

# Introduction to PHARMAC

## What is PHARMAC?

The Pharmaceutical Management Agency (PHARMAC) is the New Zealand Crown agency that decides, on behalf of District Health Boards, which medicines and related products are subsidised for use in the community and public hospitals.

PHARMAC was created in 1993 to ensure that New Zealanders get the best possible health outcomes from money the Government spends on medicines. Trying to meet the public's growing demand for new medicines within a defined budget is challenging. Since its establishment, PHARMAC has made a wider range of subsidised medicines available while staying within an agreed budget each year.

## What does PHARMAC do?

PHARMAC has four main roles:

- Managing the Pharmaceutical Schedule of about 1,800 Government-subsidised community pharmaceuticals (those medicines and related devices you have been prescribed)
- Promoting the best possible (or 'optimal') use of medicines
- Managing the subsidy of medicines and some medical devices used in public hospitals
- Managing exceptional circumstance schemes (medicines funding for named patients) and other special access programmes.

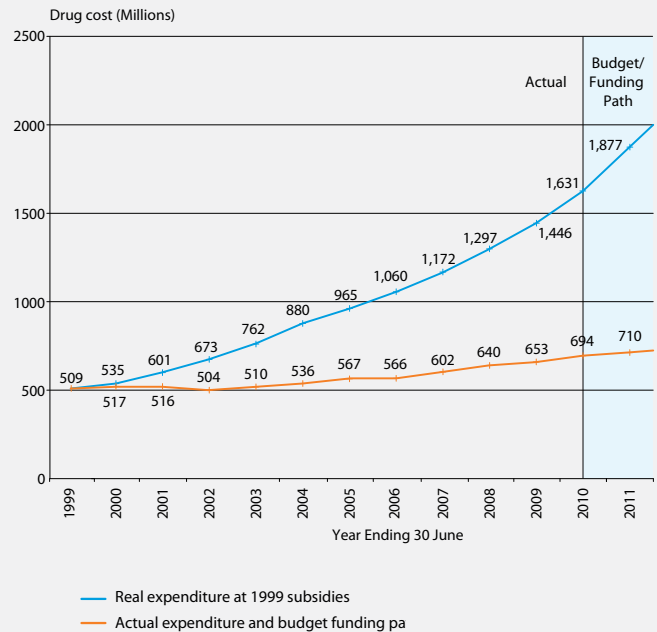
PHARMAC can also conduct research where it thinks this is required.

We are guided by a number of laws and regulations, Government expectations, and Medicines New Zealand – the strategy for the medicines system.

## Managing the medicines budget

The budget for medicines that is managed by PHARMAC is set each year by the Minister of Health, on the advice of District Health Boards (DHBs) and PHARMAC. The Pharmaceutical Budget includes funding for medicines dispensed in the community, and for cancer medicines that are used in DHB hospitals. For community medicines, DHBs reimburse community pharmacists for dispensing prescribed medicines and PHARMAC works on their behalf to manage the spending. PHARMAC decides what medicines to fund, negotiates prices, sets subsidy levels and conditions, and ensures spending stays within budget. The list of subsidised medicines is published in The Pharmaceutical Schedule.

Impact of PHARMAC on community pharmaceutical expenditure over time



## Optimal use of medicines

As well as making medicines available, an important part of PHARMAC's role is to ensure that medicines are used appropriately, and not overused, underused or misused. We do this by developing campaigns, such as Space to Breathe (encouraging appropriate use of asthma treatments) and One Heart Many Lives (encouraging Māori and Pasifika men to improve their heart health).

## Hospital medicines

PHARMAC has negotiated prices (and other supply terms) for some hospital medicines on behalf of District Health Boards since this new function was Gazetted in 2001. These hospital medicines are listed in Section H of the Pharmaceutical Schedule. In 2010, the Government supported expanding this role to encompass all hospital medicines, so that in future PHARMAC will assess and negotiate nationwide supply terms for all hospital medicines. This is primarily to avoid the phenomenon known as 'postcode prescribing', where medicines are funded in some DHB areas but not in others.

District Health Boards may also use PHARMAC's expertise to manage the purchasing of other products used in hospitals.

## Vaccines

PHARMAC negotiates supply terms for the national seasonal influenza vaccine. This is the only vaccine PHARMAC currently has involvement with. All other vaccines on the national immunisation schedule remain the responsibility of the Ministry of Health.

## Medical devices

In May 2010 the Government confirmed its support for PHARMAC taking eventual responsibility for assessing, standardising, prioritising and procuring all medical devices. Our medical devices work began in 2011 with a project to examine funding for insulin pumps. Other devices will be assessed by PHARMAC on a case-by-case basis, and we will complete more detailed future planning in association with Health Benefits Limited and the Ministry of Health.

## Advisory Committees

PTAC, the Pharmacology and Therapeutics Advisory Committee, gives PHARMAC advice on whether new medicines should be subsidised and, if so, what priority they should be given. PTAC is made up of practising clinicians with expertise in general and specialist medical practice, clinical pharmacology, and examining data from clinical trials. The Committee generally meets four times a year.

Members are appointed by the Director-General of the Ministry of Health. PTAC has subcommittees which provide more specialised advice, such as on cancer and diabetes treatments, when necessary. Together these committees provide PHARMAC with a resource of more than 50 clinicians helping us to make the right decisions.

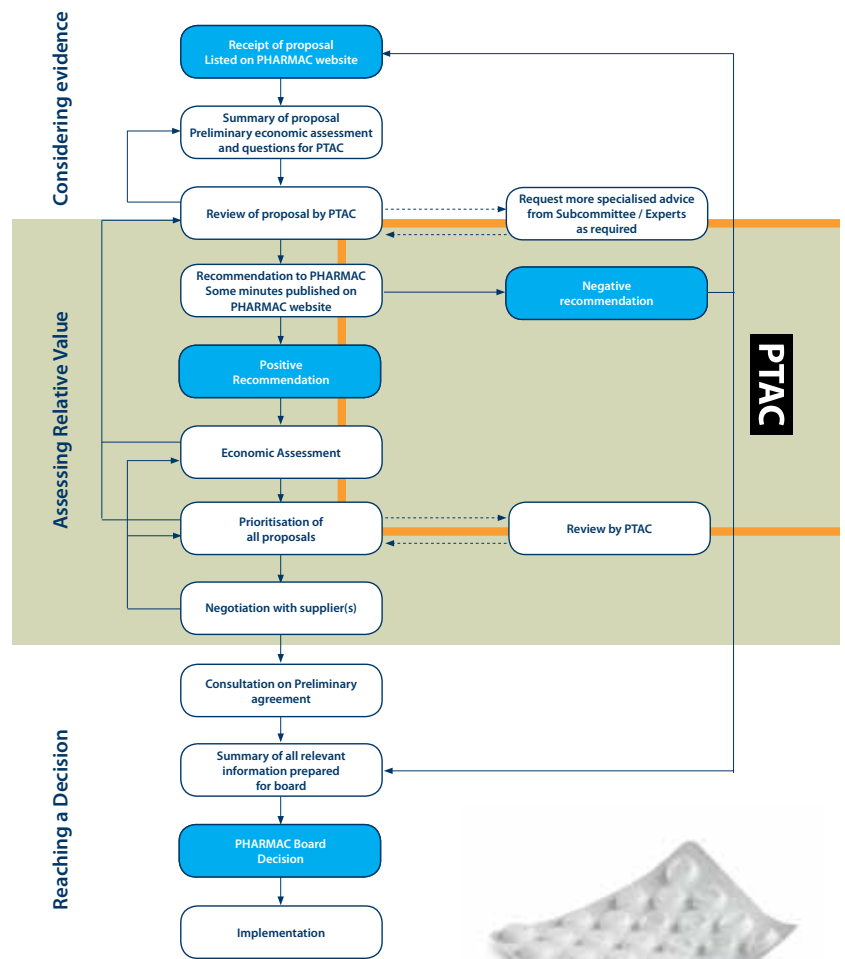
The Consumer Advisory Committee (CAC) provides PHARMAC with an important patient or health consumer point of view. Its members are appointed by the PHARMAC Board. Members bring a wide range of consumer perspectives, such as gender, age, ethnicity, urban/rural and geographical location.

## Decision making

PHARMAC considers nine Decision Criteria when making funding decisions. A wide range of information is considered under these criteria, including patients' needs, whether there are other existing treatments, the amount of health gained for each dollar spent on the medicine (value for money) and the Government's health priorities. In assessing these factors PHARMAC seeks advice from PTAC for schedule decisions and from specialist clinical advisors for named patient funding decisions.

## Schedule decision making process

The process set out in this diagram is intended to be indicative of the process that may follow where a supplier or other applicant wishes a pharmaceutical to be funded on the Pharmaceutical Schedule. PHARMAC may, at its discretion, adopt a different process or variations of the process (for example, decisions on whether or not it is appropriate to undertake consultation are made on a case-by-case basis).



## PHARMAC's people

PHARMAC employees undertake a wide variety of roles including analysing proposals to subsidise medicines, negotiating with pharmaceutical companies, economic and clinical assessment, engaging with DHB's and developing optimal use initiatives. A range of skills and expertise enables this work to be done effectively. Our office is in Wellington, with approximately 60 staff.

## Contacting Us

Call us on **0800 66 00 50** (between 9am and 5pm, Monday to Friday),  
 Write to us at: **PHARMAC, PO Box 10 254, Wellington** – we respond to all letters  
 Email us at **enquiry@pharmac.govt.nz** – we respond to all emails

Information Sheets on various PHARMAC topics are available from our website: **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**