	\$63.97 (\$67.08)	\$52.90
Elemental formula 1 kcal/ml	Neocate LCP	Powder	400 g	\$63.97 (\$67.08)	\$52.90

The subsidy for Sustagen Hospital Formula would be reduced to the level of cost per serving for Ensure NG through the application of reference pricing from 1 October 2010 as follows (prices and subsidises are ex-manufacturer, excluding GST):

Special Food	Brand	Form (Flavour)	Pack Size	Current subsidy and price	Proposed subsidy
Oral supplement 1 kcal/ml	Sustagen Hospital Formula	Powder (Chocolate)	900 g	\$10.22	\$9.40
Oral supplement 1 kcal/ml	Sustagen Hospital Formula	Powder (Vanilla)	900 g	\$10.22	\$9.40

In addition:

- Abbott would be able to discontinue Ensure powder following the introduction of Ensure NG. At a minimum, a six month transition would occur in the Pharmaceutical Schedule.
- Elecare and Elecare LCP would have protection from subsidy reduction until 1 December 2010 and protection from delisting until 1 March 2011.
- Ensure and Ensure NG would have protection from delisting and subsidy reduction until 1 July 2012.
- All of the above products would be listed in Section H of the Pharmaceutical Schedule from 1 October 2010. The following additional products, which are currently listed in Section D of the Pharmaceutical Schedule, would also be listed in Section H with no change in price, formulation or pack size:

Alitraq, Ensure Plus, Ensure Plus RTH, Glucerna Select, Glucerna Select RTH, Jevity RTH, Nepro, Osmolite RTH, Pediasure, Pediasure RTH, Pulmocare, Two Cal HN and Vital HN.

## **Background to the Proposals**

### *Elecare*

Elemental formula is used for the dietary management of children with severe cow's milk allergy and multiple food protein intolerance and also for other indications requiring an elemental diet.

The funding of Elecare has been considered by the Special Foods Subcommittee of the Pharmacology and Therapeutics Advisory Committee (PTAC) on several occasions. The Special Foods Subcommittee recommended that Elecare be listed in the Pharmaceutical Schedule if cost neutral compared to currently listed elemental formula products.

In addition the Subcommittee considered that Elecare has the same or similar clinical effect to Neocate and Neocate Advance and that these products should be included in the same reference price group. The Subcommittee considered that as these products had a similar clinical effect and that reference pricing was appropriate. The subsidies for infant elemental formula reflect a historical funding policy which has always resulted in a part-charge being applied.

### *Ensure NG*

Ensure powder is an oral dietary supplement designed to deliver complete and balanced nutrition. When constituted with water, Ensure can be consumed orally or can be tube-fed to achieve and maintain good nutrition.

The funding of Ensure NG has been considered by the Special Foods Subcommittee of PTAC at its meeting in May 2010. The Subcommittee considered that the formulation changes were clinically acceptable.

Abbott has recently advised PHARMAC that the current Ensure formulation will ultimately be discontinued worldwide. The proposed listing of Ensure NG would therefore provide an alternative oral supplement replacement and would also be fully funded.

In the Special Foods Consultation Document dated January 2010, which contained various proposals regarding the funding and access arrangements for a number of special foods, we proposed to reduce the subsidy for standard adult liquid sip feeds to the equivalent subsidy for the oral supplement powders through the application of reference pricing. The proposal to fully fund Ensure NG would become the new reference price subsidy should any proposal from the January consultation be progressed. We anticipate making a decision on some of those proposals in the next few months.

The proposed subsidy for Sustagen Hospital Formula is calculated on the cost per serving of oral supplements using the proposed subsidy and price for the Ensure range. We note that these products have previously been reference priced.

### *New Listing Proposals*

The proposed new listings in Section D of the Pharmaceutical Schedule (as listed on page 2 above) are either additional pack sizes (Ensure Plus, Jevity/Jevity RTH, Osmolite/Osmolite RTH and Pediasure) or flavours (Nepro).