

PHARMAC

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Statement of Performance Expectations

2025/26



PHARMAC
TE PĀTAKA WHAIORANGA

Purpose

This Annual Statement of Performance Expectations has been prepared in accordance with the Crown Entities Act 2004 and should be read in conjunction with the Pharmac Statement of Intent 2024/25 – 2027/28.

It identifies for Parliament and the New Zealand public what Pharmac intends to achieve in the 2025/26 financial year and how performance will be assessed to deliver on Pharmac's strategy.



Hon Paula Bennett
Chair



Dr Peter Bramley
Deputy Chair

Presented to the House of Representatives pursuant to Section 149(3) of the Crown Entities Act 2004

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What we do

Ō mātou mahi

Therapeutic products are the most common intervention in health care. Ensuring that New Zealanders have timely and equitable access to a wide range of effective medicines, vaccines, medical devices and related products, and are able to use these well, is the main way Pharmac contributes to improved wellbeing and quality of life for all.

We are a Crown entity under the Crown Entities Act 2004 and are accountable to the Associate Minister of Health. The Associate Minister of Health appoints Pharmac's Board which has the powers necessary to govern and manage Pharmac.

We manage the medicines budget

We help protect, promote, and improve the health of all New Zealanders by deciding which medicines, vaccines, medical devices and related products are available to New Zealanders, so these are affordable and easy to access. For example, over 4 million New Zealanders in 2023/24 benefited from receiving funded medicines, medical devices, and related products.

We ensure supplies are available nationwide by working closely with suppliers.

We manage New Zealand's fixed medicines budget, including securing savings for reinvestment in medicines, and manage the Pharmaceutical Schedule (the Schedule). The Schedule lists all Government-funded medicines and related products in New Zealand and includes:

- all nationally funded medicines and related products and some medical devices used in the community
- all nationally funded medicines that can be used in public hospitals
- most government-funded vaccines
- all public hospital medical devices with national contracts
- the rules for dispensing or administering medicines
- the price and subsidy (the amount funded) for each medicine
- any rules or limits on access to funding for specific medicines or groups of medicines ensuring the medicines are targeted to the right people.

The number of new medicines and the number of existing funded medicines where access is widened each year is reported in [Pharmac's Annual Report](#) which is published in November each year.

We fund treatments for people with exceptional circumstances

We may approve funding of a medicine, vaccine, or related product for an individual with exceptional clinical circumstances. For example, a prescriber may want someone to have a treatment that is not funded or is funded for other uses.

We make decisions through our Named Patient Pharmaceutical Assessment (NPPA), where a prescriber applies for the person to access funding for these treatments.

In 2023/24 Pharmac received over 1,800 NPPA applications, an increase of 20% on the previous year.

We manage vaccines

Vaccinations is one of the areas where Pharmac plays a major role in wellbeing by preventing the transmission of illness from starting or spreading in our communities. We manage the funding, purchasing and distribution of most government funded vaccines in New Zealand. This includes vaccines on the Aotearoa Immunisation Register and COVID-19 vaccines.

Health New Zealand is responsible for delivering the vaccination programme. We work with the Immunisation Outcomes Collective and other cross-agency groups to coordinate immunisation activities and services in New Zealand.

We promote treatments being used in the right way

We promote the responsible use of medicines, vaccines and related products in New Zealand. We do this by collaborating with others within the health system and developing initiatives to support the responsible equitable and optimal use of funded medicines by health professionals and the public.

Since January 2024 we have developed over 120 implementation plans to support health professionals and consumers with changes to the Schedule. This includes brand changes due to supply issues and our annual tender, discontinuations, and the listing of new medicines.

We improve health benefits from use of hospital medical devices

We are applying our expertise and processes to maximise health benefits to New Zealanders from hospital medical devices.

We are building a list of devices used in public hospitals by negotiating national contracts to build a solid foundation for strategic management of hospital medical devices. We are working with Health New Zealand and other sector partners to implement an integrated approach to the

management of hospital medical devices which drives better value and more consistent and equitable access.

To date, the Schedule includes approximately 186,000 contracted line items from over 140 suppliers. These contracts cover approximately \$678 million of annual Health NZ hospital expenditure on medical devices.

In collaboration with our system partners, we continue scaling up Pharmac's management of devices to deliver additional value for all New Zealanders.

Our funding for 2025/26

Pharmac manages the medicines budget. The Government has determined that the medicines budget¹ for 2025/26 is \$1,760 million.

The medicines budget comprises:

- medicines, medical devices, vaccines and related products dispensed through community pharmacies
- government expenditure for all medicines administered in public hospitals
- vaccines, haemophilia treatments, and other health products provided in other primary care settings (such as nicotine replacement therapies)
- COVID-19 vaccines and COVID-19 treatments.

Pharmac's operating budget covers the day-to-day costs of running Pharmac. This operating budget is separate to the medicines budget - we cannot use medicines funding to meet our operational costs.

Who we work with

We work and engage with many different partners, consumers and stakeholders who support us to manage medicines, vaccines and medical devices. We depend on the work, expertise and lived experience of people across the health and disability system.

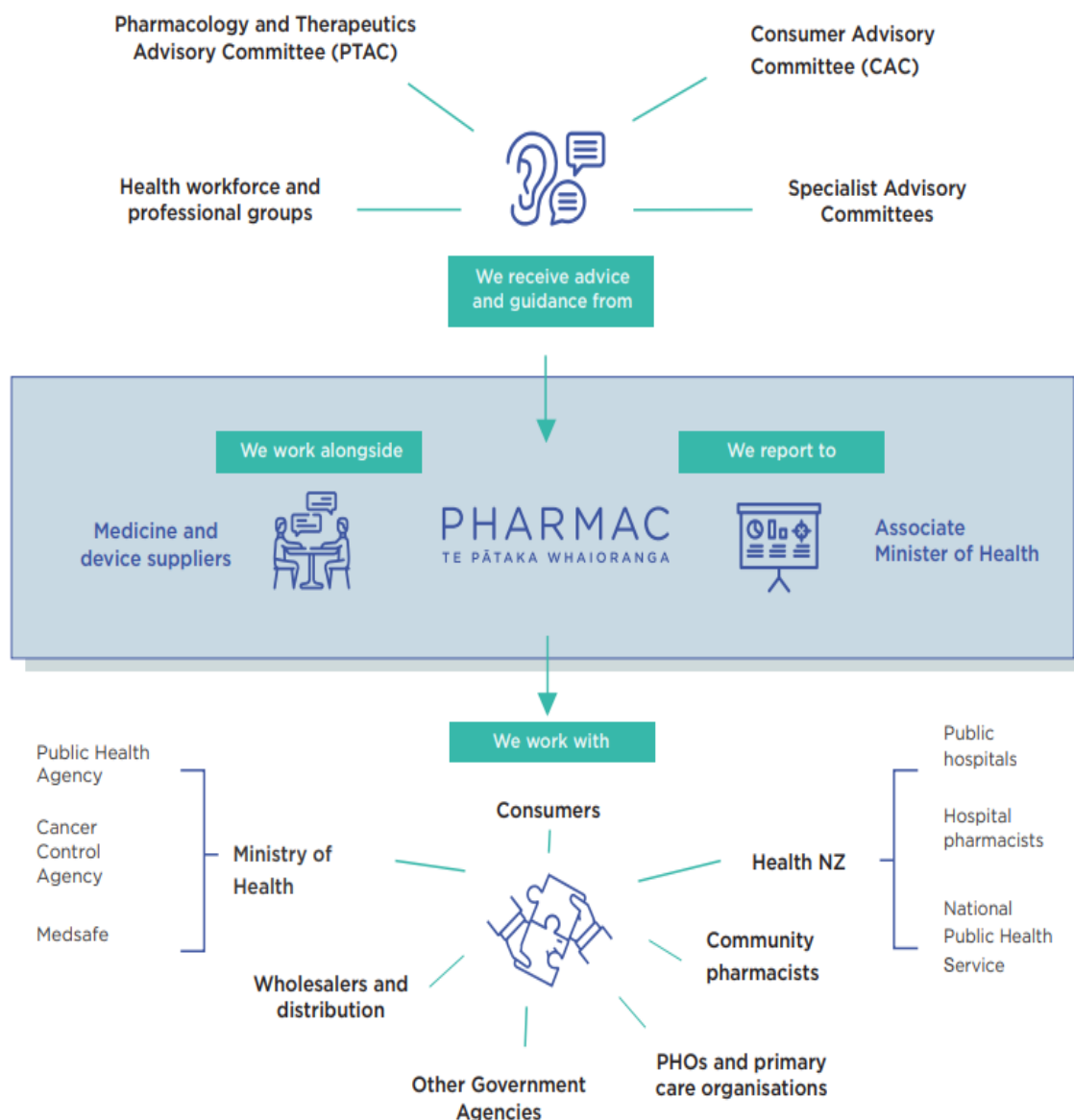
This includes:

- patients and patient representatives who understand the issues and concerns that people with lived experience have around access to and use of their medicines, vaccines and medical devices
- health professionals who prescribe these products so that they know about the types of funded medicines, vaccines and medical devices available
- pharmacists who are medicine experts and manage stockholding of medicines, as well as providing advice to people when they are given a medicine

¹ Previously referred to as the Combined Pharmaceutical Budget.

- health and disability system partners, including government agencies such as Ministry of Health and Health NZ, to coordinate and collaborate on our work and collectively achieve our obligations under the Pae Ora Act
- companies that manufacture and supply medicines and medical devices to make sure we have a good supply of effective products
- a range of other health care professionals involved in the administration and use of medicines, vaccines and medical devices

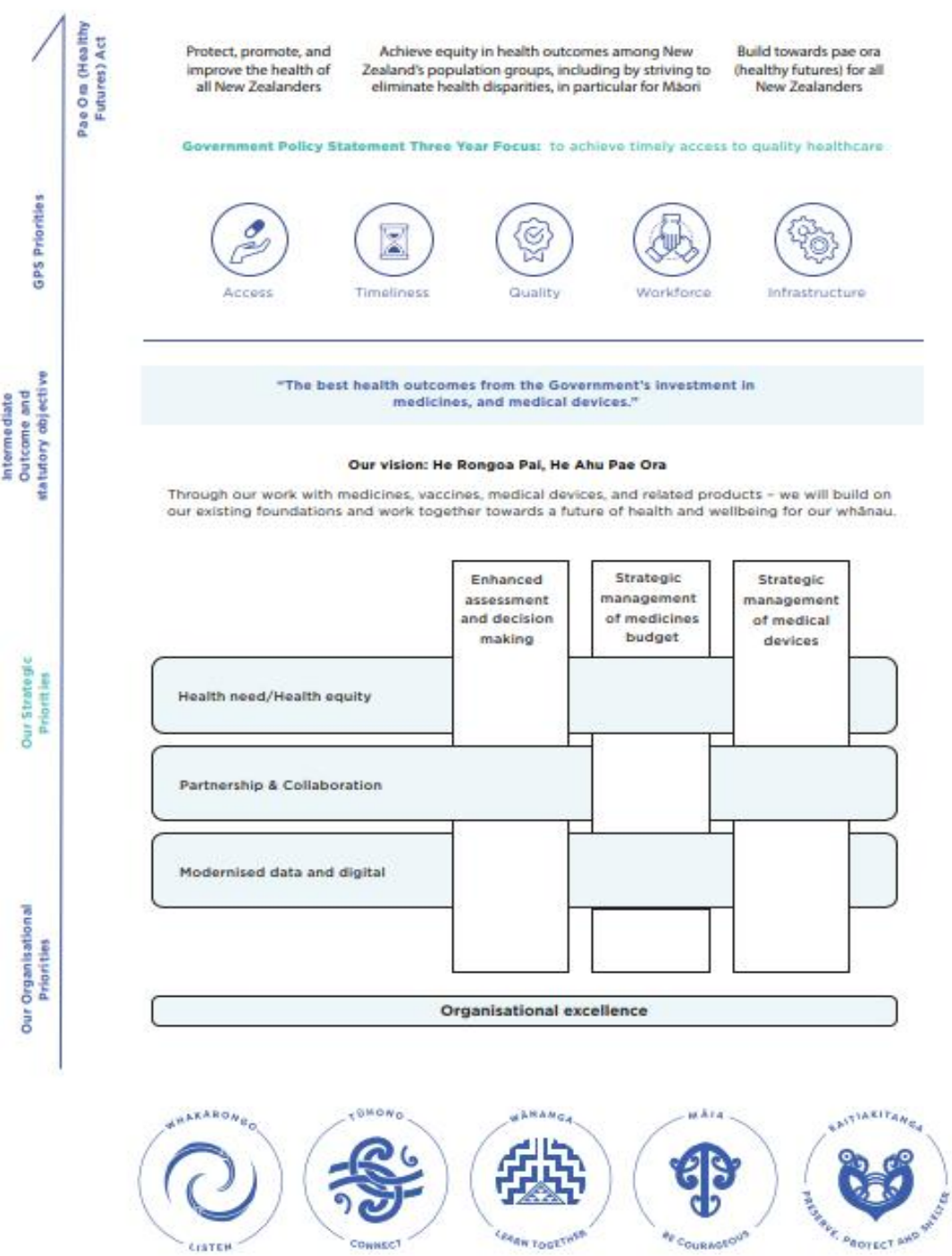
We also work closely with other government agencies not in the health and disability system, such as Te Puni Kokiri, Ministry for Pacific Peoples and the Ministry of Foreign Affairs and Trade.



Our Strategic Framework

Tō mātou rautaki

In 2025/26 we will revise our strategic framework, working with consumers, consumer advocacy groups, clinicians, suppliers and wider health system partners. Our current strategic framework sets out our strategic priorities and our vision and values – and shows how our work contributes to Government priorities and objectives for the health and disability system.



Contributing to Government priorities

Ngā tāpaetanga ki ngā whakaarotau

Pae Ora (Healthy Futures) Act 2022

The Pae Ora Act came into effect on 1 July 2022. It provides for the public funding and provision of services in order to:

- protect, promote and improve the health of all New Zealanders
- achieve equity in health outcomes among New Zealand's population groups, including striving to eliminate health disparities, in particular for Māori²
- build towards pae ora (healthy futures) for all New Zealanders.

Government Policy Statement on Health

The Government Policy Statement on Health (GPS) sets out the Government's priorities and objectives for the publicly funded health system for the three years from July 2024 to June 2027. It is a public statement of what government expects the health system to deliver and achieve, what support the government will provide and how progress will be measured, monitored, and reported on. Pharmac must give effect to the GPS.

The Government is focused on achieving timely access to quality health care. This includes both mental and physical health. The Government's vision for health in New Zealand includes:

- five health targets to ensure a focus on action
- a focus on responding to the five non-communicable diseases of cancer, diabetes, respiratory disease, heart disease and poor mental health
- addressing the five modifiable factors of smoking, alcohol consumption, poor nutrition, lack of exercise and adverse social and environmental factors
- five priority areas to guide the health and disability system and how services are delivered – Access; Timeliness; Quality; Workforce and Infrastructure.

Pharmac will give effect to relevant actions in the GPS and support, where relevant, delivery of targets and actions across priority areas.

² Pharmac's work will be based on the needs of all New Zealanders, per Cabinet Circular CO (24) 5: Needs-based service provision.

Health priorities

The Minister of Health announced his health priorities in March 2025:

- focusing Health New Zealand on delivering the basics and achieving targets
- fixing primary healthcare to ensure Kiwis have timely access to a doctor
- reducing emergency department wait times so that 95 percent of people are admitted, discharged, or transferred within six hours
- clearing the elective surgery backlog by partnering with the private sector to deliver more planned care
- investing in health infrastructure, both physical and digital, so that we are building for the future.

This plan is underpinned by a focus on putting patients first and supporting our frontline healthcare workers to deliver the healthcare New Zealanders need, in a timely and quality manner.

2025/26 Letter of Expectations

We are accountable to the Associate Minister of Health, who is accountable on behalf of the Crown to Parliament, for our performance. The Ministry of Health supports the Associate Minister of Health in monitoring Pharmac's performance.

This Statement of Performance Expectations is guided by the Associate Minister of Health's 2025/26 annual Letter of Expectations, received in June 2025. Expectations for 2025/26 are that Pharmac:

- pursues opportunities to review and revise its statutory objectives and functions.
- evolves Pharmac's assessment methodologies and approach, including:
 - the wider fiscal impacts to government of funding medicines and medical devices, and how you consider societal impacts.
 - appropriate processes and methodologies for ensuring that those living with a disease, and their carers and family, can participate and provide input into the decision-making processes.
- evaluates and evolves the different roles Pharmac undertakes in relation to health technology assessment and procurement to ensure they are fit-for-purpose.
- makes budget requests to support additional investment, including continuing to explore different ways of funding medicines.
- prioritises improvements in the timeliness of assessment and decision-making and publication processes, and reports publicly.

- strengthens its partnership and engagement work to ensure all stakeholders understand what Pharmac does and how it works. This includes supporting:
 - implementation of the Rare Disorder's strategy
 - contributing to the Medicines and Medical Devices strategy.
- explores opportunities to enhance horizon scanning activities to better plan for emerging medicines and medical devices.
- implements the recommendations from the Board commissioned external reviews into workplace culture and consumer engagement.
- develops a new vision and strategy that supports the organisation to be more outwardly stakeholder focused.
- invests in data and digital infrastructure to enhance core functions and improve decision making, collaboration and transparency.
- Contributes to the Government's health priorities (Government Policy Statement on Health 2024-27, national health targets, New Zealand health plan and associated Pae Ora strategies).
- Gives effect to Cabinet Circular (24) 5: Needs-based Service Provision.
- Delivers the agreed outcomes from the medical devices review.

How we will respond to the external reviews of Pharmac

Pharmac has had multiple external reviews and has been the focus of various external workshops over the past few years. In response, we are committed to changing how we operate and improving our organisational culture to better meet public and stakeholder expectations.

A five-year change programme has been identified as an organisational priority. It will occur in two phases, beginning with a 12-month reset programme in 2025/26 to demonstrate tangible change and establish foundational improvements for a 4-year change work programme.

Our vision

Tō mātou whakakitenga

The Pae Ora Act affirms our role, responsibilities, and obligations as kaitiaki for the hauora of our mokopuna, now and into the future. In demonstrating and leading on this commitment to action, our current vision is:

He Rongoā Pai, He Ahu Pae Ora.

A narrative that speaks to ancestry and the lineage to our kaitiaki, Hine-Ahu-One. Weaving through whakapapa, time, and space to the present, “*we build on our existing foundations and work together towards a future of health and wellbeing for our whānau*”.

We shall be revising our vision during 2025/26 as part of our 12-month reset action plan mentioned on page 11.

Our values

Ngā uaratanga

Our values guide us to make decisions that create better health outcomes for New Zealanders. They ground our behaviour and influence our thinking, how we work, and who we work with.

Our five values are:

- **Whakarongo | Listen**

Āta whakarongo kia puaki te ngākau aroha. We listen with intent and empathy to understand.

- **Tūhono | Connect**

Kōtuitui kia piri, tūhono kia whakatatū te ara tika. We connect with people, communities, the health system, and each other.

- **Wānanga | Learn together**

Ma te māhirahira ka whāwhāki te māramatanga. We draw on evidence and people’s experiences to improve.

- **Māia | Be courageous**

Tū te ihiihi, tū te wanawana, tū te wehiwehi. We challenge ourselves.

- **Kaitiakitanga | Preserve, protect, and shelter our future**

Hāpaitia te mana tangata hei whāriki mō ngā uri whakatipu. We safeguard wellbeing for New Zealanders, now and for the future.

Our strategic priorities

Ā mātou whāinga tōmua

Our current strategy is built around improving the way we manage and invest in medicines and medical devices. Our three strategic priorities are:

- **Enhanced assessment and decision making:** Improving our assessment and decision-making processes by increasing consumer input and participation; improving timeliness and transparency; increasing efficiency; and updating our approach to include wider fiscal impacts to the whole of Government – and consider societal impacts.
- **Strategic management of the medicines budget:** Planning and managing our budget over the medium-term to achieve the best health outcomes and deliver value for the public.
- **Strategic management of medical devices:** Developing and implementing an integrated approach to hospital medical devices to drive better value and more consistent and equitable access.

Our strategy is underpinned by three organisational priorities:

- **Health need/Health equity:** Improving health outcomes for populations with the highest health needs and supporting achievement of equitable health outcomes.
- **Partnership and collaboration:** Building stronger relationships and pursuing opportunities to work collaboratively and in partnership with stakeholders.
- **Modernised data and digital:** Ensuring that we have a modern data and digital infrastructure to meet both internal and external stakeholder needs now and in the future.

Our current strategic framework shows the connection between our strategic and organisational priorities.

All the work that we do is underpinned by organisational excellence.

Strategic Priority One:

Enhanced assessment and decision-making

We undertake high quality assessment and decision-making processes for medicines, vaccines and related products. We seek expert advice, investigate the costs and benefits, negotiate with suppliers and consult with the public before we make decisions about medicines.

We want to continually improve how we assess and make funding decisions. This means increasing consumer input and participation throughout our

assessment processes, improving timeliness and transparency and updating our approach to include wider fiscal impacts to the whole of government, and consideration of societal impacts.

Our outcomes

The outcomes we seek are:

- the public understand better what we do and how we work
- we listen, learn and better understand consumer needs
- consumers and those with lived experience can participate and provide greater input across our assessment and decision-making processes
- diversity of expert and consumer perspectives in assessment and decision-making is increased
- improve the timeliness and transparency of our assessment and decision-making processes
- a broader range of impacts to the health system and wider societal impacts are considered when making decisions.

What we will focus on in 2025/26

- increase the participation of consumers and patients with lived experience in assessment and decision-making processes
- continue to make our assessment and decision-making processes timelier, more efficient and transparent
- work in partnership with the health system to support implementation of our decisions
- update our assessments tools and processes to take account of how we consider wider fiscal and societal impacts.

Strategic Priority Two: Strategic management of the medicines budget

Our core role is to secure the best health outcomes from medicines, medical devices, vaccines and related products for New Zealanders, while staying within the fixed budget for medicines set by Government.

Our medicines budget has increased over time to enable us to fund new treatments, widen access to treatments already funded and meet other

costs, such as those related to population growth and demographic changes.

New multi-year funding arrangements for the health and disability system came into effect from July 2024, bringing significant opportunities for Pharmac to better plan and manage the medicines budget in the medium term.

Our outcomes

To achieve the best health outcomes, we need to better optimise available funding and take a longer-term view of how and where we direct funding. This means:

- ensuring more medicines are publicly funded and available for more New Zealanders
- ensuring the enduring sustainability, both clinically and commercially, of our current portfolio of funded medicines, while maintaining an emphasis on improving health equity
- updating and adapting our commercial approaches to accommodate changes in the (New Zealand and global) pharmaceutical market

What we will focus on in 2025/26

- work in partnership with Health New Zealand to support implementation of our funding decisions, to ensure people can access new or widened-access medicines
- strengthen our supply chain resilience
- update and develop our commercial approaches, including new ways of contracting, in response to the changing pharmaceutical landscape
- explore opportunities to enhance horizon scanning activities to better plan for emerging medicines
- ensure that payment arrangements for pharmaceuticals are accurate and support our wider business objectives.

Strategic Priority Three: Strategic management of hospital medical devices

We are working towards applying the full Pharmac model to improve health benefits for New Zealanders from hospital medical devices. We aim to drive better value through nationally consistent and equitable access to medical device technology.

We have built a strong foundation for strategic management of medical devices by negotiating national contracts and compiling a comprehensive list of medical devices. This is the first time there is a single national list of medical device products hospitals use to deliver their services.

We are now poised to further mature the medical devices work by moving to a focus is on improving value for the health system through managing the contracts and generating greater competition.

Our medical device work has had significant external input over the years. We continue to engage widely to ensure we deliver an approach to hospital medical devices that delivers outcomes for priority populations and meets the needs of the health and disability system. We continue to build relationships across the health and disability system, with industry and priority populations.

In collaboration with our system partners, we continue scaling up Pharmac's management of devices to deliver additional value for all New Zealanders. For example, by working with Health NZ to optimise and standardise the devices available and used to improve consistency, efficiency and savings. Over \$120 million of savings and efficiency gains have been returned to the health system since our work in medical devices began.

Our outcomes

The outcomes we seek are:

- improve health benefits for New Zealanders and value for money from hospital medical devices
- increase national consistency and equity of access to hospital medical devices from hospitals choosing the devices to use from the Pharmaceutical Schedule
- implement a national health technology assessment process for hospital medical devices in conjunction with Health New Zealand
- increase transparency of funding decisions for medical devices purchased by public hospitals
- manage the growth of medical device expenditure and new investment in a planned way.

What we will focus on in 2025/26

- achieve a single national medical devices list for public hospitals
- an overarching strategic category management approach that drives value with system partners
- implement a sustainable national assessment process for hospital medical devices that increases the transparency of medical device funding decisions, drives value plus enables medical devices to be listed and delisted efficiently as part of a coordinated approach with Health NZ
- progress work on new IT systems to support our medical devices work.

Organisational Priorities 2025/26

Te hiranga tara ā-whare

Health need/Health equity

Improving health outcomes for populations with the highest health needs and supporting achievement of equitable health outcomes is important.

In 2025/26 we will:

- develop initiatives to ensure people benefit from the funding decisions that we make, by improving how decisions are made, implemented and monitored
- continue to work with health system partners, community stakeholders and consumers, to understand lived experiences and reduce access barriers
- strengthen internal infrastructure and resources to ensure robust evidence-based decision making and best practice delivery.

Partnership and collaboration

Building stronger relationships and pursuing opportunities to work collaboratively and in partnership with stakeholders shall be a key focus during 2025/26 as part of our 12-month reset action plan mentioned in page 11.

In 2025/26 we will:

- develop initiatives that give effect to the consumer code of expectations and responds to the actions outlined in the Pharmac Consumer Engagement Workshop Report
- deliver initiatives within the Pharmac Engagement Strategy implementation plan
- upskill key staff with engagement planning tools and training.

Modernised Data and Digital

Creating a fit-for-purpose digital and data framework that not only meets but anticipates the evolving demands of our stakeholders.

Evidence is an essential part of our decision-making and we will continue to improve the range of data we have and ensure it is managed as an asset and shared across the health and disability system.

In 2025/26 we will deliver a data and digital work programme to upgrade our technology infrastructure and better meet our internal and external stakeholder needs.

Organisational capability

Our staff are committed to helping people live better and healthier lives and are our most valuable asset. We have specialist expertise across clinical, pharmaceutical assessment, health economics, commercial, procurement and contract management portfolios, and have an effective corporate services function to support our core business.

Our People and Capability strategy identifies priorities for:

- Leadership and Culture
- Workforce
- Employee Experience.

We recruit the best person for the role. Our people strategy aims to attract and retain a high-performing, diverse and inclusive workforce and provide a supportive workplace culture for all.

Carbon emissions

We are a member of the *Carbon Neutral Government Programme* to reduce net carbon emissions. Our Carbon Emissions Reduction Plan provides the basis for setting our emissions reporting and reduction targets, and we will report annually against these targets.

Measuring our performance

Service Performance Reporting Standard

We will report our performance in line with the PBE FRS 48 Service Performance Reporting Standard. The standard sets expectations for:

- identifying and selecting appropriate and meaningful performance information
- disclosing judgements made in selecting, aggregating and presenting performance information
- providing comparative performance information
- ensuring consistency of reporting

In 2025/26, we intend to revise our current performance measures as part of revising our strategic framework.

Our Appropriations

We have two appropriations within Vote Health for 2025/26 that we manage.

National Pharmaceuticals Purchasing

Pharmac manages the medicines budget. The Government has determined that the level of the medicines budget for 2025/26 is \$1.760 billion.

Pharmac receives this funding directly as an appropriation via Vote Health (National Pharmaceuticals Purchasing).

The medicines budget comprises government expenditure for all medicines, vaccines and related products that are administered in public hospitals, as well as medicines, medical devices, vaccines and related products dispensed through community pharmacies. Also included in the medicines budget are vaccines, haemophilia treatments and other health products provided in other primary care settings (such as nicotine replacement therapies).

National Pharmaceuticals Purchasing (the medicines budget)	Forecast 2024/25 \$000	Budget 2025/26 \$000
Revenue		
Crown revenue	1,689,634	1,760,435
Other revenue	16,000	4,785
Total revenue	1,705,634	1,765,220
Total expenses	1,647,435	1,760,435
Surplus/(deficit)	58,199	4,785

How we will measure performance

No	Performance measure	2024/25 estimate	2025/26 target	Relevant strategic priority
1	Increase in the number of New Zealanders receiving funded medicines.	3.81M	Achieved (Total number is accumulated during the year as decisions come into effect.)	- Enhanced assessment and decision making. - Strategic management of medicines budget.
2	Increase in the number of new medicines funded.	30 new treatments funded.	Achieved (Total number is accumulated during the year as decisions come into effect.)	- Enhanced assessment and decision making. - Strategic management of medicines budget.
3	Access is widened to an increased number of medicines that are already funded.	48 access widenings.	Achieved (Total number is accumulated during the year as decisions come into effect.)	- Enhanced assessment and decision making. - Strategic management of medicines budget.
4	Increase the estimated number of New Zealanders benefitting from new medicines funded.	89,406 additional New Zealanders received new medicines.	Achieved (Total number is accumulated during the year as decisions come into effect.)	- Enhanced assessment and decision making. - Strategic management of medicines budget.

National Management of Pharmaceuticals

Pharmac's operating budget is used to meet the day-to-day costs of running Pharmac. This operating budget is separate to the medicines budget, and we cannot use medicines funding to meet its operational costs. The operating budget is funded as an appropriation via Vote Health (National management of pharmaceuticals).

National Management of Pharmaceuticals	Forecast 2024/25 \$000	Budget 2025/26 \$000
Revenue		
Crown revenue	31,507	32,507
Other revenue	4,263	1,089
Total revenue	35,770	33,596
Total expenses	36,547	37,978
Surplus/(deficit)	(777)	(4,382)

How we will measure performance

No	Performance measure	2024/25 estimate	2025/26 target	Relevant strategic priority
5	A reduction in the average time to assess and rank new applications.	Achieved Average last 5 years 23.7 months.	Achieved Average number of months of less than 21.5 months (proposals received in last 5 years).	Enhanced assessment and decision making.
6	A reduction in the average time to assess and rank new applications.	Achieved Average for all proposals 54 months.	Achieved Average number of months of less than 39.3 months (average number of months) - all proposals.	Enhanced assessment and decision making.
7	A reduction in average time to publish Pharmacology and Therapeutics Advisory Committee (PTAC) and Advisory Committee records.	Achieved PTAC = 63 days. Advisory panels = 90 days.	Achieved PTAC: Average time of less than 60 days. Advisory committees: Average time of less than 90 days.	Enhanced assessment and decision making.
8	A reduction in average time to publish Pharmacology and Therapeutics Advisory Committee (PTAC) and Advisory Panel provisional record recommendations.	New measure (not measured in 2024/25).	Achieved PTAC: Average time of less than 30 days. Advisory committees: Average time of less than 30 days.	Enhanced assessment and decision making.

Additional Non-appropriation Performance Measures

No	Performance measure	2024/25 estimate	2025/26 target	Relevant strategic priority
9	A reduction in the number of applications yet to be ranked "(backlog)"	New measure (not measured in 2024/25).	Achieved 25/26 target: 150 or less. Provisional 2026/27 target: 110 or less.	Enhanced assessment and decision making.

No	Performance measure	2024/25 estimate	2025/26 target	Relevant strategic priority
10	Average time from funding application received to first decision date.	Average of 88.8 months (all applications). Average of 38.7 months (applications received in last 5 years).	No target set. Many decisions rely on factors outside of Pharmac's control (such as budget availability).	Strategic management of the medicines budget.
11	Percentage of decisions on initial Named Patient Pharmaceutical Applications (NPPA) made within 10 working days.	68 percent	75 percent of decisions made within 10 working days.	- Enhanced assessment and decision making. - Strategic management of medicines budget.
12	The number of medicines (volume) and the range of medicines (mix) have increased over time within budget.	Achieved. In 2023/24 the volume and mix went up relative to the cost.	Achieved Volume and mix go up compared to previous years.	- Enhanced assessment and decision making. - Strategic management of medicines budget.
13	Increased public trust in Pharmac. Sourced from an external survey.	Public trust score 59.	Improvement on previous year.	- Enhanced assessment and decision making. - Strategic management of medicines budget. - Strategic management of medical devices.
14	Manage expenditure on hospital medical devices under Pharmac contract to within 1% of budget for the year. (New measure in 24/25)	N/A	1%	Strategic management of medical devices.
15	Assessment of consumer engagement (based on the Consumer Quality Safety Marker (CQSM) self-assessment).		Seek to attain a score of 3 or more across the 3 CQSM domains.	- Enhanced assessment and decision making. - Strategic management of medicines budget. - Strategic management of medical devices.

Prospective Financial Statements

Statement of Forecast Comprehensive Revenue and Expense

	Note 1	2024/25 \$000	2025/26 \$000	2026/27 \$000	2027/28 \$000	2028/29 \$000
Revenue						
Crown funding - baseline		31,507	32,507	32,507	32,507	32,507
Health New Zealand - Medical Devices Funding		2,049	-	-	-	-
National Pharmaceuticals Purchasing - baseline		1,689,634	1,760,435	1,820,245	1,821,065	1,821,065
Other						
Interest received - Operating		1,199	630	410	300	140
- Legal Risk Fund		520	359	322	328	312
- Appropriations		16,000	4,785	4,327	3,689	3,428
Other revenue		1,686	7,054	-	-	-
Total revenue		1,742,595	1,805,770	1,857,811	1,857,889	1,857,452
Expenditure						
Personnel costs		25,706	27,570	25,445	25,885	25,994
Operating costs		9,914	17,336	9,515	9,619	9,655
Depreciation and amortisation costs		295	299	256	286	286
Net National Pharmaceuticals Purchasing Expenditure (net of Rebate recoveries)		1,656,921	1,760,435	1,820,245	1,821,065	1,821,065
Net inventory movements		(17,139)	-	-	-	-
Legal Risk Fund expense		250	50	50	50	50
Finance costs		-	-	-	-	-
Total expenditure		1,675,947	1,805,690	1,855,511	1,856,905	1,857,050
Net surplus/(deficit) for the period		66,648	80	2,300	984	402
Other comprehensive revenue		-	-	-	-	-
Total comprehensive revenue and expense		66,648	80	2,300	984	402
Summary by Appropriation						
Pharmac operating		(276)	(4,705)	(2,027)	(2,705)	(3,026)
National Pharmaceuticals Purchasing		66,924	4,785	4,327	3,689	3,428
Total comprehensive revenue and expense		66,648	80	2,300	984	402

1. The above statement should be read in conjunction with the accounting policies set out in Appendix 1.

Statement of Forecast Financial Position

	Note 1	2024/25 \$000	2025/26 \$000	2026/27 \$000	2027/28 \$000	2028/29 \$000
Public Equity						
Contribution capital		1,856	1,856	1,856	1,856	1,856
Retained earnings and reserves - operating		14,075	9,061	6,762	3,779	491
Restricted reserves						
Retained earnings and reserves - Appropriations		157,439	162,224	166,551	170,240	173,668
Legal Risk Fund		9,748	10,057	10,329	10,607	10,869
TOTAL PUBLIC EQUITY		183,118	183,198	185,498	186,482	186,884
Represented by:						
Current assets						
Cash and cash equivalents - operating		2,161	1,336	1,498	2,307	3,610
Investments		16,600	13,600	11,000	7,300	2,400
Debtors and other receivables		155,581	148,020	148,020	148,020	148,020
Prepayments		625	200	200	200	200
Pharmaceuticals Inventory		94,000	94,000	94,000	94,000	94,000
GST Receivable		9,800	9,800	9,800	9,800	9,800
Current assets associated with Restricted reserves						
Cash and cash equivalents - Appropriations		136,720	123,630	122,957	114,277	105,705
Cash and cash equivalents - Legal Risk Fund		613	622	694	671	933
Investments - Legal Risk Fund		9,200	9,300	9,600	9,800	10,100
Total current assets		425,300	400,508	397,769	386,375	374,768
Non-current assets						
Property, plant and equipment		427	424	463	472	481
Intangible Assets		-	-	-	-	-
Total non-current assets		427	424	463	472	481
Total assets		425,727	400,932	398,232	386,847	375,249
Current liabilities						
Creditors and other payables		240,081	215,206	210,206	197,837	185,837
Employee entitlements		2,200	2,200	2,200	2,200	2,200
Total current liabilities		242,281	217,406	212,406	200,037	188,037
Non-current liabilities						
Make Good Provision		328	328	328	328	328
Total liabilities		242,609	217,734	212,734	200,365	188,365
NET ASSETS		183,118	183,198	185,498	186,482	186,884

1. The above statement should be read in conjunction with the accounting policies set out in Appendix 1.

Statement of Forecast Cash Flows

	Note 1	2024/25 \$000	2025/26 \$000	2026/27 \$000	2027/28 \$000	2028/29 \$000
CASH FLOWS – OPERATING ACTIVITIES						
Cash was provided from:						
- Operating receipts from the Crown		31,507	32,507	32,507	32,507	32,507
- Health New Zealand - Medical Devices Funding		2,049	-	-	-	-
- Baseline receipts from the Crown		1,689,634	1,760,435	1,820,245	1,821,065	1,821,065
- Receipts from pharmaceutical suppliers		806,298	922,769	942,305	888,128	894,267
- Interest Operating		1,084	630	410	300	140
- Interest Legal Risk Fund		439	359	322	328	312
- Interest Appropriations		16,000	4,785	4,327	3,689	3,428
- Other Operating		1,686	7,054	-	-	-
		2,548,697	2,728,539	2,800,116	2,746,017	2,751,719
Cash was disbursed to:						
- Legal Risk Fund expenses		(250)	(50)	(50)	(50)	(50)
- Payments to suppliers and employees		(35,053)	(43,921)	(34,960)	(35,504)	(35,650)
- Net Payments for National Pharmaceuticals Purchasing		(2,415,781)	(2,701,079)	(2,767,550)	(2,721,562)	(2,727,331)
- Goods and services tax (net)		(21,601)	-	-	-	-
		(2,472,685)	(2,745,050)	(2,802,560)	(2,757,116)	(2,763,031)
Net cash flows from operating activities		76,012	(16,511)	(2,444)	(11,099)	(11,312)
CASH FLOWS – INVESTING ACTIVITIES						
- Purchase of property, plant and equipment		(298)	(295)	(295)	(295)	(295)
- Proceeds from the redemption of investments		-	2,900	2,300	3,500	4,600
- Purchase of investments		(500)	-	-	-	-
Net cash flows from investing activities		(798)	2,605	2,005	3,205	4,305
CASH FLOWS – FINANCING ACTIVITIES						
- Capital withdrawal		(284,831)	-	-	-	-
Net cash flows from financing activities		(284,831)	-	-	-	-
Net increase/(decrease) in cash		(209,617)	(13,906)	(439)	(7,894)	(7,007)
Cash at the beginning of the year		349,111	139,494	125,588	125,149	117,255
Cash at the end of the year		139,494	125,588	125,149	117,255	110,248

1. The above statement should be read in conjunction with the accounting policies set out in Appendix 1.

Statement of Forecast Changes in Equity

	Note 1	2024/25 \$000	2025/26 \$000	2026/27 \$000	2027/28 \$000	2028/29 \$000
CONTRIBUTION CAPITAL						
Balance at 1 July		1,856	1,856	1,856	1,856	1,856
Balance at 30 June		1,856	1,856	1,856	1,856	1,856
RETAINED EARNINGS AND RESERVES						
Balance at 1 July		389,967	171,514	171,285	173,313	174,019
Net surplus/(deficit) - Operating		(276)	(4,705)	(2,027)	(2,705)	(3,026)
Net surplus/(deficit) - Appropriations		66,924	4,785	4,327	3,689	3,428
Net transfer from/(to) Legal Risk fund		(270)	(309)	(272)	(278)	(262)
Capital Withdrawal		(284,831)	-	-	-	-
Balance at 30 June		171,514	171,285	173,313	174,019	174,159
LEGAL RISK FUND						
Balance at 1 July		9,478	9,748	10,057	10,329	10,607
Add: Revenue received transferred from retained earnings and unused litigation budget		520	359	322	328	312
Less: Litigation expenses transferred to retained earnings		(250)	(50)	(50)	(50)	(50)
Balance at 30 June		9,748	10,057	10,329	10,607	10,869
TOTAL PUBLIC EQUITY		183,118	183,198	185,498	186,482	186,884

1. The above statement should be read in conjunction with the accounting policies set out in Appendix 1.

Reconciliation of Forecast Net Surplus to Cash Flow from Operating Activities

	Note 1	2024/25 \$000	2025/26 \$000	2026/27 \$000	2027/28 \$000	2028/29 \$000
Net operating surplus/(deficit)		66,648	80	2,300	984	402
Add non-cash items						
Depreciation and amortisation		295	299	256	286	286
Total non-cash items		295	299	256	286	286
Add/(less) movements in working capital items:						
Decrease/(increase) in debtors and other receivables		39,099	7,560	-	-	-
Decrease/(increase) in prepayments		100	425	-	-	-
Decrease/(increase) in inventories		(17,139)	-	-	-	-
Increase/(decrease) in creditors and other payables		8,645	(24,875)	(5,000)	(12,369)	(12,000)
Increase/(decrease) in employee entitlements		(35)	-	-	-	-
Decrease/(increase) in net GST		(21,601)	-	-	-	-
Net movements in working capital		9,069	(16,890)	(5,000)	(12,369)	(12,000)
Net cash flows from operating activities		76,012	(16,511)	(2,444)	(11,099)	(11,312)

1. The above statement should be read in conjunction with the accounting policies set out in Appendix 1.

Statement of Forecast Comprehensive Revenue and Expense, by Output Class

	Funding MOH \$000	Funding Other \$000	Output expenditure \$000	Net surplus/ (deficit) \$000
2024/25 Forecast				
National Management of Pharmaceuticals	31,507	4,382	(36,165)	(276)
National Pharmaceuticals Purchasing	1,689,634	17,072	(1,639,782)	66,924
Total	1,721,141	21,454	(1,675,947)	66,648
2025/26				
National Management of Pharmaceuticals	32,507	8,043	(45,255)	(4,705)
National Pharmaceuticals Purchasing	1,760,435	4,785	(1,760,435)	4,785
Total	1,792,942	12,828	(1,805,690)	80
2026/27				
National Management of Pharmaceuticals	32,507	732	(35,266)	(2,027)
National Pharmaceuticals Purchasing	1,820,245	4,327	(1,820,245)	4,327
Total	1,852,752	5,059	(1,855,511)	2,300
2027/28				
National Management of Pharmaceuticals	32,507	628	(35,840)	(2,705)
National Pharmaceuticals Purchasing	1,821,065	3,689	(1,821,065)	3,689
Total	1,853,572	4,317	(1,856,905)	984
2028/29				
National Management of Pharmaceuticals	32,507	452	(35,985)	(3,026)
National Pharmaceuticals Purchasing	1,821,065	3,428	(1,821,065)	3,428
Total	1,853,572	3,880	(1,857,050)	402

1. The above statement should be read in conjunction with the accounting policies set out in Appendix 1.

Appendix One:

Statement of Accounting Policies

Reporting entity

Pharmac is a Crown entity as defined by the Crown Entities Act 2004 and is domiciled and operates in New Zealand. The relevant legislation governing Pharmac's operations includes the Crown Entities Act 2004 and the Pae Ora (Healthy Futures) Act 2022.

Pharmac's primary objective is to provide services to the New Zealand public by deciding which medicines, medical devices and related products are subsidised to secure the best health outcomes reasonably achievable from pharmaceutical treatment. Pharmac's does not operate to make a financial return.

Pharmac has designated itself as a public benefit entity (PBE) for financial reporting purposes.

Basis of preparation

The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period.

Statement of compliance

The financial statements have been prepared in accordance with the requirements of the Crown Entities Act 2004 and the Pae Ora (Healthy Futures) Act 2022, which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP). The financial statements have been prepared in accordance with Tier 1 PBE accounting standards.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

Summary of Significant Accounting Policies

Revenue

The specific accounting policies for significant revenue items are explained below: Pharmac receives operating from the Crown. This funding is restricted in its use for the purpose of Pharmac meeting the objectives specified in its founding legislation and the scope of the relevant appropriations of the funder.

Pharmac considers there are no conditions attached to the funding and it is recognised as revenue at the point of entitlement. This is considered the start of the appropriation period to which the funding relates.

The fair value of revenue from the Crown has been determined to be equivalent to the amounts due in the funding arrangements.

National Pharmaceutical Purchasing

Pharmac receives funding from the Crown for payment to community pharmacies, acquisition of nationally acquired pharmaceuticals for use in hospitals, vaccines acquired nationally and pharmaceuticals for COVID-19 treatments and COVID-19 Vaccines.

Financial instruments

Financial assets and financial liabilities are initially measured at fair value plus transaction costs, unless they are carried at fair value through profit or loss, in which case the transaction costs are recognised in the statement of forecast comprehensive revenue and expense.

Cash and cash equivalents

Cash includes cash on hand, deposits held on call with banks, and other short-term highly liquid investments with original maturities of three months or less.

Receivables

Short term receivables are recorded at their fair value, less any provision for impairment. A receivable is considered impaired when there is evidence that Pharmac will not be able to collect the amount due. The amount of the impairment is the difference between the carrying of the receivable and the present value of the amounts expected to be collected.

Investments

Bank term deposits

Investments in bank term deposits are initially measured at the amount invested. After initial recognition, investments in bank term deposits are measured at amortised cost using the effective interest method, less any provision for impairment.

Property, plant and equipment

Property, plant and equipment consists of leasehold improvements, EDP equipment, and furniture and office equipment. Property, plant and equipment are shown at cost less accumulated depreciation and impairment losses. Any write-down of an item to its recoverable amount is recognised in the statement of forecast comprehensive revenue and expense.

- **Additions** – the cost of items of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to Pharmac and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and it is not depreciated.

- **Disposals** – gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit.
- **Subsequent costs** – costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to Pharmac and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

- **Depreciation** – Depreciation is provided on a straight-line basis on all property, plant and equipment at rates that will write-off the cost of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Item	Estimated useful life	Depreciation rate
Leasehold Improvements	5 years	20%
Office Equipment	2.5 - 5 years	20%-40%
EDP Equipment	2.5 years	40%
Furniture and Fittings	5 years	20%

Leasehold improvements are capitalised and depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is shorter. Capital work in progress is not depreciated. The total cost of a project is transferred to the asset class on its completion and then depreciated. The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

Intangible assets

- **Software acquisition and development** - Acquired computer software licenses are capitalised based on the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include the software development, employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised as an expense when incurred. Costs associated with maintaining computer software are recognised as an expense when incurred. Costs associated with the development and maintenance of Pharmac's website are recognised as an expense when incurred.

- **Amortisation** – The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each financial year is recognised in the surplus or deficit. The useful life of software (the only identified intangible asset) and associated depreciation rate have been estimated as follows:

Item	Estimated useful life	Depreciation rate
Software	2 - 5 years	20%-50%

Payables

Short term payables are recorded at their face value.

Employment entitlements

Employee entitlements that are due to be settled within 12 months, after the end of the period in which the employee renders the related service are measured, based on accrued entitlements at current rates of pay. These include salaries and wages accrued to balance date and annual leave earned, but not yet taken at balance date, expected to be settled within 12 months. Pharmac recognises a liability and an expense for at-risk provisions where it is contractually bound to pay them.

Superannuation schemes

Defined contribution schemes - Obligations of contributions to KiwiSaver and State Sector Retirement Savings Scheme are accounted for as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit as incurred.

Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event. It is probable that an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised and is included in 'finance' costs.

Public equity

Public equity is the Crown's investment in Pharmac and is measured as the difference between total assets and total liabilities. Public equity is classified as contribution capital, retained earnings and reserves, Hospital Discretionary Pharmaceutical Fund, and Legal Risk Fund.

Goods and Services Tax (GST)

All items in the financial statements are exclusive of GST, except for receivables and payables, which are stated on a GST-inclusive basis. Where GST is not recoverable as an input tax, then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of the receivables or payables in the statement of forecast financial position.

The net GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of forecast cash flows.

Income Tax

Pharmac is a public authority and consequently is exempt from the payment of income tax. Accordingly, no provision has been made for income tax.

Cost Allocation

Pharmac has determined the cost of outputs using the cost allocation system outlined below:

- Direct costs are those costs directly attributed to an output. Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific output.
- Direct costs are charged directly to outputs. Indirect costs are charged to outputs based on cost drivers and related activity or usage information.

Critical accounting estimates and assumptions

In preparing these financial statements Pharmac has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of Pharmac's assets and liabilities within the next financial year are that the value is dependent on the value on the final estimate of Health New Zealand's - Te Whatu Ora Combined Pharmaceutical Budget.

Critical judgements in applying Pharmac's accounting policies

Management has not exercised any critical judgements in applying Pharmac's accounting policies for the years ended 30 June 2025 – 30 June 2029.