



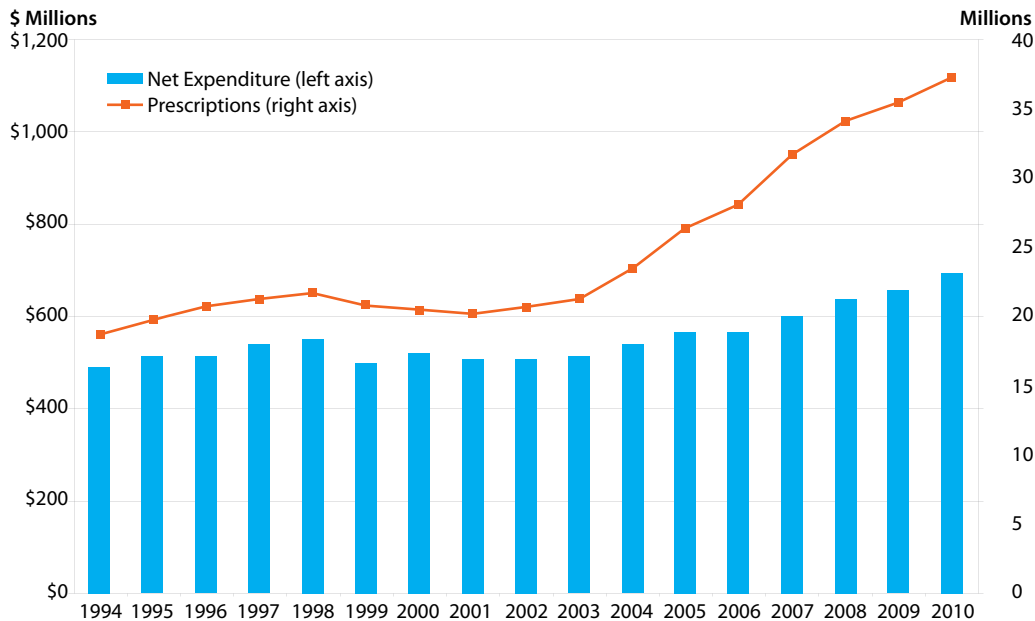
PHARMAC's history

PHARMAC's history

During the 1980s medicines prices were increasing at a faster rate than other healthcare spending, and were one of the fastest growing items of Government expenditure. Growth of more than 20% in some years meant medicine prices were threatening to crowd out other healthcare funding. A response was needed, and in 1993 the Pharmaceutical Management Agency (PHARMAC) was created to actively manage Government spending on medicines.

PHARMAC's objective was to introduce price competition to a market where it had not previously existed. PHARMAC's role was, in effect, to get better value for medicines so that the best health outcomes could be achieved from public money spent on medicines.

Drug Cost vs Script Growth



Early years

PHARMAC's first task was to organise the range of subsidised medicines (the Drug Tariff) into a cohesive list – the Pharmaceutical Schedule. Considerable input from expert clinicians on PTAC (the Pharmacology and Therapeutics Advisory Committee) was needed to sort medicines into therapeutic groups. Reviews were then undertaken, so that more informed judgements could be made about decisions affecting each therapeutic group.

The establishment of PHARMAC coincided with the era of the so-called "blockbuster drug" – medicines that counted their

sales in the billions of pills and dollars. The introduction of these products, like new treatments for heartburn, raised cholesterol or depression, created significant challenges for medicines funding bodies worldwide and PHARMAC was no exception.

From PHARMAC's creation, there was potential for price reductions through the introduction of price competition between pharmaceutical companies. Reference pricing, a policy where subsidy levels for drugs with similar effects are set at the same level, was a significant strategy in achieving lower prices. Next came innovations such as contractual arrangements, multi-product agreements and tendering (see Purchasing Medicines Information Sheet for more information on these strategies).

Tendering for off-patent medicines (“generics”) was a logical extension of strategies to promote competition. Tendering is now used extensively, involves nearly half of all subsidised medicines (by volume) yet represents around 20 percent of total drug cost. The annual tender generates around \$30 million in savings each year.

All of these mechanisms help reduce the amount we pay for medicines, generating savings that are able to be used to subsidise more products – increasing New Zealanders’ access to medicines.

Beyond medicine subsidies

As well as subsidising medicines, PHARMAC has a strong interest in ensuring they are used well. This involves ensuring medicines aren’t underused, overused or misused.

In 1998 PHARMAC ran its first national campaign, aimed at addressing the inappropriate prescribing of antibiotics for winter colds and flu. Wise Use of Antibiotics has been an effective way of raising awareness about appropriate use of antibiotics.

PHARMAC’s role in managing demand for medicines is called ‘Access and Optimal Use’, and is managed by an experienced team of PHARMAC staff. Campaigns, with a number of resources available from our website, include:

- Wise Use of Antibiotics
- One Heart Many Lives
- Generic medicines
- Space to Breathe.

We also have a Māori Responsiveness Strategy and Pacific Responsiveness Strategy which seeks to address inequalities in medicines access, amongst other goals.

An expanded role

In 2010 the Government published the Medicines Review Group report, recommending a wider role for PHARMAC in managing hospital medicines and medical devices. The Government acted on these recommendations and supported an expanded role for PHARMAC in May 2010, building on the change in functions originally agreed to in 2001.

The move towards assuming management of all medicines used in hospitals, and medical devices, are long-term projects that will involve working with District Health Boards, senior clinicians, Health Benefits Limited, and medical and patient interest groups in coming years.

PHARMAC’s record

Taking into account medicine price decreases (including through PHARMAC’s strategies described above) PHARMAC’s purchasing power has tripled since 1993. This means that we can now subsidise about three times the amount of medicines that could be bought with the same money in 1993. Since 2000, PHARMAC has saved around \$4.7 billion against 1999 prices.

*Getting more for less:
The number of prescriptions being subsidised is growing at a faster rate than the money used to purchase them.*

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**

PHARMAC
Pharmaceutical Management Agency

New Zealand Government