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Media release

PHARMAC reduces paperwork, expands access to Special Foods

Changes in access rules for funded special foods will see more prescribers able to supply funded special foods to patients.

To date the funding rules for Special Foods, such as some types of infant formula, adult food supplements (“sip feeds”) and gluten-free foods, meant funded prescriptions were restricted to certain types of specialists only.

PHARMAC medical director Dr Peter Moodie says this funding arrangement, which originated before PHARMAC was created in 1993, has led to restricted access to Special Foods in some areas.

Dr Moodie says. “This has meant that people in some areas, in particular rural and provincial New Zealand, have found it more difficult to access funded Special Foods than people in the rest of the country.”

The new rules will allow a wider prescriber group to apply for subsidy. Under the changes, Special Foods will be funded when prescribed by a dietitian or by vocationally-registered general practitioners in addition to other specialists. This is likely to lead to an increase in the amount of Special Foods being funded by the taxpayer.

To help manage this expected increase, and in response to fast-growing use of Special Foods, PHARMAC is also making changes to funding rules.

Dr Moodie says Special Foods has been one of the fastest-growing groups of products on the Pharmaceutical Schedule, with spending now worth \$18 million and growing at about 17% per annum.

“This is clearly not sustainable, so we have taken steps to ensure that funded Special Foods are appropriately targeted so that the people who are in genuine clinical need are the ones who receive funded products,” he says.

As well as widening the range of prescribers, changes include:

- Moving access to infant formulas in line with international guidelines – these require people to try simpler, cheaper formulas before more complex, more expensive formulas.
- Ceasing active management of subsidies for gluten-free foods – gluten-free foods will continue to be subsidised on the Pharmaceutical Schedule; however PHARMAC will not increase subsidies if suppliers increase their prices.

- Reference pricing (reducing the subsidy) of adult sip feeds – pre-prepared adult liquid feeds will remain funded, however they will be subsidised at the same level as equivalent powder preparations (which need to be mixed with water).
- Amending inborn errors of metabolism criteria to reduce administration and make patient access to these products easier.

Dr Moodie says overall, these changes will improve patient access to Special Foods and produce savings of \$14 million over five years by negotiating lower prices. These savings can be used to fund new medicines or increase access to them.

“It’s important to remember that Special Foods aren’t ‘medicines’ as such, so we have to make sure their subsidies are targeted to people with greatest need. We also need to be careful that we aren’t creating inequities by funding people with one particular disease or condition while denying people with others.”

The changes will begin taking effect from 1 April 2011.

ENDS

Q and A

What changes are happening?

Five main changes are happening, these are:

1. **Extending Special Authority Authorisation** – more types of health professionals will be able to prescribe funded special foods. This includes dietitians, vocationally registered GPs as well as specialists.
2. Access to **infant formula** will be more aligned with international standards
3. The subsidy for ready-made liquid **food supplements** will be the same as the subsidy for powdered food supplements (that can be made up to a drink)
4. Subsidies for **gluten free foods** will remain unchanged, however the cost to patients may rise in future as suppliers raise their prices
5. Change in access criteria to ease access for patients with **Inborn errors of metabolism**

What will be the effect of the changes?

Overall, the changes will mean more people will be able to access funded Special Foods, because the range of eligible prescribers will be widened.

The changes will also mean that \$14 million of pharmaceutical funding can be redirected to other medicines over the next five years.

Why are the changes being made?

Current funding rules are inequitable, because not everyone has access to a specialist. We're also out of step with the Health Practitioners' Competency Act, which defines what each health practitioner can and can't do. Special Foods are within the scope of practice of a range of health professionals such as GPs and dietitians. However, this hadn't previously been reflected in the funding rules.

Spending on Special Foods has been growing at an unsustainable rate, a 17% per annum increase and now accounts for some \$18 million of spending annually. Steps in relation to infant formula, adult food supplements and gluten free foods are necessary to better manage this growth in spending, especially since the greater range of prescribers should also lead to greater prescribing of Special Foods.

What will be the effect of reference pricing adult sip feeds?

Reference pricing means paying the same subsidy for products that do the same or similar things. The advice from our clinical committees is that the ready made and powdered sip feeds are clinically equivalent, so reference pricing is appropriate. Because the powdered versions are cheaper (about 36% cheaper), this may lead to patients paying a part-charge on the ready-mixed drinks if suppliers don't reduce their

prices. People will still be able to have ready-mixed sip feeds funded, but may have to pay a surcharge.

What will happen with gluten free foods?

For the foreseeable future, nothing will change in relation to funded gluten free foods. However, should suppliers raise their prices, subsidy levels will not change. This may lead to patients paying an increasing share of the cost of these products in the future.

In recent years, many supermarkets have increased the range of gluten-free products at very reasonable cost. In many cases, it is now cheaper for patients to source products from supermarkets than having them prescribed and obtained through a pharmacy.

In addition, having a subsidy on gluten-free foods creates inequities of its own. Not all patient groups on special diets are catered for (e.g. diabetes, some forms of asthma, heart disease), and the cost of doing so would be prohibitive within the existing Community Pharmaceutical Budget.

When are the changes happening?

Changes will be occurring from 1 April 2011.