

2 June 2020

Hon Dr David Clark  
Minister of Health  
Parliament Buildings  
Wellington

Dear Hon Dr David Clark

**Annual Letter of Expectations for PHARMAC for 2020/21**

Thank you for your letter dated 23 March 2020 outlining your expectations for PHARMAC for the 2020/21 year. I am happy to provide you with our response, setting out how PHARMAC plans to meet your expectations.

We appreciate your acknowledgement of the work the Board and staff of PHARMAC have done over the past year. We have valued the engagement we have had with you and Associate Ministers of Health.

We are pleased to confirm that our intentions for 2020/21 are consistent with your expectations. In particular, we have refreshed our Statement of Intent to reflect substantial strategic planning undertaken by PHARMAC, guided by your 2019/20 and 2020/21 Letters of Expectation and the October 2019 Enduring Letter of Expectations to all Crown Entities.

Attached is information on how we intend to implement these activities and also how we intend to report our progress. Importantly, we recognise the need to work effectively with the health sector, particularly with DHBs, and make better informed decisions by incorporating consumer voices, to deliver best health outcomes from New Zealand's investment in medicines and medical devices.

I am happy to discuss this with you further or provide more information on any of the areas outlined in the attachment.

Yours sincerely



Hon Steve Maharey  
PHARMAC Board Chair

cc Hon Julie Anne Genter, Associate Minister of Health  
Hon Peeni Henare, Associate Minister of Health

## Appendix One: Our approach to deliver on your expectations

Expectation	How we plan to meet it	How we will report on it
<p><b>Refresh of Statement of Intent (Sol)</b></p>	<p>We have refreshed our Sol guided by your 2020/21 Letter of Expectations, as well as the October 2019 Enduring Letter of Expectations to all Crown Entities. We have situated our new strategic direction within the overarching health sector outcomes. In doing so we have sought to more clearly articulate the enduring impacts that PHARMAC is looking to achieve.</p> <p>With these impacts as a touchstone, we have identified six strategic priority areas for PHARMAC over the medium term. The strategic priorities represent the areas where we intend to concentrate our efforts to deliver on our purpose and our enduring impacts. Our six strategic priority areas will all contribute to enhancing our role as health and disability system partner and leader in different ways, within the context of the whole system's strategic direction.</p> <p>Our new four-year strategic direction also specifically recognises the importance of increasing public understanding, trust and confidence and developing and maintaining strong and enduring relationships and partnerships. PHARMAC plans to engage in a significant programme of work over the period of the Statement of Intent that will look at how our statutory Consumer Advisory Committee (CAC) and consumers more broadly, are engaged in our strategic work programmes, decision making and implementation processes.</p> <p>We have also taken the opportunity to refresh Te Whaioranga, our Māori Responsiveness Strategy. Te Whaioranga provides a cross-cutting lens through which we will plan and implement each priority – success will only be achieved in each area if we deliver them for and with Māori as a Treaty partner.</p> <p>We also know that in order to succeed in these priorities we need to develop different capabilities and get better at projecting our future capability needs. To support this, PHARMAC has, for the first time, developed a People and Capability Strategy.</p>	<p>PHARMAC's Statement of Performance Expectations (SPE) 2020/21 sets out actions that we intend to deliver for our strategic priorities. Progress against these actions will be reported as part of our quarterly SPE reporting and in our Annual Report 2021.</p>

Expectation	How we plan to meet it	How we will report on it
<p><b>Improving wellbeing through prevention</b></p>	<p>PHARMAC looks at wellbeing through prevention as part of its decision-making framework, the Factors for Consideration (FFC). There are a range of ways we do this, including estimating the health benefits conferred by a pharmaceutical such as a vaccine, at the individual, family and societal levels. We also consider whether there are benefits to the health system that could arise by funding a preventative pharmaceutical, for example by reducing the need for surgery.</p> <p>Finally, PHARMAC's FFC require us to take into account the <a href="#">Government's health priorities</a> when considering funding a medicine or medical device. Our list of included priorities has recently been updated to include direct reference to improving wellbeing by preventing health conditions.</p>	<p>We will provide updates on our funding decisions as part of our regular monthly and quarterly reporting.</p> <p>We will report on the number of funding decisions we have made that contribute to improved wellbeing through prevention as part of next year's Annual Report 2021.</p>
<p><b>Achieving equity</b></p>	<p>Equitable access and use of medicines has been a focus for PHARMAC over the last three years and continues to be a strong feature of our new strategic direction. There are two main ways we plan to do this.</p> <p>Firstly, we intend to work with others across the health system to improve uptake and use of medicines and other products that we already fund, with a particular focus on community medicines for long-term conditions such as diabetes and gout. This is captured within our work programme for our <i>Equitable access and use</i> strategic priority. Key actions for 2020-21 will be set out in our SPE.</p> <p>The second way is to look at how we decide which medicines to fund. We intend to review how we prioritise medicines to better reflect a focus on equity, wellbeing and to better reflect societal values. This work will be done as part of our <i>Enhance Key Functions</i> strategic priority over the next two years.</p>	<p>Quarterly SPE reporting.</p>

Expectation	How we plan to meet it	How we will report on it
<p><b>Embedding Te Tiriti o Waitangi and achieving pae ora (healthy futures) for Māori</b></p>	<p>PHARMAC recognises that equitable access to medicines for Māori is not enough; we must also uphold the rights that Te Tiriti o Waitangi provides for Māori people. In addition to the equity work described above, we have incorporated the principles of Te Tiriti o Waitangi into our strategic direction framework – Tino rangatiratanga; Equity, Active protection; Options and Partnership (adapted from the recommendations made in the stage one report for Wai 2575, the Health Services and Outcomes Kaupapa Inquiry).</p> <p>In 2020 we refreshed Te Whaioranga 2013-2023 to align and integrate with PHARMAC's new Strategic Direction and respond to wider system expectations for Crown agents to partner with Māori to meet our Te Tiriti o Waitangi obligations.</p> <p>Te Whaioranga, PHARMAC's Māori Responsiveness Strategy, provides a framework for ensuring PHARMAC meets our Te Tiriti o Waitangi responsibilities and achieves best health outcomes for Māori.</p>	<p>We intend to publish our refreshed Te Whaioranga strategy in July 2020, alongside the Sol and SPE.</p> <p>Actions are set out in the Sol and SPE and will be reported on through quarterly SPE reporting.</p>
<p><b>Governance and financial management</b></p>	<p>The Board, through its governance arrangements with management, will continue to monitor all aspects of the organisation's performance, including exercising its function to ensure PHARMAC operates in a financially responsible manner and continues to make responsible decisions for the use of the Combined Pharmaceutical Budget, or any other area of expenditure for which PHARMAC may be responsible for managing.</p> <p>As Chair, I will continue to ensure effective governance of PHARMAC and monitor the Boards collective and individual Board member performance on an annual basis, including accountability for delivering equitable health outcomes for New Zealanders.</p>	<p>Annual Board evaluations.</p> <p>PHARMAC's contribution to delivery of equitable health outcomes for New Zealanders include:</p> <ul style="list-style-type: none"> <li>• Progress reporting against key actions in our Equitable access and use strategic priority.</li> <li>• The equity indicators established in PHARMAC's performance framework.</li> </ul>

Expectation	How we plan to meet it	How we will report on it
<p><b>System-wide working</b></p>	<p>As shown in our new strategic direction, one of PHARMAC's three impact areas is that <i>'We play a key role in an effective and equitable health system'</i>. This acknowledges that PHARMAC cannot deliver best health outcomes from medicines and medical devices alone – we are part of the wider health and disability system and our planning and decision-making must reflect that. Success will look like:</p> <ul style="list-style-type: none"> <li>• working with health providers and funders to ensure our funding decisions are able to be implemented smoothly and consistently across the country;</li> <li>• monitoring and maintaining supply of medicines and vaccines to ensure health outcomes aren't affected by out of stock situations;</li> <li>• working collaboratively with the health sector on jointly agreed population health programmes to better meet the needs of New Zealanders; and</li> <li>• contributing to the health and disability response to improve environmental sustainability.</li> </ul> <p>Over the next four years we will continue to work collaboratively and support sector wide initiatives including:</p> <ul style="list-style-type: none"> <li>• working closely with the Ministry of Health to implement the NZ Cancer Action Plan 2019-2029;</li> <li>• our ongoing efforts to support the successful delivery of the FPIM business case;</li> <li>• working with the Ministry of Health and the health sector in response to the Health and Disability System Review; and</li> <li>• the Ministry of Health, DHBs and PHARMAC work collaboratively on vaccine responses to local and national outbreaks of disease.</li> </ul>	<p>Quarterly SPE reporting.</p>

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<b>Environmental sustainability</b>	<p>We are mindful of the Government's priority outcome around environmental sustainability, despite PHARMAC's limited levers in this regard. Very little pharmaceutical manufacturing occurs in New Zealand, so any action we might take has limited impact on reducing carbon emissions from domestic production.</p> <p>However, we continue to consider the sustainability of packaging through our medicine procurement processes as well as participating in the Sustainable Health Sector National Network (SHSNN) working group, which looks for ways for health agencies in New Zealand to partner to deliver sustainable solutions to public health issues, such as waste.</p> <p>We will also have increasing influence over the environmental sustainability of hospital medical devices once we move to full investment management of these products.</p>	We will report on progress in our Annual Report 2021.
<b>Transparency and timeliness</b>	<p>Your expectations that we continue to focus on transparency and improving our communication with the public, and our stakeholder relationships, are the respective foci of our <i>Public Understanding Trust and Confidence</i> and <i>Relationships and Partnerships</i> strategic priorities. In 2020/21 we plan to improve our digital communication with the public by rolling out a redesigned website with enhanced functionality and content and increasing our social media presence. We also intend to implement a regular stakeholder engagement survey and report on results.</p> <p>Our performance measures will have a strong focus on timeliness, to ensure that the public has a transparent view of the time it takes PHARMAC to rank new funding applications as well as our timeliness in processing decisions under our Exceptional Circumstances framework.</p>	Quarterly SPE reporting.

Expectation	How we plan to meet it	How we will report on it
<b>Medical devices</b>	<p>We note your expectation that our strategic priority work to transition to full management of medical devices recognises the impacts on local NZ device suppliers and DHB service delivery requirements. In order to make progress with applying our management approach to hospital medical devices, continued engagement with both DHBs and industry is essential. We intend to consult with the sector during 2020/21 on next steps for medical devices, but due to the impacts of COVID-19 will do so at time when there is less pressure on the sector. We shall also continue to support the delivery of the FPIM programme.</p>	<p>Quarterly SPE reporting.</p>
<b>Medicines for rare disorders</b>	<p>In recent years, PHARMAC has undertaken a range of activities attempting to make clinically effective medicines for rare disorders more affordable and accessible. This work has built on insights from the pilot Request for Proposals (RFP) that commenced in 2014, which demonstrated that competition could be introduced into this market.</p> <p>Over the past few years there have been significant shifts in policy settings in jurisdictions around the world and we continue to watch these developments with interest. Updated funding mechanisms and methods of evaluating medicines for rare disorders have been aimed at providing greater clarity for patients and suppliers, improving the efficiency of regulatory processes and/or providing more timely assessment processes.</p> <p>In 2019 PHARMAC staff published a <a href="#">report</a> on funding medicines for rare disorders, outlining the international and national landscape from PHARMAC's perspective. We intend to build on our recent work in this area.</p>	<p>We will continue to provide relevant ad hoc updates through our regular ministerial reporting.</p>

Expectation	How we plan to meet it	How we will report on it
<p><b>Response to disease outbreaks</b></p>	<p>PHARMAC has been involved in the procurement of vaccines since 2014 and has been managing the National Immunisation Schedule since 2012. The Ministry of Health is responsible for implementation and promotion activities for vaccines that PHARMAC lists on the National Immunisation Schedule.</p> <p>We note your expectation we continue to work closely with the Ministry of Health and DHBs as a matter of priority on the supply of vaccines in New Zealand and the response to potential future disease outbreaks.</p> <p>We are collaborating with the Ministry of Health and MBIE on the COVID-19 vaccine strategy. In May 2020, Cabinet agreed to invest in New Zealand and international research and development and manufacturing capability related to potential COVID-19 vaccines, as part of a broader and developing vaccine strategy.</p> <p>PHARMAC has also contacted the Ministry of Health seeking opportunities to work collaboratively to develop guidelines and protocols for the different roles and responsibilities we and other sector players have with regard to vaccines. We have also asked the Ministry of Health to involve PHARMAC in work to establish:</p> <ul style="list-style-type: none"> <li>• national policies and processes for monitoring and responding to outbreaks;</li> <li>• clear accountabilities/responsibilities within the health sector for decision-making, and;</li> <li>• communication channels to activate outbreak response activities by all players in the sector and manage all day-to-day queries from media, primary care and others.</li> </ul> <p>This work is likely to result in an updated MOH/DHB/PHARMAC Memorandum of Understanding in relation to vaccines will provide an opportunity to clarify roles and responsibilities as well as reflect the expectation for greater communication amongst all parties in these circumstances.</p>	<p>We will keep you informed of progress through our regular monthly reporting.</p>

Expectation	How we plan to meet it	How we will report on it
<p><b>Research and evidence</b></p>	<p>We note your support of our successful partnership with the Health Research Council in funding and commissioning research on the best use of medicines in New Zealand. Last year, we supported two research projects through this partnership:</p> <ul style="list-style-type: none"> <li>• Dr Anna Howe, from the University of Auckland, will research the topic 'Are children at high-risk of pneumococcal disease getting the protection they require?'</li> <li>• Dr Denise Taylor, from Victoria University of Wellington, will spend the next 24 months researching 'From prescriptions to patients: identifying pharmaceutical information pathways'.</li> </ul> <p>The focus for calls for the 2020 round of research funding applications will be equitable access and use of medicines. We will look to engage with the Ministry of Health exploring future opportunities for priority areas for research.</p>	<p>We will report on the research projects we have funded in the Annual Report 2021.</p>