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Pharmaceutical Management Agency

Te Pātaka Whaiorangа

ANNUAL REPORT

for the year ended 30 June 2025

New Zealand Government

Te Kāwanatanga o Aotearoa

Pharmaceutical Management Agency

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Chair's report

Te pūrongo a te Manukura Poari

I'm pleased to present Pharmac's achievements and performance results for the 2024/25 year in this Annual Report.

Pharmac started the year with the fantastic news that the Government was providing an extra $604 million over four years, to fund or widen access to many more medicines. Thanks to the budget increase, we funded 66 medicines; 33 for a range of cancers and 33 for other health conditions such as lung disease, asthma, osteoporosis, diabetes, heart failure and growth disorders. Nearly 250,000 New Zealanders are expected to benefit from the medicines funded in the past year.

It's been a big year for our Medical Devices work, too. In July, New Zealand's first comprehensive list of medical devices used in public hospitals was published to support better patient care and long-term investments in devices. Medical devices cover so many things and modern health care would be impossible without them – bandages, hospital beds, pacemakers, hip implants and advanced equipment such as MRI and X-ray machines. The team's work on the list of medical devices available to public hospitals will provide consistency, improve access and reduce duplication across the country – good news for patients.

Alongside this work, the Government has been considering the future of medical device roles and responsibilities within the health sector. Pharmac welcomes clarity on this and looks forward to working with our health sector partners to implement the Government's decisions. I've been taking every opportunity to engage with suppliers and consumers about medical devices and look forward to continuing the conversation in the coming year.

My key engagements during the year include the inaugural Valuing Life New Zealand's Medicines Access Summit in early April 2024 – this was a fantastic chance to gather together with patient advocates, clinicians, pharmaceutical industry representatives and academics to discuss access to medicines in New Zealand. I also had the opportunity to speak at the Medical Technology Association of NZ (MTANZ) annual HealthTech conference in late June. The conference is an important date in Pharmac's calendar each year and provides the team with an opportunity to build relationships with the people who make, distribute and supply medical devices.

In November, I appointed Dame Kerry Prendergast to chair two independent consumer workshops, as part of our ongoing work to reset relationships with key consumer and patient representatives.

The purpose was to discuss what Pharmac's issues, opportunities and priorities are from a consumer experience perspective. In a report to the Board, workshop participants recommended a number of changes to the way Pharmac engages, communicates and works with consumer groups and advocates.

Pharmac's Board also commissioned organisational expert Debbie Francis, to undertake a culture review at the end of 2024 and the Board welcomed the review findings early in 2025. Pharmac is full of committed, passionate people and we wanted to understand what a positive organisational culture could look like in five years and how to achieve that.

This review, along with the feedback from the two consumer engagement workshops and the independent review of Pharmac in 2022, provided the Board with a clear steer on the challenges we need to traverse as an organisation. The Board is now working with Pharmac's senior leadership team on a reset programme to lay the foundation for a more transparent, outward focused and collaborative organisation. A five-year change programme commenced on 1 July. It will occur in two phases, starting with an initial 12-month reset to deliver tangible change and establish foundational improvements to support future reform.

Patient advocate, Dr Malcolm Mulholland, has been appointed Chair of the new Consumer and Patient Working Group that will help Pharmac reset how it works with consumers. This group, made up of the consumer and patient community, will partner with Pharmac and help decide what we focus on for the reset programme, taking a hands-on role to ensure our work reflects the needs, values and perspectives of consumers and patients. We will deliver the reset programme using four different 90-day plans, with each plan delivering five to 10 actions.

We are also continuing to engage with the Consumer Advisory Committee (CAC) to ensure their strategic input and diverse experiences are included in our work. This is an important relationship for Pharmac.

Pharmac is now also holding monthly update meetings with representatives from consumer advocacy groups, hosted by Pharmac's Chief Executive. These organisations represent people and communities with lived experience of health conditions and help to make sure that these voices are heard and considered in Pharmac's decision-making.

I also want to acknowledge the changes to Pharmac's leadership that have occurred over the past year. In February, Pharmac's Chief Executive for the past seven years, Sarah Fitt, resigned. The Board and Pharmac are appreciative of all of Sarah's work over her time as Chief Executive and her previous five years in Senior Executive roles in the organisation. Sarah provided valuable leadership across significant projects and strategic initiatives, such as the $604 million budget increase we received in 2024. We thank her for her work and commitment over her 12 years with us.

In March, the Board appointed Brendan Boyle as Pharmac's Acting Chief Executive while recruitment was undertaken for a permanent Chief Executive. Natalie McMurtry joined Pharmac in September, after an extensive recruitment search within New Zealand and overseas. She brings significant front-line and health leadership experience to the Pharmac role and the Board is looking forward to working closely with her and Pharmac's senior leadership team.

The 2024/2025 year has been a big one for Pharmac – full of challenges and change – but there have been plenty of opportunities too. In the coming year we will continue to strengthen our relationships with consumers and patients, deliver on the Minister's new Letter of Expectations and continue to innovate and optimise our assessment and decision-making processes – all while we continue to deliver the medicines and medical devices that New Zealanders need to stay well.

Hon Paula Bennett
Chair, Pharmac Board

Statement of responsibility

Te tauaki noho haepapa

The Board of the Pharmaceutical Management Agency (Pharmac) accepts responsibility for:

1. preparing the annual Financial Statements (from pages 69 to 72 and 74 to 94) and Statement of Performance (pages 27 to 41, 47 to 48 and 73) and the judgements they contain

2. establishing and maintaining a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting

3. any end-of-year performance information provided by Pharmac under section 19A of the Public Finance Act 1989.

In the opinion of the Board, the Financial Statements and Statement of Performance for the year ended 30 June 2025 fairly reflect the financial position and operations of Pharmac.

Hon Paula Bennett

Chair, Pharmac Board

Date 31 October 2025

Talia Anderson-Town

Chair, Finance, Audit and Risk Committee

Date 31 October 2025

What we do
Ō mātou mahi

Pharmac contributes to improved wellbeing and quality of life, by ensuring that New Zealanders have timely and equitable access to a wide range of effective medicines, vaccines, medical devices and related products.

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.

Pharmac's legislative objective is set out in section 68 of the Pae Ora (Healthy Futures) Act 2022:

> "to secure for eligible people in need of pharmaceuticals, the best health outcomes that are reasonably achievable from pharmaceutical treatment and from within the amount of funding provided".

We are transforming what we do

We want to improve the lives of New Zealanders by investing in medicines and medical devices. We will do this by collaborating and partnering more closely with patients, patient advocacy groups, clinicians, suppliers and the wider health sector, listening to what they have told us and using their insights to improve access to medicines, vaccines, medical devices, and related products.

Our work in 2025/26 will include responding to the:

- 2025 Pharmac Workplace Culture Review
- 2025 Consumer Engagement Report
- 2024/25 Review of Medical Devices

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 them, so these are affordable and easy to access.

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

We manage New Zealand's medicines budget, including securing savings for reinvestment in medicines.

We manage the Pharmaceutical Schedule

We ensure the Pharmaceutical Schedule (the Schedule) is up to date. 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
- 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, to ensure that the medicines are targeted to the right people.

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.

We manage vaccines

Vaccination is one of the areas where Pharmac plays a major role in wellbeing by preventing the transmission of illness (whether 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 the correct use of treatments

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.

We improve health benefits from use of hospital medical devices

We have built a strong foundation for the strategic management of hospital medical devices by negotiating national contracts and compiling New Zealand's first comprehensive list of medical devices used in public hospitals. This will support better patient care and long-term investments in devices.

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

Our Board of Directors 2024/25

Hon Paula Bennett		Chair
Dr Peter Bramley	BSc (Hon), LLB, PhD	Deputy Chair
Talia Anderson-Town	BBS, PG Dip Professional Accounting, CA, CPP (Ngā Wairiki, Ngāti Apa, Ngā Rauru, Ngāti Tūwharetoa, Te Āti Haunui-a-Pāpārangi, Ngāti Kahungungu, Ngāti Maru, Te iwi Mōrehu)	
Dr Diana Siew	PhD	(to March 2025)
Dr Margaret Wilsher	MB ChB, FRACP, MD, FRACMA, CMinstD	
Anna Adams	Barrister LLM, LLB (Hons)/ BA	(from March 2025)
Lucy Elwood	BSc, LLB(Hons), CMInstD	(from March 2025)

Chief Executive

Chief Executive	Sarah Fitt	(to March 2025)
Acting Chief Executive	Brendan Boyle	(from March 2025)

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, we have set out a new vision for Pharmac:

He Rongoā Pai, He Ahu Pae Ora.

Pae Ora speaks to the narrative of exploration, discovery, and the courage to traverse great distances across the ocean. The goal is to achieve something remarkable, to reach our destination somewhere on the distant horizon, te pae.

As we set forth, we firstly ensure our waka is seaworthy, provisioned, and safe. That our hearts and minds are prepared for the many challenges. That we are collective in our resolve to be successful in the journey. That we are focused and determined.

Rongoā are our precious cargo.

Ahu are our instruments, our directional tools.

Pae Ora is our purpose.

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.

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, particularly for Māori
- build towards Pae Ora (healthy futures) for all New Zealanders.

Cabinet Circular CO (24) 5: Needs-based service provision

This circular sets out Government expectations for the way the targeting, commissioning, and design of public services should be based on the needs of all New Zealanders.

The Government seeks to ensure that all New Zealanders, regardless of ethnicity or personal identity, have access to public services that are appropriate and effective for them, and that services are not arbitrarily allocated on the basis of ethnicity or any other aspect of identity.

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 in New Zealand for the three years from July 2024 to June 2027. It is a public statement of what the Government expects the health system to deliver and achieve, what support the Government will provide, and the way 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, including both mental and physical health. The Government's vision for health in New Zealand includes:

- five health targets to ensure a focus on action
- 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 the way services are delivered – Access, Timeliness, Quality, Workforce, and Infrastructure
- Pharmac giving effect to relevant actions in the GPS and supporting, where relevant, delivery of targets and actions across the priority areas.

Health priorities

The Minister of Health announced the following health priorities in March 2025:

- focusing Health NZ on delivering the basics and achieving targets
- fixing primary health care 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 focusing on putting patients first and supporting our frontline health care workers to deliver the health care New Zealanders need, in a timely and quality manner.

Letter of Expectations 2024/25

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

Our activity in 2024/25 was guided by the Associate Minister of Health's 2024/25 annual Letter of Expectations to Pharmac, received in May 2024.

Pharmac response

Recent external reviews of Pharmac, including the 2025 Workplace Culture Review, 2025 Consumer Engagement Report, the review of hospital medical devices, and the 2022 Government Response to the Independent Review of Pharmac, have given us insights about how we can improve what we do and how we can work better alongside patients, patient advocacy groups, clinicians, suppliers, and the wider health sector.

We have established a five-year improvement programme that will occur in two phases, beginning with a 12-month reset programme to demonstrate commitment to change and establish foundational improvements. A consumer working group will work alongside the 12-month reset programme team. Dr Malcolm Mulholland has been appointed as Chair of the group.

There will always be strong advocacy for new medicines, vaccines, medical devices, and related products to be funded and more options than we can possibly fund. Our contribution will be to make careful and transparent decisions, informed by evidence and all relevant information, about the best funding choices for New Zealand. We will continue to adapt our strategies and operations to meet expectations, with a focus on continuous improvement, consumer input, transparency, and responsiveness.

Pharmac will give effect to the health strategies and priorities of the GPS on Health through our work.

Independent review of Pharmac

An independent review of Pharmac was commissioned by the previous Government in 2022. We have published a summary of progress on its recommendations.1 The recommendations have all been partially or fully implemented, superseded, or they are ongoing.

A number of the recommendations from the review are reflected in the overall expectations of the current Government for Pharmac. These include Pharmac being more outward-focused, transparent, and inclusive, and they will be developed further as part of Pharmac's broader work programme.

Our funding for 2024/25

Te tahua pūtea o te tau 2024/25

The Medicines Budget

Pharmac manages the fixed budget set by the Government. This budget is known as the Medicines Budget,[2] which was a total of $1.689 billion for 2024/25 (including the budget uplift announced in June 2024).

The Medicines Budget comprises Government expenditure for all medicines that are administered in public hospitals, as well as medicines, medical devices, vaccines, and related products dispensed through community pharmacies, as well as 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 are also part of the Medicines Budget. This funding enables Pharmac to procure COVID-19 vaccines and secure access to a range of COVID-19 treatments.

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[1] Available at: Pharmac Review: progress update July 2025

[2] Previously known as the Combined Pharmaceutical Budget (CPB).

In June 2024, the Government allocated Pharmac an additional $604 million over four years to fund or widen access to many more medicines, including cancer medicines.

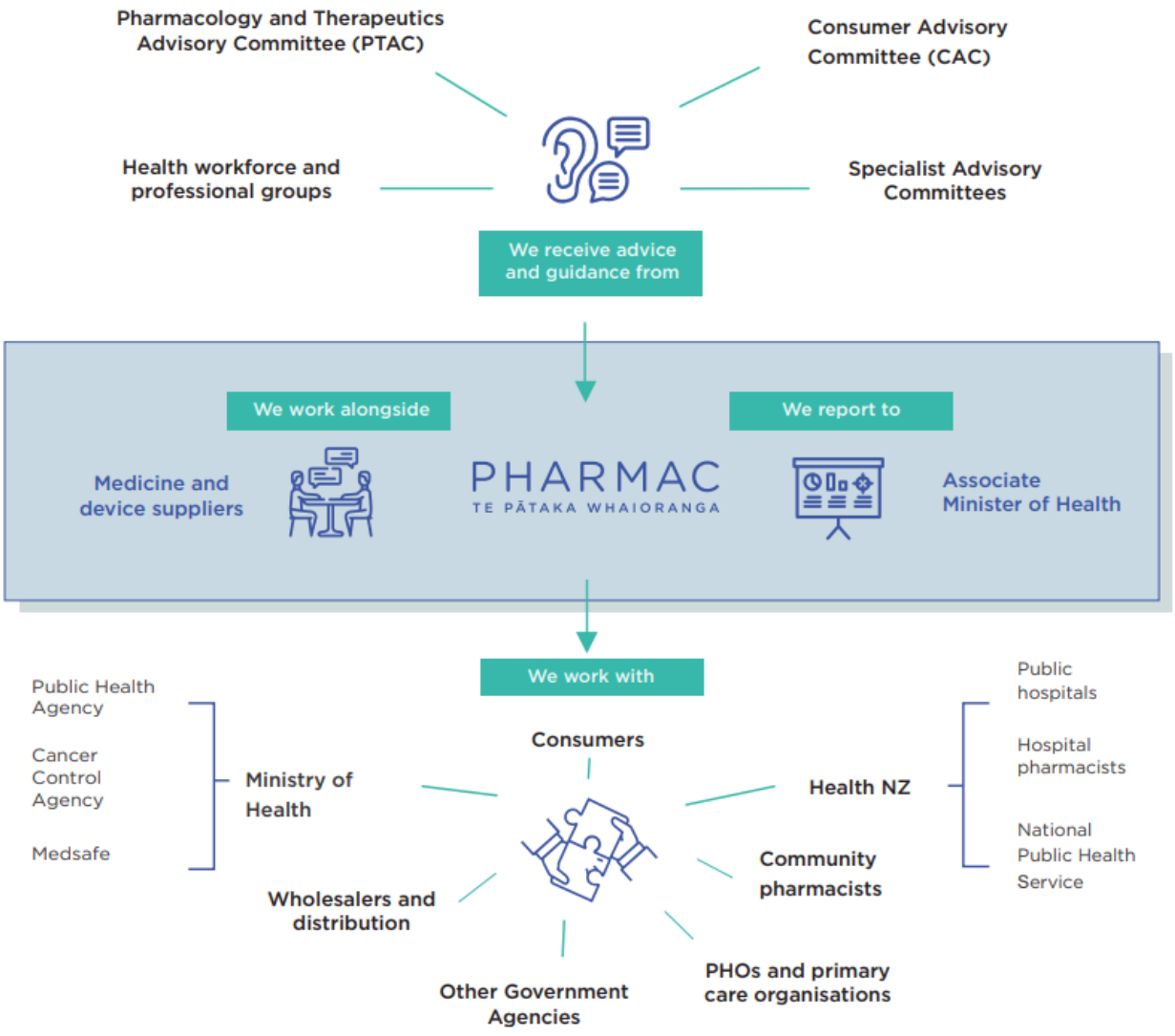
Our operating budget

Our operating budget covers the day-to-day costs of running Pharmac. It is separate from the Medicines Budget, and we cannot use the Medicines Budget funding to meet our operational costs.

Who we work with

Ō mātou Kaihāpai

We play a key role in the health and disability system



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 particular issues and concerns that people with lived experience of health-related issues 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 that are available
- pharmacists who are medicine experts and manage the stockholding of medicines, as well as providing advice to people when they are given a medicine
- health and disability system partners, including Government agencies such as the Ministry of Health and Health NZ, to coordinate and collaborate on our work and collectively achieve our obligations under Pae Ora.

During 2024/25 we built strong working relationships with other health agencies, collaborating on projects, contributing our advice and expertise and seeking theirs and assisting progress with major initiatives.

As well as the health agencies, we depend significantly on the work of others across the health and disability system. There are many people and organisations involved in ensuring medicines, vaccines, medical devices, and related products are available and used in New Zealand, and we connect with and get the views of all these groups in the work that we do.

During 2024/25 this has included:

- consumer advocacy groups that understand the particular issues and concerns their members have– a consumer working group is now part of our reset programme, and we have a monthly meeting with a broader consumer group
- companies which manufacture and supply medicines and medical devices to make sure we have good supply of effective products
- the people who prescribe these products, so that they know about the types of funded medicines, vaccines, medical devices, and related products that are available
- pharmacists
- other health care professionals involved in the administration and use of medicines, vaccines, medical devices, and related products.

We also work closely with other government agencies that are outside the health and disability system, such as the Ministry for Pacific Peoples and the Ministry of Foreign Affairs and Trade.

Summary of spending

He whakarāpopoto o ngā whakapaunga pūtea ki te rongoā

Medicines Budget

The Medicines Budget[3] is directly managed by Pharmac via the National Pharmaceutical Purchasing Appropriation within Vote Health.

From 1 July 2023, the funding to help manage the impact of COVID-19 was brought into the Medicines Budget, resulting in stock movement costs also being recognised.

Spending for the 2024/25 year compared with the previous two years

The National Pharmaceutical Purchasing Appropriation increased from $1.595 billion in 2023/24 to $1.690 billion in 2024/25 (see the following table). This included an uplift of $420.4 million to bring several time-limited uplifts into the baseline, a co-payment uplift of $31.2 million, and funding of $108 million for the purchase of cancer and other medicines.

Component	**2022/23 ($m)**	**2023/24 ($m)**	**2024/25 ($m)**
National Pharmaceutical Purchasing Appropriation	1,186.0	1,595	1,689.6
Interest	16.9	10.1	16.9
Rebates (through our commercial agreements with suppliers) and adjustments	743.3	933.0	1,086.3
Total gross Medicines Budget spending on medicines, devices, and related products, including cancer treatments, vaccines, and haemophilia treatments.	1,920.5	2,511.0	2,713.1
Under/(Over) Spend (excluding stock movements)	8.9	10.2	85.7
Under/(Over) Spend (including stock movements)	8.9	- 46.4	79.7
Equity	131.8	90.5	170.2

[3] Previously referred to as the Combined Pharmaceutical Budget (CPB).

The year in numbers

Medicines Budget

4.182 million

Number of New Zealanders receiving funded medicines

89,436

Estimated number of additional patients benefitting from Pharmac's decisions implemented in 2024/25

31

Number of new treatments funded

52

Number of treatments with access criteria widened

1.69 billion

National pharmaceuticals purchasing appropriation

1.627 billion

Total net Medicines Budget expenditure

Hospital medical devices

2024/25

20,000

Line items added to the Pharmaceutical Schedule under national contract

188,841

Total line items on the Pharmaceutical Schedule under national contract

$50 million

Value of additional hospital medical devices secured under contract

$655 million

Total value of hospital medical devices under Pharmac contracts

Factors determining Medicines Budget expenditure

The total gross expenditure on medicines and vaccines funded from the Medicines Budget this year was $2,713.1 million.[4]

In addition to incurring costs from volume[5] growth $207.4 million ($319 million in 2023/24) and subsidy[6] increases $63.9 million ($129.09 million), Pharmac made new investment decisions during the year to widen access to medicines that are already funded of $116.5 million ($53.1 million in 2023/24) and to fund new medicines of $10.3 million ($49.5 million in 2023/24)[7], [8]

With continuing cost pressures from prescription growth, price increases and new investments, Pharmac has generated significant reduction in ongoing costs of $151.8 million ($162.16 million in 2023/24) through commercial negotiations and processes. This enables us to fund new medicines and stay on budget.

Summary of Combined Pharmaceutical Expenditure 2024/25	**(million)**
Year End 2023/24 Gross Pharmaceutical Cost	**$2,511.0**
Volume changes in 2024/5	$207.4
Widened Access in 2024/5	$116.5
New Listings in 2024/5	$10.3
Impact of Volume changes	**$334.2**
Subsidy increases in 2024/5	$63.9
Subsidy decreases in 2024/5	-$151.8
Impact of Subsidy changes	**-$87.9**
Changes to Direct costs & Other	-$44.2
Year End 2024/5 Gross Pharmaceutical Cost	**$2,713.1**

4 This represents gross expenditure. It differs slightly from our financial reporting, which uses net expenditure.

5 Volume refers to the amount or medicines required to be purchased which changes over time.

6 Subsidy refers to the portion of the cost of pharmaceuticals that is paid by Pharmac.

7 This represents gross expenditure. It differs slightly from our financial reporting, which uses net expenditure.

8 2023/24 figures include COVID-19-related medicines.

Increase in number of treatments available

As shown in the following table, in the year to 30 June 2025, we have invested in 31 new medicines and 52 access widenings for implementation in the 2024/25 financial year, benefitting an estimated 89,436 people in New Zealand.

Decision type	No. of pharmaceuticals	Estimated new patients 2024/25
Widened access[a]	52	**37,446**
New listing[b]	31	**51,990**
Total	**83**	**89,436**

a) Changes in access criteria for existing funded medicines, making them more accessible and/or available for a wider patient population(s).
b) Any medicine not currently listed on the Pharmaceutical Schedule and new presentations (eg tablet, infusion, injection) that represent a significant shift in treatment options for patients.

Number of treatments Pharmac has funded or widened access to over the years 2014/15 – 2024/25

Year	Medicines Budget ($m)	New listings	Widened access	Total
2024/25	1,690	31	52	83
2023/24	1,806	12	16	28
2022/23	1,186	20	22	42
2021/22	1,085	6	16	22
2020/21	1,045	13	19	32
2019/20	1,040	14	32	46
2018/19	985	10	10	20
2017/18	870.8	13	39	52
2016/17	849.6	18	8	26
2015/16	800	15	6	21
2014/15	795	21	20	41

Medicines spending highlights

Cancer and other medicines from budget uplift

In June 2024, the Government provided additional funding to Pharmac to fund new medicines and widen access to medicines that were already funded. This allowed Pharmac to invest in a large number of new or widened-access medicines (33 cancer and 33 non-cancer), benefitting an estimated 248,000 people in the first 12 months of funding (spanning two financial years).

We were able to invest in 31 new medicines and 52 access widenings for implementation in the 2024/25 financial year, including the 66 progressed from the uplift.

Cancer medicines funded in 2024/25

From March 2025, people with liver, ovarian, and neuroendocrine cancers have access to more medicines, as follows:

- atezolizumab (branded as Tecentriq) and bevacizumab (branded as Vegzelma) for liver cancer that cannot be removed by surgery
- bevacizumab for advanced ovarian cancer
- lanreotide (brand name Mytolac) for neuroendocrine cancers, bowel blockages caused by cancer, and a growth disorder called acromegaly.

From April 2025, we are funding more medicines for cancers and one for antibiotic-resistant infections, as follows:

- nivolumab (branded as Opdivo) and ipilimumab (branded as Yervoy) for clear cell kidney cancer that has spread
- axitinib (branded as Inlyta) for clear cell kidney cancer that has spread and worsened after trying other medicines
- sunitinib for kidney cancer that has spread at any point of treatment
- inotuzumab ozogamicin (branded as Besponsa) for a type of blood cancer called acute lymphoblastic
- leukaemia that has come back after prior treatment
- crizotinib (branded as Xalkori) for a type of advanced non-small cell lung cancer with an ROS1 mutation
- ceftazidime with avibactam (branded as Zavicefta) for antibiotic-resistant infections
- venetoclax (brand name Venclexta) in combination with azacitidine or cytarabine for a type of blood cancer called acute myeloid leukaemia
- azacitidine (brand name Azacitidine Dr Reddy's) for acute myeloid leukaemia.

From 1 June 2025, we are funding more medicines for people with skin cancer (melanoma), as follows:

- widened access to pembrolizumab (branded as Keytruda)
- dabrafenib (branded as Tafinlar) and trametinib (branded as Mekinist), for the first time, for people with stage 3B to stage 4 melanoma.

Improved access to continuous glucose monitors (CGMs) for patients with type 1 diabetes

From October 2024, Pharmac has funded CGMs and for those with type 1 diabetes, alongside new arrangements for funded insulin pumps and consumables. We expect about 12,000 people with type 1 diabetes to receive CGMs in the first year of funding, rising to more than 18,000 after five years.

We have maintained close collaboration with the suppliers and key stakeholders involved in the CGM/insulin pump proposal, including Diabetes NZ, NZSSD, The New Zealand Formulary, Health Pathways, and Healthify | He Puna Waiora, to ensure effective support is in place for the listing of CGMs and insulin pump changes.

Improved access to attention deficit hyperactivity disorder (ADHD) medication

In 2024/25, Pharmac introduced the following changes for people with ADHD.

- From 1 December 2024, we funded lisdexamfetamine (brand name Vyvanse), to provide an additional once-daily treatment option for the management of ADHD.
- People who previously have been privately funding this medicine can now access publicly funded treatment if they met the eligibility criteria when they first started treatment with lisdexamfetamine – the eligibility criteria have been amended to make this clear for prescribers.
- From 1 December 2024, we removed renewal criteria for methylphenidate, dexamfetamine, and modafinil (medicines used to treat ADHD and narcolepsy) are removed, meaning that once an initial special authority approval for stimulant medicines has been granted, a doctor or nurse practitioner can continue to prescribe it.
- From 1 February 2026, nurse practitioners and general practitioners will be able to prescribe stimulant medicines for ADHD to adults (18 years and older). For children and teenagers (17 years and younger), nurse practitioners working in mental health services will be able to prescribe these medicines. Psychiatrists and paediatricians can continue to prescribe these medicines, which include:
    - Methylphenidate hydrochloride (Ritalin, Rubifen, Rubifen SR, Methylphenidate ER – Teva, Concerta, and Ritalin LA)
    - Dexamfetamine sulfate (Noumed Dexamfetamine)
    - Lisdexamfetamine dimesilate (Vyvanse).

Other medicines highlights

From 1 April 2025, Pharmac is funding a new progestogen-only oral contraceptive pill called Desogestrel (branded as Cerazette) for anyone who needs it. This medicine helps to prevent pregnancy when taken within a 12-hour window each day, which is a wider window than other funded progestogen-only pills.

From 1 February 2025, Pharmac is widening access to denosumab (brand name Prolia) for people with osteoporosis, as well as a higher dose of the medicine for people with cancer who have high levels of calcium in their blood. Denosumab helps to maintain bone strength, prevents fractures, and keeps blood calcium levels healthy. This injection can be self-administered or given by a caregiver, meaning that people do not need to see their health care professional for the delivery of the treatment.

From 1 December 2025, Pharmac is funding two brands of oestradiol patches (Estradot and Estradiol TDP Mylan). People will be able to use either brand of patch, subject to availability.

From 1 May 2025, more New Zealanders will have access to medicines for bowel diseases, eczema, and arthritis, following the decision to widen access to the following four medicines for six health conditions:

- venetoclax (brand name Venclexta) in combination with azacitidine or cytarabine for a type of blood cancer called acute myeloid leukaemia
- azacitidine (brand name Azacitidine Dr Reddy's) for acute myeloid leukaemia
- ibrutinib (brand name Imbruvica) for chronic lymphocytic leukaemia
- upadacitinib (brand name Rinvoq) for atopic dermatitis (eczema), ulcerative colitis, Crohn's disease, and rheumatoid arthritis.

From 1 July 2025, Pharmac is fully funding two liquid nutrition replacements (Ensure Plus and Fortisip 200ml, 1.5kcal/ml) for adults with Crohn's disease who need to use them for an extended period as their only source of nutrition.

Targeting highest health need

Consideration of populations with the highest health needs is an integral part of our assessment and transaction work. This is reflected in our work, such as consultation and decisions regarding:

- lung cancers, including support for oral treatments (which Māori and Pacific peoples can access more easily and are therefore more likely to be positively impacted)
- triple inhalers (which positively impacts people living in areas of highest deprivation and reduces barriers for population groups experiencing inequities, including Māori and Pacific peoples)
- RSV (respiratory illnesses) prevention (which benefits Māori and Pacific children who have an increased likelihood of infection and hospitalisation)
- liver cancers (which more commonly affect people who live with socioeconomic deprivation, including Māori and Pacific peoples)

- COVID-19 vaccines and treatments (which positively impact people living with socioeconomic deprivation, including Māori and Pacific peoples).

Responding to COVID-19

Vaccines

Since July 2023, Pharmac has included funding for COVID-19 vaccines in the medicines budget, and we have now completed the work to move COVID-19 vaccines to be part of our 'business as usual' model.

Among other steps, this has required the completion of competitive procurement activity for COVID-19 vaccine supply in New Zealand, with arrangements to be implemented from February 2026.

The competitive procurement activity has resulted in the continued supply of the Comirnaty brand of COVID-19 vaccine in New Zealand. The proposal included a listing of a new pre-filled syringe presentation, which we understand is more convenient for vaccinators to use.

In May 2025, we consulted widely with clinical and consumer groups, including Health NZ National Public Health Service, Ministry of Health Public Health Agency, vaccinators (including Māori and Pacific health care providers), and the Immunisation Advisory Centre (IMAC). A total of 2,099 consultation responses were received and led to some changes to our proposal.

The Pharmac Board made the decision to approve this proposal at its July 2025 meeting. The decision will result in widened access for severely immunocompromised people and high-risk children. Minor amendments will be made to clarify the access criteria.

The changes to the access criteria and the new listing of the pre-filled syringes will take effect from 1 February 2026.

Treatments

We continue to be responsible for New Zealand's portfolio of COVID-19 treatments, including funding, eligibility, procurement, and supply.

New Zealand's portfolio of COVID-19 treatments includes two antiviral treatments specifically for the treatment of COVID-19 infection in community and hospital settings: nirmatrelvir and ritonavir (brand name Paxlovid) and remdesivir (brand name Veklury).

We have now completed our work to align the management of COVID-19 treatments (Paxlovid and remdesivir) with our usual processes and have integrated them within the wider anti-infectives portfolio. We undertook public consultation on this proposal in May 2025, and a large number of responses were received from a variety of stakeholders, which overall were supportive of the proposal.

The Pharmac Board considered all of the feedback received in response to the May 2025 consultation, and it approved this proposal at its July 2025 meeting.

We are implementing changes to the access criteria for COVID-19 from 1 September 2025, as well as changes to align supply and distribution arrangements for remdesivir (from 1 September 2025) and Paxlovid (from 1 October 2025).

Our strategic direction

Te koronga rautaki

Our Statement of Intent 2024/25 – 2027/289 (SOI) was published in July 2024.[10] Our strategic framework in the SOI sets out our vision, strategic priorities, and contribution to the principles and outcomes of the health and disability system.

Our strategic framework is built around shaping improvements in the way that we manage and invest in medicines and medical devices. These improvements focus on three key areas:

- **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.
- **Enhanced assessment and decision making** – improving our assessment and decision-making processes by:
    - increasing consumer input and participation
    - improving timeliness and transparency
    - increasing efficiency
    - updating our approach to include wider fiscal impacts to the whole of Government
    - considering societal impacts.
- **Strategic management of medical devices** – developing and implementing an integrated approach for hospital medical devices, to drive better value and more consistent and equitable access.

Our strategy will be underpinned by three organisational priorities:

- **Health equity/Health need** – improving the health outcomes of populations with the highest health needs and supporting the 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, both now and in the future.

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

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[10] Available at: https://www.pharmac.govt.nz/news-and-resources/publications/corporate-publications/statement-of-intent.

Our strategic priorities
Ā mātou whāinga tōmua

In this section, we set out our achievements and the results for our performance measures for each strategic priority.

- **Strategic priority 1: Strategic management of the medicines budget**

- The medicines budget[11] has increased over time to enable us to fund new treatments, widen access to treatments that are 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.

What we want to achieve

To achieve the best health outcomes for all New Zealanders from medicines, vaccines, and related products, we will optimise the funding that is available and take a long-term view of how and where we direct funding.

Through this priority we seek to:

- use multi-year funding arrangements to take a longer-term view of spending decisions, to ensure that we have funding available for both new investments and unplanned expenditure when we need it, and that we make the right mix of spending decisions across the breadth of our business
- update and adapt our commercial activities to accommodate changes in the (New Zealand and global) pharmaceutical market, and broader government procurement objectives
- Enhance the way medicines are reimbursed in different settings,[12] to:
    - make it easier for New Zealanders to collect their medicines
    - improve our understanding of how and where medicines are used
    - ensure an efficient and effective use of the available funding.

[11] Previously referred to as the Combined Pharmaceutical Budget (CPB).

[12] By different settings we mean the range of different types of places where reimbursement occurs, such as community pharmacy, hospital pharmacy, general practice, and so on.

Our focus 2024/25	Our achievements
Working in partnership with Health NZ to increase access to cancer treatments and other medicines	We worked at pace to progress funding of new and widened-access medicines following the June 2024 increase to the medicines budget. A cross-sector implementation group involving Pharmac, Health NZ, Ministry of Health, and the Cancer Control Agency supported the implementation of those funding decisions. This has worked well, and we expect this enhanced collaboration to continue.
Ensuring the enduring sustainability, both clinically and commercially, of our current portfolio of funded medicines, while maintaining an emphasis on improving health equity	We have been actively looking at options for expanding the range of funded medicines in markets affected by supply shortages and discontinuations. As a result we made decisions to fund several new medicines to help ensure patients continue to have access to a treatment option, for example • lisdexamfetamine for ADHD • the contraceptive desogestrel • Insulin degludec with insulin aspart for diabetes • oestradiol gel used for hormone replacement therapy.
Ensuring the enduring sustainability, both clinically and commercially, of our current portfolio of funded medicines, while maintaining an emphasis on improving health equity	We have been exploring the options for expanding the range of funded medicines in markets affected by supply shortages and discontinuations. As a result, we made decisions to fund several new medicines to ensure patients continue to have access to a treatment option, such as: • lisdexamfetamine for ADHD • the contraceptive Desogestrel • insulin degludec with insulin aspart for diabetes • oestradiol gel used for hormone replacement therapy.
Scoping and progressing improvements to reimbursement arrangements for medicines to ensure that our funding is spent efficiently and accurately, and to provide more flexibility in how and where medicines are funded for New Zealanders.	We have been working with Health NZ on the replacement of its ageing subsidy payments system (Proclaim) with the new Health Sector Agreements and Payment (HSAAP) system. This will enable improvements to subsidy payments to be made over time. We notified a decision to support the Government's policy for newly funded cancer medicines to be administered in private hospitals and clinics from 1 July 2025.

Strategic priority 2: Enhanced assessment and decision making

We continually improve the way we assess and make funding decisions.

We continue to increase the transparency of our decision making, and we make our funding assessment and decision-making processes faster, clearer, and simpler. We work to ensure stakeholders have confidence that we have genuinely listened to them and taken their feedback on board.

What we want to achieve

We undertake high-quality assessment and decision-making processes for medicines, vaccines, and related products. We bring diverse perspectives into our decision making, strengthening our understanding of the needs and aspirations of Māori, Pacific peoples, consumers, and those with lived experiences in a wide range of health and disability areas. Our assessments and funding decisions are evidence based, inclusive, and timely, to achieve the best possible health outcomes.

Through this priority we seek to:

- Ensure our processes for assessing and making decisions on funding proposals are more timely and transparent, better coordinated with sector partners and more strongly centred on health equity and other pae ora health sector principles, bringing the voice of the New Zealand public into our consideration of funding proposals.
- Ensure that people benefit from the funding decisions that we make by improving the way our decisions are implemented, enhancing our monitoring of decisions after they are implemented, and finding and removing barriers to the optimal use of these new treatments.
- Deliver improved health outcomes underpinned by robust data and evidence.

Our focus 2024/25	**Our achievements**
Continuing to improve our processes and methodologies to ensure that consumers and those with lived experience of relevant issues can participate and provide input into our assessment and decision-making processes	A wide range of activity is underway involving consumers in our processes and implementing our Engagement Strategy. Active engagement is noted throughout this annual report.
Continuing to make our assessment and decision-making processes timelier and more efficient	We are continuously improving the efficiency of our advice and assessment processes. Our immediate focus this year was on addressing the high backlog of applications (see further information below).

Our focus 2024/25	Our achievements
	We piloted a rapid assessment process. We are testing new ways to develop meeting records and improve timeliness – for example, publishing provisional advice recommendations within 30 business days of advisory committee meetings. Pharmac receives more cancer-related applications than we have annual capacity to manage. We are developing and testing a new approach for consumers seeking cancer application advice, to build our capacity, and minimise the impact on our expert advisors.
Enhancing partnerships and harnessing innovation in the use of the medicines budget, including working in partnership with the health sector to support the implementation of our decisions	We are continuing a high level of engagement with the sector regarding medicines and medical devices. Pharmac continues to collaborate with Health NZ on the way the national Health Technology Assessment (HTA) functions to best integrate with and inform Health NZ work, including the advisory functions across both organisations. We are working with suppliers to guide the economic models they submit, to ensure they are as fit for purpose as possible in the New Zealand context. We will update the supplier guidelines to make explicit Pharmac's openness to receiving international models from more countries – expanding from just Australia to include the UK and Canada. A cross-sector implementation group involving Pharmac, Health NZ, Ministry of Health, and the Cancer Control Agency is supporting the implementation of our funding decisions. This has worked well, and we expect this enhanced collaboration to continue.
Exploring options for the way our funding model: • takes into account positive fiscal impacts for the Crown • could benefit from a wider assessment of societal impact	Pharmac continues to explore the way a societal perspective could help us show the value of new treatments to society, especially for big investments that we cannot afford from our usual budget (see the next section for further information).

Societal impacts

Pharmac's decision-making framework, the Factors for Consideration,[13] includes impacts on the individual with a disease, their family and whānau, and the health system. Like Australia, Canada, and the UK, Pharmac economic evaluations take a health system perspective. This means we routinely consider any meaningful improvements to health-related wellbeing and survival shown by clinical evidence, and all costs to the health sector.

In 2024, patients and consumers told Pharmac that they want the broader impacts for society to be considered when Pharmac makes decisions and seeks budget to fund new medicines in New Zealand.[14] This was also included in the Minister's Letter of Expectations to the Board of Pharmac at the beginning of 2024/25.

In late 2024, Pharmac convened a group of leading academic experts to share their views on including a societal perspective in economic evaluations or budget impact analyses. Their input has informed Pharmac's understanding of the potential impacts of this.

The Netherlands is a leading proponent of including the societal perspective in health system decisions. Their economic evaluations include factors such as effects on productivity, informal care from others, costs to the patient, lifelong consumption of all goods and services, and future medical costs of any kind.

Pharmac commissioned a pilot assessment of four different treatments from the Institute for Medical Technology Assessment (iMTA) at Erasmus University in the Netherlands. Pharmac learned that when a societal perspective was used, some medicines appeared to be more valuable and would be more likely to be funded (such as treatments for chronic, moderately severe conditions in working-age populations), while others appeared to be less valuable.

To test how this may work in practice in New Zealand, Pharmac is commissioning two more societal perspective assessments from the iMTA at Erasmus University. These two proposals represent significant potential investments. The Erasmus team is also providing training to Pharmac on incorporating societal impacts into estimates of economic value and budgetary impacts related to health decisions, so future budget bids can reflect the costs and savings of new pharmaceutical investments to other Government budgets and wider society.

We have also recently engaged with the Canadian Drug Agency to learn about their recent lessons learned from piloting societal perspective assessments.

[13] Factors for Consideration is available at: https://www.pharmac.govt.nz/medicine-funding-and-supply/the-funding-process/policies-manuals-and-processes/factors-for-consideration

[14] 'Valuing Life Medicines Access Summit 2024' – White paper available at: https://www.valuinglife.nz/

Funding applications backlog

Pharmac has a backlog of proposals for medicines to be listed on the Pharmaceutical Schedule that are awaiting assessment and ranking. Our goal is to complete the assessment of items within 12 months of receiving a proposal.

We have removed over 500 inactive medicine applications from our lists in the past five years, so that the medicines that are still being actively considered for funding is clearer. Closing these inactive applications is an important part of ensuring our work is transparent and easy to understand.

There can be a range of reasons for an application to become inactive. For example, a proposed medicine may have been overtaken by other medicines that we have since decided to fund for the same health condition. We may have received clinical advice to not fund a medicine, or we may have found that no company is able to supply the medicine within New Zealand.

At the end of 2024/25, the combined backlog (both applications and proposals) is 356 (see the following graph). Funding applications are increasing. We received more applications this year than at any time in the past 10 years. The backlog remains steady.

Improving our annual tender consultation process

The annual tender process is a key mechanism by which Pharmac manages pharmaceutical expenditure efficiently. When a medicine is no longer under patent, other suppliers can sell a generic version of that medicine. This allows for competition and can lead to significant price reductions. This creates savings of $30–50 million every year.

Suppliers can bid to be the main suppliers of certain medications through the annual Invitation to Tender. This process is key in helping Pharmac keep up with increasing demand for the medicines that we fund, and for funding new and innovative medicines.

We made changes to improve consultation on both items proposed for inclusion in the annual tender and tendered items for which we are considering a brand change. For the latter, we undertook an additional consultation step – gathering detailed information from submitters on the impact of potential brand changes and support needs – prior to making a decision. This helped to increase our transparency and ensure our decision making was well informed. We also published a video explaining this extra step and why the tender is important to Pharmac.

Strategic priority 3: Strategic management of medical devices

This work on medical devices builds on Pharmac's proven expertise in managing medicines and controlling pharmaceutical cost growth, and reflects our commitment to consistent, transparent, and equitable decision making across the health system.

Since initiating this programme, our focus has been on compiling and maintaining a national list of medical devices used in public hospitals. Through strategic contracting, we have achieved significant progress, as follows:

- Approximately $655 million in medical device spend is now under national contracts.
- More than 188,000 items have been initially listed.
- As of 30 June 2025, the comprehensive Hospital Medical Devices List includes over 220,000 devices, covering everything from cotton swabs and bandages to orthopaedic implants, dialysis machines, and robotic surgical equipment.

This list provides national visibility of hospital medical devices for the first time, supporting better planning, investment decisions, and procurement consistency. The list includes both contracted and non-contracted devices identified through supplier data and Health NZ's purchasing records. It is updated regularly to ensure its accuracy and relevance.

What we want to achieve

Through this priority we seek to:

- improve the health benefits and value for money that New Zealanders gain from using hospital medical devices.
- Increase national consistency and equity of access to hospital medical devices through hospitals choosing the devices to use from the Pharmaceutical Schedule.
- Ensure the health system has the right device in the right place at the right time, increasing patient safety and improving the asset's lifespan.
- Increase the 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.

Our next step is to implement an integrated management approach in partnership with sector stakeholders. This approach will:

- drive greater value from medical device investments
- ensure more consistent and equitable access across regions
- align with the broader goals of the health and disability system.

We continue to engage widely with suppliers, clinicians, consumer groups, and leaders across different areas of the health and disability system. Our recent comprehensive list consultation received over 150 responses, helping to shape the scope and accuracy of the comprehensive list. This feedback is vital to ensuring our approach reflects the needs of priority populations and supports clinical and operational realities.

Looking ahead

- Ongoing collaboration with advisory groups ensures clinical relevance and system-wide alignment.
- When the medical devices review led by the Ministry of Health concludes, we will adjust our work programme in line with any decisions made.

Our focus 2024/25	**Our achievements**
Achieving a comprehensive list of the hospital medical devices that hospitals are using	The comprehensive list went live on 1 July 2025 and includes over 220,000 devices currently being used in Health NZ hospitals. This list supports better planning and investment decisions and will help to identify funding priorities and guide future purchasing. It also lays the foundation for the next stage of the programme, which is moving to single national list from which public hospitals will be able to select their medical devices.
Implementing an overarching strategic category management approach that drives value agreed with sector partners	In collaboration with our sector partners, we are scaling up Pharmac's management of devices to deliver additional value for the health system. For example, we are working with Health NZ to optimise and standardise the devices that are available and used, to improve consistency, efficiency, and savings. Over $120m of savings and efficiency gains have been returned to the health system since our work in medical devices began.

Our focus 2024/25	Our achievements
	We continue to build relationships across the health and disability system, with industry, and with high-need populations.
Implementing a sustainable national assessment process for hospital medical devices that is aligned and integrated with sector partners	We are designing processes for change requests and assessments, with consultation and implementation expected in 2026.
Introducing new IT systems to support our medical devices work	We undertook the foundation work in 2024/25.

Organisational excellence

We support our strategic priorities with a set of organisation-wide strategies and initiatives that help to guide improvement and implementation.

We will take an organisational excellence approach in the way we organise ourselves to deliver our work. This includes designing our work to demonstrate improved progress towards equity in access, quality of care, and outcomes, as well as a focus on the groups who have been most poorly served by the health system.

Increasing engaging with consumers

We have been steadily increasing our engagement with consumers through our procurement processes, including through consumer participation in evaluation of procurement options and by Pharmac staff proactively reaching out to key groups during consultation.

We have made the following progress during 2024/25:

- Development of an Engagement Strategy: We have created a clear road map for inclusive, transparent, and responsive engagement across all areas of our work.
- Enhanced Decision-making Processes: Improvements to the way consumers are involved in key decisions include procurement processes (eg tender PX) and increased transparency through initiatives such as the Cancer Medicines Tracker on our website.
- Consumer Advisory Committee: This met in April and June 2025, providing input on the Consumer and Whānau Engagement Quality and Safety Marker, the implementation of oestradiol patches, and our 12-month reset programme.
- Consumer Engagement Forum: We launched a regular forum to strengthen direct dialogue with consumer representatives, fostering transparency and trust. There have been three sessions to date, with a trial of monthly online updates now underway to support ongoing connection and shared understanding.
- Cross-agency Collaboration: We collaborate with a range of agencies across the health sector and wider including the Ministry of Health, Whaikaha, Accident Compensation Corporation, the Ministry for Pacific Peoples, Te Puni Kōkiri, the Ministry for Ethnic Communities, the Ministry of Education, and others to ensure our work reflects lived experience, clinical insights, and system-wide priorities. These relationships help us align efforts and meet our obligations under Pae Ora.

Carbon emissions

Our 2030 target is a 42% reduction of carbon emissions, compared with our base year 2018/19. We have now achieved this, six years early.

Our Greenhouse Gas Emission ISO 14064-1:2018 Report was completed in July 2025 and signed off by independent auditors in September 2025.

2018/19 was nominated as Pharmac's base year, as it was the last 'normal year' before the disruption of COVID-19. Our 2018/19 Greenhouse Gas (GHG) emissions were 437 tonnes CO_2 equivalent (tCO_2-e). Our 2023/24 GHG emissions were 207 tCO_2-e, a reduction of 53% compared with the base year. This reduction was maintained in 2024/25 and further reduced with a yearly total of 188 tCO_2-e, a 57% decrease compared with our base year.

Pharmac well exceeded its 2030 reduction target, reaching it six years ahead of target. Of the 69 Ministries and Crown Agents that reported in 2024, Pharmac was in the top 10 for overall GHG reductions.

In 2024/25, Pharmac achieved reductions across many areas compared with the previous reporting year, including:

- 90% fewer business class flights being taken
- 43,000 km less being flown domestically
- a 15% drop in taxi use
- 50 fewer nights spent in New Zealand accommodation.

Our focus 2024/25	**Our achievements**
Strengthening our Engagement and Collaboration We will continue to build greater alignment across the health and disability system for all aspects of medicines and hospital medical devices, including building stronger partnerships and relationships with a range of stakeholders who are central to our work. In doing this, we will also give effect to the Pae Ora Act Health Sector Principles and the Code of Expectations for health entities' engagement with consumers and whānau. We will deliver these initiatives through our engagement work programme. We will assess our progress by undertaking and reporting on two self-assessments against the Code of Expectations during the year.	Delivered two self-assessments against the Code of Expectations, providing transparent reporting and clear benchmarks for improving consumer and whānau engagement. Established cross-agency forums across the organisation, fostering stronger alignment across the health and disability system and enabling more coordinated decision making. Strengthened our engagement capability by equipping staff with targeted training and practical resources, enabling more meaningful, consistent, and culturally responsive engagement with our stakeholders.

Our focus 2024/25	Our achievements
Health Equity Pharmac will make the best contribution we can to health equity through the work we do in medicines and medical devices and across our work. Our implementation plan will give effect to our Health Equity policy.	Implemented the Equity Policy across all directorates, supported by tailored tools and guidance to embed equity into everyday decision making. Initiated the development of our first Health Equity Implementation progress report, with early insights informing internal priorities and future reporting frameworks. Built internal capability through health need-focused training.
Te Tiriti o Waitangi Te Pātaka Whaioranga Te Tono | Our Pledge Te Pātaka Whaioranga acknowledges Te Mana o te Tiriti o Waitangi and the ongoing partnership it instils between the Crown and Māori. Upholding the articles of Te Tiriti o Waitangi is a purpose of Te Pātaka Whaioranga. In alignment with the wider health system and through our work on behalf of the people of Aotearoa, we strive to give expression to the aspirations of Māori for mauri ora, whānau ora, and waiora, and to achieve equitable health outcomes for Māori.	With changing Government priorities, we are shifting to a focus on Māori being a high-health-needs population, along with others.
Resetting Te Whaioranga – from strategy to an integrated responsiveness model Te Rautaki Te Whaioranga[15] expired in 2023. In 2024/2025 Pharmac is working through a reset process to focus on Māori health need, effective engagement with Māori and building kaimahi capability. This provides a framework for Pharmac to strengthen our collaborative work and partnerships with Māori communities and key stakeholder groups. It also ensures Pharmac contributes to health system commitments to Māori as a high health need population group. The integrated model gives effect to Pharmac's commitment to upholding Te Tiriti o Waitangi.	Māori Engagement Framework developed - implementation underway. Relationships formed with Iwi Māori Partnership Boards. Improved communication to Māori stakeholder groups through Rērere Kōrero newsletter.

[15] Available at https://pharmac.govt.nz/te-tiriti-o-waitangi/te-whaioranga

Our focus 2024/25	Our achievements
Pacific Health We work alongside the Ministry of Health and the Ministry for Pacific Peoples, helping to support Pacific people in New Zealand to live healthier lives through improved and timely access to, and use of, medicines and medical devices. Our Pacific Health and associated work programme will give effect to this work.	We have strengthened our partnerships with Pacific health leaders and community organisations, ensuring that Pacific perspectives shape our funding decisions and the access pathways for medicines and medical devices. We have co-developed culturally tailored engagement resources and outreach initiatives, improving the awareness and uptake of funded treatments among Pacific communities.
Our People and Culture Our staff are committed to helping people live better and healthier lives. They are our most valuable asset. We have specialist expertise across a number of areas, including clinical and medicine assessment, health economics, and procurement and contracting. During the year we will refresh our People and Capability strategy, further demonstrating our commitment to investing in our staff and workplace culture, to ensure they can deliver their best work. We will provide opportunities to develop our staff, including supporting them to take on new roles (both internally and externally), undertake training and development, and gain formal qualifications.	See Organisational Health and Capability below.
Developing our ICT and Data and insights capability We will continue to improve the systems and processes that consumers, clinicians, or suppliers use to make funding applications, as well as continuing to increase the transparency of the decision-making process.	We have completed the business case for the 2025 budget for Data and Digital projects. The Board approved our Data and Digital strategy in January 2025. The first projects have been approved and are in the design and planning stage of delivery.
We will invest in systems to support the management of medical devices, working closely with Health NZ. We will also focus on making it easier for New Zealanders to find the information they are looking for on our website.	Detailing requirements for the Schedule redevelopment is well underway. We have completed the identification of a high-level solutions architecture for the Schedule Redevelopment.

Our focus 2024/25	Our achievements
We will ensure that data is well governed and managed - and that our products are timely, high quality and accurate. We acknowledge the importance of both privacy and data sovereignty principles in this context.	Underway.
We will continue to improve the range of data we have, with a strong focus on integrating and collaborating with other parts of the health and disability system.	AI considerations for policy approved by Board.

Organisational health and capability

Oranga tonutanga me ngā āheinga

Over the past year, Pharmac has been undergoing a period of transformation. This has touched every part of the organisation, with changes in leadership at the Board and senior levels, as well as in internal functions. External reviews that prompted us to rethink the way we work and deliver on our purpose helped to shape these changes.

Our workforce has expanded to support the introduction of newly funded medicines, the broadening scope of our medical devices work, and the strengthening of our engagement function. We have been focused on ensuring our systems and processes are robust, adaptable, and aligned with our evolving business needs, to ensure we can be agile, responsive, and innovative, as well as making smart use of technology.

Pharmac has a highly skilled and committed workforce, with deep technical expertise and a shared passion for improving health outcomes for New Zealanders through evidence-based decision making. Staff feedback through various surveys has revealed a strong appetite for change in the organisation.

The past year has brought challenges, particularly for those in roles most affected by the changes. However, key indicators such as staff turnover, absenteeism, and engagement have remained stable, in line with previous years and sector benchmarks. We continue to attract exceptional talent, with many candidates drawn to Pharmac because of the meaningful work we do.

People strategy

The People Strategy supports Pharmac to build a culture of excellence, where our people thrive, and can successfully deliver the best health outcomes for all New Zealanders.

The Strategy is aligned with key legislative and accountability documents, including the Pae Ora (Healthy Futures) Act 2022, the Crown Entities Act 2004, the Government Policy Statement on Health 2024-2027, the Minister's Letter of Expectations 2024/25, the NZ Health Strategy, the Government Workforce Policy Statement 2024/25, and Pharmac's internal policies. It also lines up with our initiatives in response to external reviews of Pharmac.

The strategic objectives set out in the Strategy fall under the following three pillars:

- Leadership and Culture
- Workforce
- Employee Experience.

Leadership and culture

We are building our leadership capability. We provide leadership development to all new managers and hold monthly people leader sessions with a focus on different aspects of leadership, for example, values based leadership and effective change management. We have introduced initiatives to grow people leader networks across the organisation, and across the sector through participation in Leadership Development Centre's leadership programmes.

Pharmac has introduced a range of initiatives to support culture change, including a 'Living our Values' series, the 'Ask the Senior Leadership Team anything' sessions, and proactively action planning at a team level to respond to the results of our annual engagement survey and lift staff engagement.

We have reviewed our delegations for people leaders, with the aim of empowering people leaders to be able to make key decisions related to managing their staff.

Workforce

As a Crown entity we are committed to meeting the expectations of the Government Workforce Policy Statement, and to develop a public service workforce that is high performing and responsive to the needs of all New Zealanders.

We have a diverse leadership team, with 61 percent women, and 21 percent Māori however overall, our workforce is not as diverse as the communities we serve, and Māori and Pacific are under-represented. We have a higher proportion of women (59 percent) and a younger workforce with 44 percent under 40 years. Our part-time staff make up 10 percent of our workforce ensuring that we can retain valuable skills and competencies of staff.

We continue to monitor our Kia Toipoto action plan objectives, to reduce pay gaps, increase representation at all levels, and address any bias in our practice and processes. We have active employee led networks (Māori caucus, rainbow and neuro-diversity networks) where staff meet on a regular basis for peer support. This year through our partnership with TupuToa we hosted three Māori and Pacific interns as part of their professional development and provided a positive experience of working in the health sector.

We provide opportunities to develop our employees, including taking on new roles, internally and externally, undertaking training and development, and supporting formal qualifications.

We strive to make equitable and fiscally sustainable recruitment and pay decisions, have a fair workplace for all, including disabled people and members of rainbow communities, and ensure our starting salaries and salaries for the same or similar roles are not influenced by bias.

Our aim is to maintain a safe and healthy workplace, free from injury. Our health and safety systems ensure that hazards are identified, and risks are controlled and managed accordingly. All accidents, injuries, and near misses and hazards are reported to our Health and Safety Committee for analysis, and necessary actions are taken to eliminate recurrence, using a hierarchy of controls.

Employee experience

At Pharmac we support our employees to flourish and achieve their career aspirations. We are committed to championing workplace inclusion and acknowledge that for people to do their best work, we must foster an environment where they are comfortable to be themselves and can work in a way that best suits their individual needs.

We are a whānau-centred organisation and understand the importance of maintaining a healthy work–life balance. We offer several benefits, including hybrid working, five weeks of annual leave, generous parental leave entitlements, and a payment to support wellbeing.

As at 30 June 2025, Pharmac had 195 employees (168 permanent and 27 fixed term). Our fixed-term workforce allows us to address short-term resourcing requirements, and to be flexible and adaptable to our changing business needs. Our flexible working arrangements ensure staff who work remotely are provided with appropriate technology and communication solutions to enable seamless working arrangements.

Our staff turnover rate for the 2024/25 year was 20.5%, which is an increase from 15.8% in 2023/24, with people relocating being the most common reason for leaving.

We continue to survey staff via 100-day, exit, and engagement surveys, to understand what is important to our staff, and to develop workforce initiatives to attract and retain top talent. This has led to initiatives such as sharing staff career stories to highlight internal progression pathways, implementing our flexible working policy, and enhancing our induction programme.

We continually seek to understand why kaimahi leave our organisation. We offer online exit surveys and face-to-face interviews to all departing employees. The data collected from these is analysed to monitor, manage, and communicate reasons for people leaving the organisation.

Demographics

Staff gender at 30 June 2025.

Gender	Total	
Male	59	(30%)
Female	115	(59%)
Non-specified	21	(11%)
Total	**195**	

Staff numbers by employment status, at 30 June 2025.

Employment Status	Part time	Full time	Total
Permanent employees	15	153	168
Fixed-term employees	5	22	27
Totals	**20**	**175**	**195**

Staff numbers by ethnicity at 30 June 2025.

Ethnicity	Percentage
European	72.7%
Māori	7.2%
Pacific peoples	2.1%
Asian	10.3%
Middle Eastern/Latin American/African (MELAA)	4.1%
Other	33%
Total	**129.4**[16]

Staff numbers by age at 30 June 2025.

Age (years)	Percentage
20-29	17%
30-39	27%
40-49	16%
50-59	22%
>60	11%
Not disclosed	7%
Total	**100**

[16] Some staff have declared more than one ethnicity.

Staffing summary

At 30 June 2025, Pharmac had 195 employees (168 permanent and 27 fixed term).

Permanent staff turnover for the 2024/25 year was 20.5%, similar to 2023/24.

We have a relatively high number of part-time staff – 15.95% at 30 June 2025. This helps us retain valuable skills and competencies and provide for work-life balance.

Our performance measures
Ō mātou paearu mahi

Service performance reporting standard

The External Reporting Board (XRB) PBE FRS 48 Service Performance Reporting ('the standard') sets new requirements or increased 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.

The standard establishes requirements for the reporting of service performance information so that it meets the needs of users from an accountability and decision-making perspective. The standard provides high-level principles to recognise that service performance reporting continues to evolve, and that flexibility enables entities to report performance in the most appropriate and meaningful way.

Application of the standard

Pharmac's performance measures framework for 2024/25 was developed in conjunction with the Statement of Intent 2023/24 to 2026/27. The Statement of Intent 2024/25 – 2027/28 was updated in 2025 at the request of our Minister, following the change of Government.

Targets for performance measures for 2024/25 were published in our SPE 2024/25. They were based on the results reported in the Annual Report 2022/23. These were the most recent results available when the SPE 2024/25 was being developed.

The standard has been applied in the development of this annual report.

Our performance reporting is included in this annual report from page 40 to page 52 and also includes the statement of comprehensive revenue and expense by output class on page 54.

Selection of measures and disclosures

In 2024, Pharmac published a new Statement of Intent 2024/25–2027/28. We reviewed the appropriateness of the performance measures as part of developing the SPE 2024/25. We wanted to ensure each measure accurately reflected the performance of Pharmac, was meaningful, and was able to be measured.

In line with the standard, the changes shown in the following table were made to Pharmac's performance measures for 2024/25.

Disclosures

	2023/24 SPE measure	Notes
Deleted measures	Number of patients receiving COVID-19 treatments	Removed from appropriation measures, so not required.
	Access to medicines for priority populations	Deleted to align with Government priorities
	Assessment of bias and racism	Bias and racism project completed.
	Proportion of Māori and other under-represented groups in Pharmac's workforce and advisory groups, compared with the proportion of the total population	Reported in demographics in the Annual Report, does not need to be a performance measure.
	Reduce Pharmac carbon emissions	Reported in the Annual Report, does not need to be a performance measure.
Replaced measures	Increase in the number of hospital medical devices on the schedule/list for Te Whatu Ora hospitals to access/purchase	As the project draws to an end, a more tightly defined date to complete the list was appropriate.
	Develop a methodology to show value to New Zealanders/health system from hospital medical devices by 30 June 2024	Benefit mapping was completed in 23/24, so a new measure was appropriate.
New measures	Manage expenditure on hospital medical devices under Pharmac contract to within 1.5% of budget for the year.	As the medical devices list developed, this measure was more appropriate.
	Achieve a comprehensive list of medical devices on the Pharmaceutical Schedule by 30 June 2025	This replaced the 'increase the number of devices on the list'

Our appropriations

Vote Health non-departmental expenditure

To comply with our obligations under the Public Finance Act 1989, activities undertaken by Pharmac that are funded through Vote Health non-departmental expenditure are reported below.

National pharmaceuticals purchasing

This appropriation is limited to purchasing pharmaceuticals on the national pharmaceutical schedule and subsidising the supply of pharmaceuticals not on the national pharmaceutical schedule. This appropriation is intended to secure for eligible people in need of pharmaceuticals, the best health outcomes that are reasonably achievable from pharmaceutical treatment from within the amount.

Actual 2023/24 ($000)	Appropriation Estimates 2024/25 ($000)	Supplementary Estimates 2024/25 ($000)	Actual 2024/25 ($000)
1,806,211	1,581,634	1,689,634	1,689,634

End of year reporting requirements[17]

	Performance measures	2023/24 result	2024/25 target	2024/25 result	Status	Desired trend
1	Increase in the number of New Zealanders receiving funded medicines.[18]	4,086,749 people received funded medicines.[19]	Achieved.	4,102,683 people	Achieved.	
2	Increase in the number of new medicines funded.[20]	12	Achieved.	31	Achieved.	
3	Access is widened to an	16	Achieved.	52	Achieved.	

[17] Available at: https://www.treasury.govt.nz/publications/estimates/vote-health-health-sector-estimates-appropriations-2024-25.

[18] The total number is accumulated during the year as decisions come into effect.

[19] This information reports on community medicines, excluding haemophilia and cancer treatments from Pharmhouse, and excluding supplier information for condoms and nicotine replacement therapy.

[20] The total number is accumulated during the year as decisions are made.

	increased number of medicines that are already funded.					
4	Increase in the estimated number of New Zealanders benefitting from new medicines funded[21, 22, 23, 24]	19,851	Number of additional people receiving new medicines reported.	89,436	Achieved.	

National management of pharmaceuticals[25]

This appropriation is intended to provide for the operating costs of Pharmac to deliver health-related services that align with Government priorities for the strategic direction for health services (see the Ministry of Health's Statement of Strategic Intentions) but are out of scope for other national services appropriations in Vote Health.

Actual 2023/24 ($000)	Appropriation Estimates 2024/25 ($000)	Supplementary Estimates 2024/25 ($000)	Actual 2024/25 ($000)
29,907	29,507	31,507	31,507

[21] For the purposes of comparative data, this result includes both new medicines and those with access widenings.

[22] The total number is accumulated during the year as decisions come into effect.

[23] Excluding COVID related medicines.

[24] This result includes people benefitting from new medicines, and medicines with access widened during the year.

[25] Vote Health available at https://www.treasury.govt.nz/publications/estimates/vote-health-health-sector-estimates-appropriations-2024-25

End of year reporting requirements[26]

5. A reduction in the average time to assess and rank new applications [27]

Method: This measure reports on the time from date of receipt of an application to the date it is placed onto one of our priority lists (Options for Investment, Cost Neutral/Cost Saving or Recommended for Decline).

Performance measures	2023/24 result	2024/25 target	2024/25 result	Status	Desired trend
A reduction in the average time to assess and rank new applications (average number of months) – all proposals.	54 months	Less than 38 months	40.7 months	Not achieved	
A reduction in the average time to assess and rank new applications (average number of months) across a 5-year average. [28]	23.7 months.	Less than 21 months	27.2 months	Not achieved	

Result: The average time taken to rank applications received in the last five financial years is 27.2 months. The average includes only proposals that have been ranked. This means that when older proposals are ranked, the average increases. Pharmac's current focus on ranking older proposals means the time taken to rank has again increased from the previous report (23.7 months), reflecting that a mix of older and newer proposals have been ranked.

While the average may fluctuate, depending on which proposals are prioritised, we anticipate a reduction in the average as the backlog of applications awaiting ranking decreases and our processes become more efficient.

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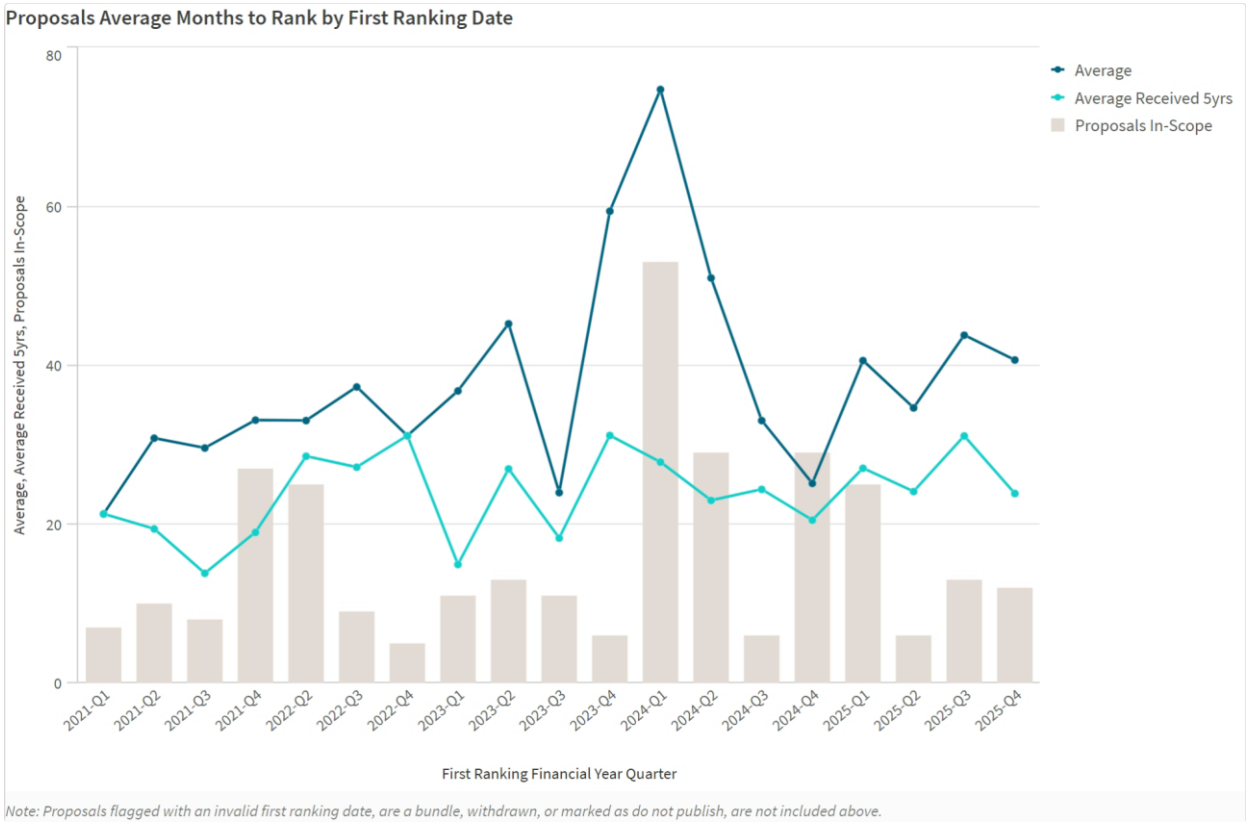
[26] Available at: https://www.treasury.govt.nz/publications/estimates/vote-health-health-sector-estimates-appropriations-2024-25

[27] We previously referred to this as measure as timeliness of funding assessment.

[28] This metric represents the average time to rank among applications received in the previous five completed financial years.



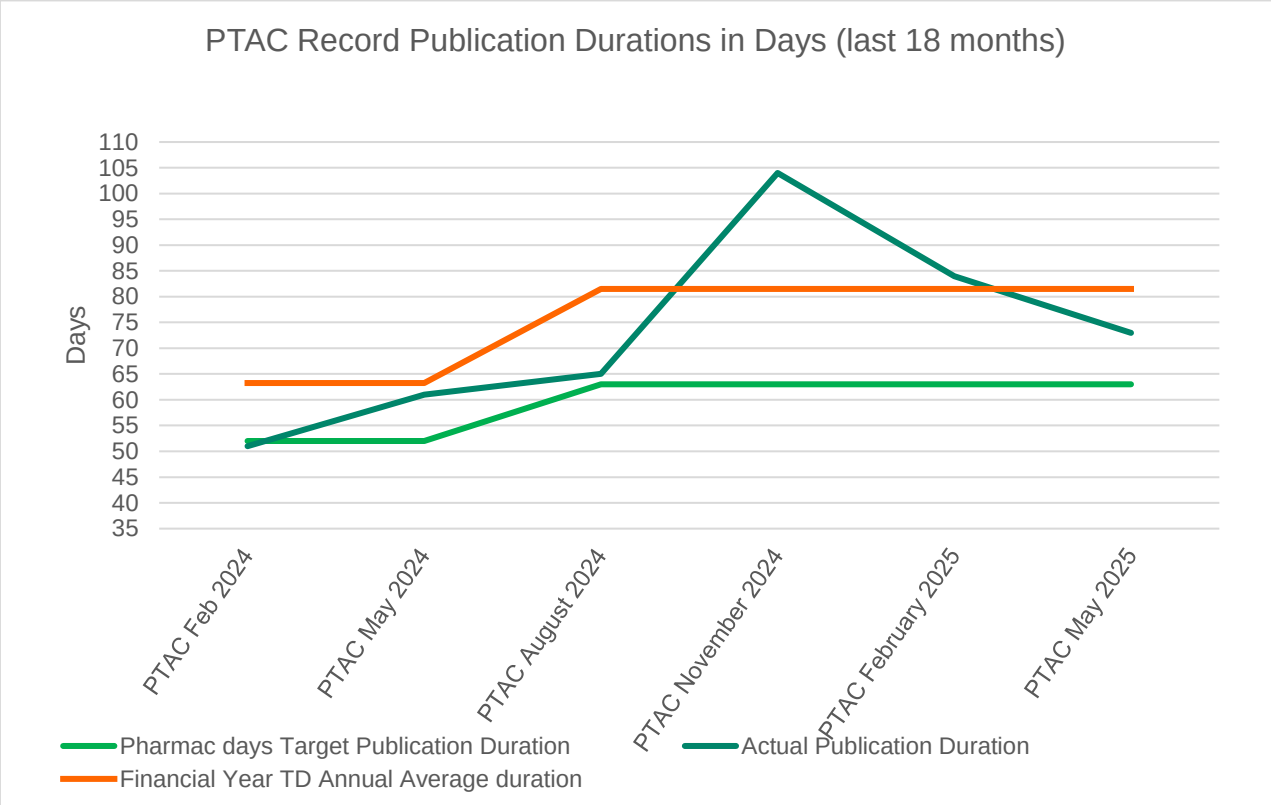
6. A reduction in average time taken to publish Pharmacology and Therapeutics advisory Committee (PTAC) and sub-committee records.

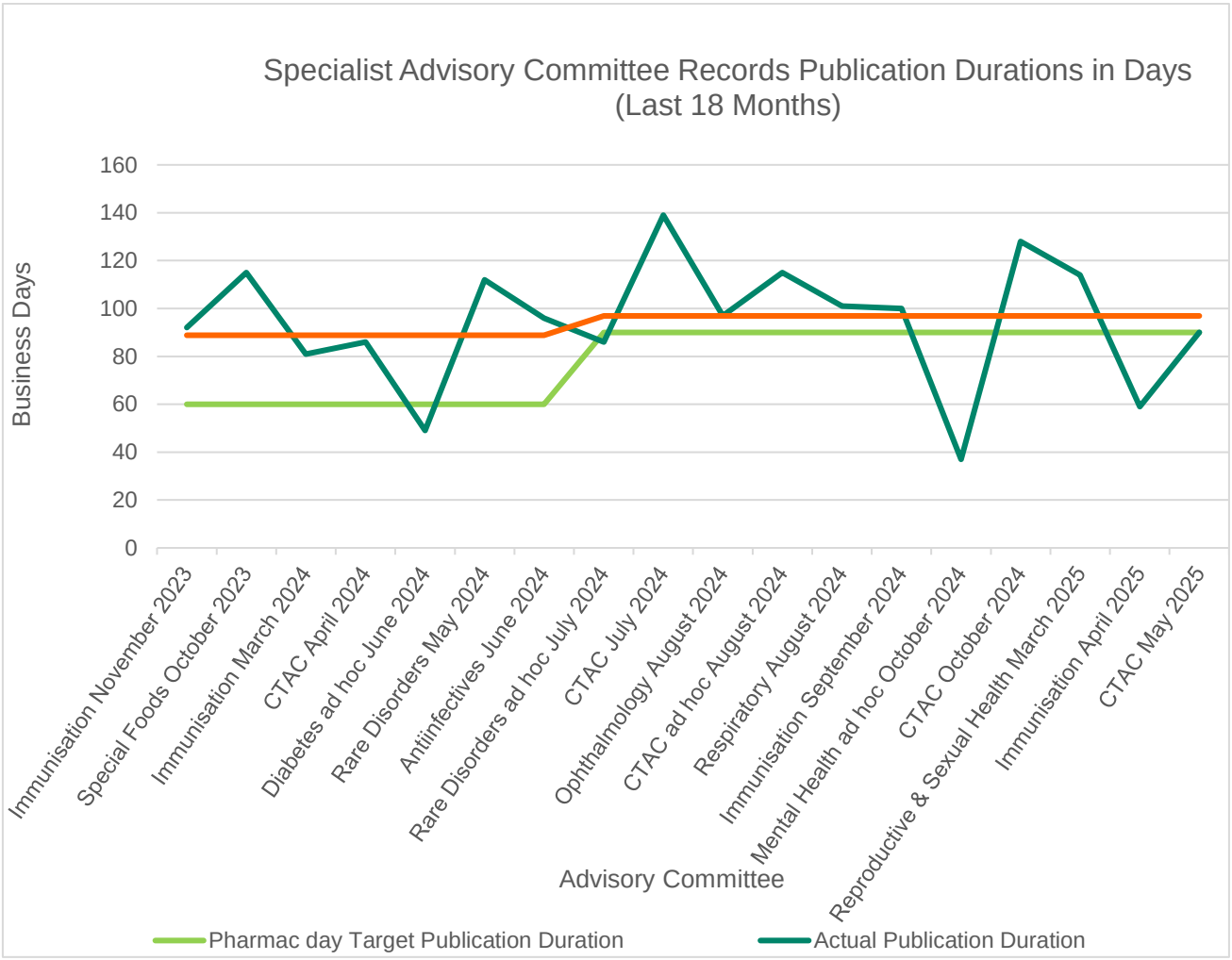
Method: We measure the number of business days that we have taken to assess an application for exceptional circumstances funding, from the time of receipt to when an outcome is decided (approved, declined, withdrawn, or principles of the policy not met). The calculation does not include business days waiting for additional information from the applicant.

Performance measures	2023/24 result	2024/25 target	2024/25 result	Status	Desired trend
A reduction in average time to publish Pharmacology and Therapeutics advisory Committee PTAC records.	63 days	Average time of 70 days or less	82 days	Not achieved	↘
A reduction in average time taken to publish Specialist Advisory Committees (SAC) records.	90 days	Average time of 108 days or less	97 days	Not achieved	↘

Result The following graphs reflect the chronological order of meetings, and meetings are not included until records are published.

Publishing of records in 24/25 was delayed, largely due to staff availability and resource.





Other performance measures

7. Average time taken from funding application received to first decision date

Method This measure reports on the time taken from a funding application being received to when a decision on whether to fund it is made.

A single application is converted to one or more proposal(s), because a proposal may be related to more than one application, and vice versa. The time taken to decision is calculated for each individual proposal. Proposals decided on during the current reporting financial year are included and reported in months to decision.

In the following table, 'average all' = per proposal, all decisions, all received and 'average 5 years' = per proposal, all decisions, received within 5 years only.

Performance measures	2023/24 result	2024/25 target	2024/25 result	Status	Desired trend
Average time from funding application received to first decision date. Average for all.	88.8 months.	Reporting measure only.	95 months.	Not applicable.	Not applicable.
Average time from funding application received to first decision date. Average for last 5 years.	38.7 months.	Reporting measure only.	36 months.	Not applicable	Not applicable.

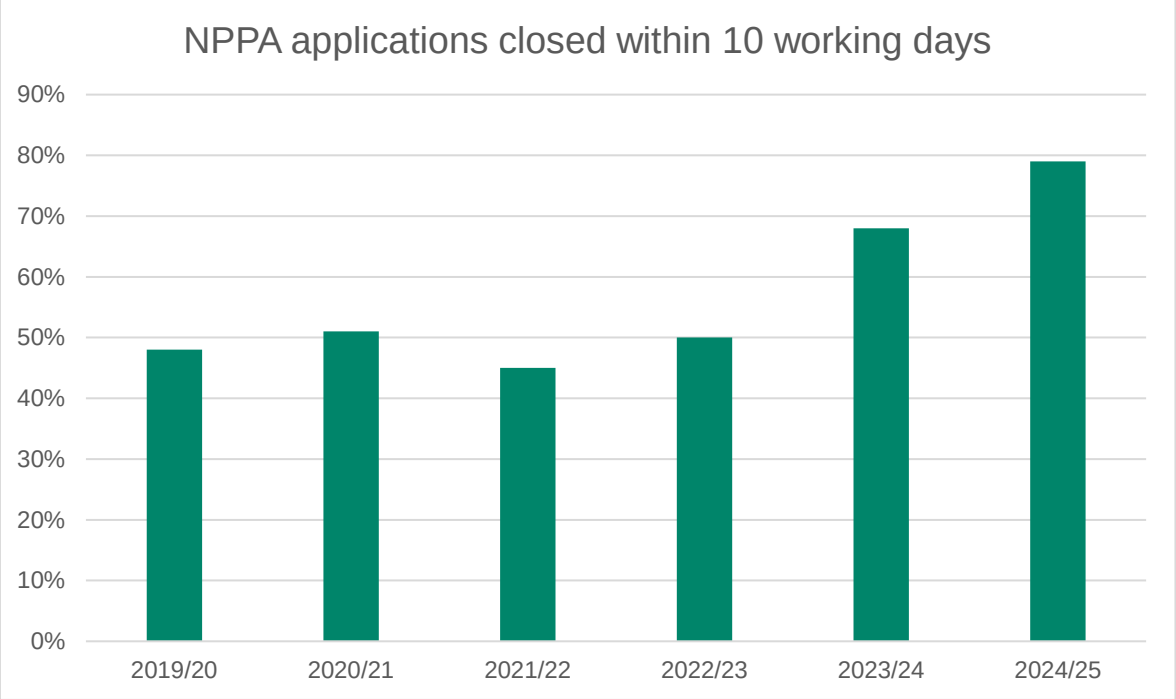
Result: Many decisions rely on factors outside of Pharmac's control (such as budget availability).

This measure reflects the time required for applications and their corresponding proposals to go through the complete assessment and decision-making process. This includes consideration by our expert clinical advisors, economic analysis, assessment against our decision-making framework (the Factors for Consideration), commercial/ procurement processes, public consultation, and the final decision.

8. Percentage of decisions on initial NPPA applications made within 10 working days

Method: We measure the business days that we have taken to assess an application for exceptional circumstances funding, from time of receipt to when an outcome is decided (approved, declined, withdrawn, or principles of the policy not met). Business days waiting for additional information from the applicant are not included in the calculation.

Performance measure	2023/24 result	2024/25 target	2024/25 result	Status	Desired trend
Percentage of decisions on initial NPPA applications made within 10 working days.	68%	67%	79%	Achieved	↗



9. The number of medicines (volume) and the range of medicines (mix) have increased over time within budget[29]

Method: The 'Price Volume Mix' (PVM) model is created from the raw data in Pharmac's forecasting system. The result is calculated manually at the year-end. The price index is a weighted average of the Pharmaceutical Schedule subsidy changes throughout the year. In the following table, 'volume'[30] is a weighted average of the change in units dispensed throughout the year and 'mix'[31] represents the change in overall expenditure[32] that cannot be explained by price[33] or volume changes. For example, when more expensive medicines are used without the subsidy or overall volume changing, costs will increase.

Performance measure	2023/24 result	2024/25 target	2024/25 result	Status	Desired trend
Increase in the number of medicines (volume) and the range of medicines (mix) over time within budget.	Volume and mix went up relative to the cost	Volume and mix go up compared with previous years.	The number of medicines (volume) and the range of medicines (mix) continue to increase over time within budget.	Achieved	

Result: From 2015, the number of medicines (volume) and the range of medicines (mix) have increased over time, meaning we are seeing more, and varied medicines funded in New Zealand. Over the same period, the average subsidies paid have gone down, signalling that Pharmac is managing overall costs while still expanding access.

The increase in the cost index in 2024 was due to the inclusion of COVID-19 treatments and vaccines in the Medicines Budget from 1 July 2023.

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[29] Previously referred to as Access to medicines compared with subsidy. Title was changed in the interests of readability.

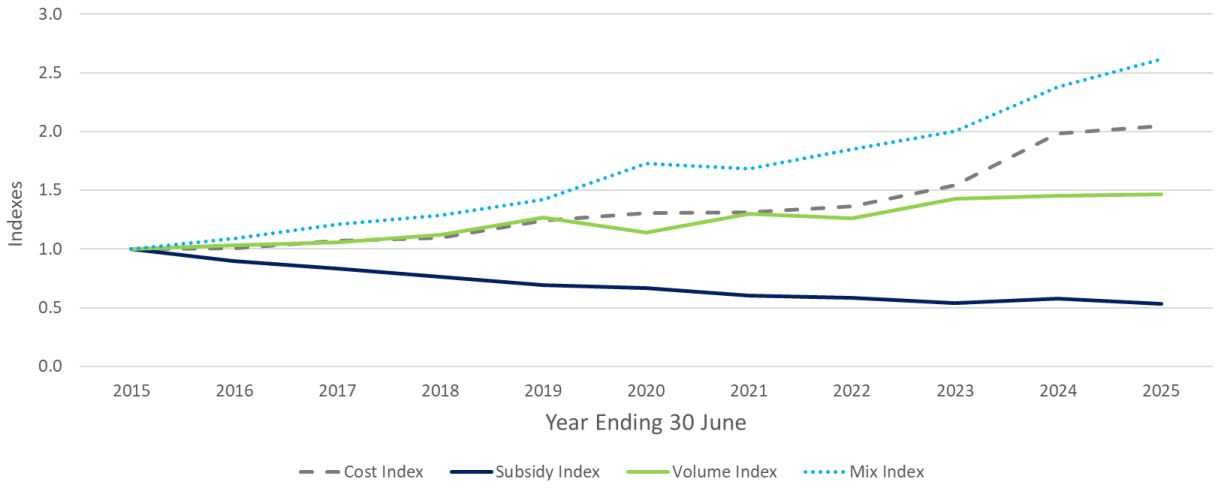
[30] Volume = consumption of medicines changing over time.

[31] Mix = the range of medicines – is there a shift from cheaper medicines to more expensive medicines?

[32] Expenditure = the total cost of medicines changing over time.

[33] Price or subsidy = the subsidy paid for the medicines, reducing or increasing over time.

Price, volume, mix of medicines in New Zealand over the last 10 years



10. An increase in Māori trust and confidence in Pharmac

Method: We use the results from the annual Public Sector Reputation Index to measure Māori trust and confidence in Pharmac.

Performance measure	2023/24 result	2024/25 target	2024/25 result	Status	Desired trend
An increase in Māori trust and confidence in Pharmac.	Advocates 2023/24 = 11% Critics 2023/24 = 31%	More than 22% advocates. Less than 31% critics.	12% 32%	Not achieved	↗

11. Increased public trust in Pharmac

Method: We use the results from the annual Public Sector Reputation Index to measure public trust in Pharmac.

The Public Sector Reputation Survey is conducted annually. The 2025 survey covered 57 public sector agencies. The providers conducted 3,500 interviews in April 2025.

Reputation is measured across 16 attributes under four pillars: trust, social responsibility, leadership, and fairness. This is combined into a single reputation score, and an index created with the average being 100.

Performance measures	2023/24 result	2024/25 target	2024/25 result	Status	Desired trend
Pharmac's reputation index score for public trust is improved.	60	Achieved Score greater than 93.2 (59).[34] Overall reputation greater than 59.	Public trust score = 59. Overall reputation score = 60	Not achieved. Achieved	 

Result: There are many reasons why a public reputation index score may fluctuate. Pharmac has a relatively high profile and deals with many highly sensitive decisions and notifications to the public.

Pharmac is ranked 45th overall out of the 57 agencies included in 2025. Our reputation score is stable at 60, while the benchmark average across all agencies has declined by two points to 57.

12. Assessment of consumer engagement (based on the Consumer Quality Safety Marker (CQSM) self-assessment)

Method: The code of expectations for health entities' engagement with consumers and whānau (the code) sets the expectations for how health entities must work with consumers, whānau and communities in the planning, design, delivery and evaluation of health services.

[34] New scoring system introduced by provider after SPE published.. 93/2 is the equivalent of 59 under new system.

This code is required by the Pae Ora (Healthy Futures) Act 2022 and is underpinned by the health sector principles. All health entities must act in accordance with the code and are required to report annually on how the code has been applied.

The Consumer engagement quality and safety marker framework measures what successful consumer, whānau and community engagement looks like and how it improves the quality and safety of services.[35] The framework sets out three key areas:

- Engagement | Te Tūhononga
- Responsiveness | Te Noho Urupare
- Experience | Waeako.

Health entities self-assess against these with the following ratings available:

- Minimal | Te itinga iho
- Consultation | Te akoako
- Involvement | Te whaiwāhi.

Performance measure	2023/24 result	2024/25 target	2024/25 result	Status	Desired trend
Assessment of consumer engagement (based on the Consumer Quality Safety Marker (CQSM) self-assessment)	Self-reported scores Apr 24 – Sep 24 Engagement: 3	Self-reported scores Engagement: 3 Responsiveness: 2 Experience: 2	For both the 6-month period ending March 2025 and September 2025 our self-assessment score was an overall 2 out of 4. With a 2,2,and 3 rating across the 3 domains.		

[35] Available at: https://www.hqsc.govt.nz/consumer-hub/engaging-consumers-and-whanau/code-of-expectations-for-health-entities-engagement-with-consumers-and-whanau/

For both the 6-month period ending March 2025 and September 2025 our self-assessment score was an overall 2 out of 4. With a 2,2,and 3 rating across the 3 domains.

13. Achieve a comprehensive list of medical devices on the Pharmaceutical Schedule by 30 June 2025

Method: Comprehensive list will be a combination of indicators that together represent coverage of medical devices that hospitals currently use.

Performance measure	2023/24 result	2024/25 target	2024/25 result	Status	Desired trend
Achieve a comprehensive list of medical devices on the Pharmaceutical Schedule by 30 June 2025	Not applicable	Achieved.	Achieved	Achieved	Not applicable

Result: The list was published in June 2025.

14. Manage expenditure on hospital medical devices under Pharmac contract to within 1.5% of budget for the year

Performance measure	2023/24 result	2024/25 target	2024/25 result	Status	Desired trend
Manage expenditure on hospital medical devices under Pharmac contract to within 1.5% of budget for the year	Not applicable	Achieved.	.44% [36]	Achieved.	Not applicable.

Result: The result means price growth across the contracted spend was 0.44% against a target of within 1.5%, so approximately $7 million better than target limit. The total contracted spend is approximately $655 million.

Meeting the target (rather than improving on it) would have meant increases equivalent to $9.7 million, with actual increases equivalent to $2.9 million.

This indicates more stable pricing in the medical devices spend, and good commercial controls in our contracted portfolio.

[36] Annual cost/(saving) as a percentage total contracted spend

Independent Auditor's Report

To the readers of the Pharmaceutical Management Agency's annual financial statements and performance information for the year ended 30 June 2025

The Auditor-General is the auditor of the Pharmaceutical Management Agency (Pharmac). The Auditor-General has appointed me, Dumi Rathnadiwakara, using the staff and resources of Audit New Zealand, to carry out, on his behalf, the audit of:

- the annual financial statements that comprise the statement of financial position as at 30 June 2025, the statement of comprehensive revenue and expense, statement of changes in equity, and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information on pages 69 to 72 and 74 to 94;

- the performance information that consists of:

    - the statement of performance for the year ended 30 June 2025 on pages 27 to 41, 47 to 48 and 73; and

    - the end-of-year performance information for appropriations for the year ended 30 June 2025 on pages 49 to 62 .

Opinion

In our opinion:

The annual financial statements of Pharmac:

- fairly present, in all material respects:

    - its financial position as at 30 June 2025; and
    - its financial performance and cash flows for the year then ended; and

- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards.

The statement of performance fairly presents, in all material respects, Pharmac's service performance for the year ended 30 June 2025. In particular, the statement of performance:

- provides an appropriate and meaningful basis to enable readers to assess the actual performance of Pharmac for each class of reportable outputs;

determined in accordance with generally accepted accounting practice in New Zealand; and

- fairly presents, in all material respects, for each class of reportable outputs:
    - the actual performance of Pharmac;
    - the actual revenue earned; and
    - the output expenses incurred

as compared with the forecast standards of performance, the expected revenues, and the proposed output expenses included in Pharmac's statement of performance expectations for the financial year; and

- complies with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards.

The end-of-year performance information for appropriations:

- fairly presents, in all material respects:
    - what has been achieved with the appropriation; and
    - the actual expenses or capital expenditure incurred in relation to the appropriation as compared with the expenses or capital expenditure that were appropriated or forecast to be incurred; and
- complies with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards.

Our audit was completed on 31 October 2025. This is the date at which our opinion is expressed.

Emphasis of matter - Inherent uncertainties in the measurement of greenhouse gas emissions

Pharmac has chosen to include a measure of its greenhouse gas (GHG) emissions in its performance information. Without modifying our opinion and considering the public interest in climate change related information, we draw attention to the disclosures on page 38 of the annual report, which outlines the inherent uncertainty in the reported GHG emissions. Quantifying GHG emissions is subject to inherent uncertainty because the scientific knowledge and methodologies to determine the

emissions factors and processes to calculate or estimate quantities of GHG sources are still evolving, as are GHG reporting and assurance standards.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards, the International Standards on Auditing (New Zealand), and New Zealand Auditing Standard 1 (Revised): The Audit of Service Performance Information issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Board for the annual financial statements and the performance information

The preparation of the financial statements and performance information of Pharmac is the responsibility of the Board.

The Board is responsible on behalf of Pharmac for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand. This includes preparing performance information that provides an appropriate and meaningful basis to enable readers to assess what has been achieved for the year.

The Board is responsible for such internal control as it determines is necessary to enable it to prepare annual financial statements, a statement of performance, and the end-of-year performance information for appropriations that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the statement of performance, and the end-of-year performance information for appropriations, the Board is responsible on behalf of Pharmac for assessing Pharmac's ability to continue as a going concern.

The Board's responsibilities arise from the Crown Entities Act 2004 and the Public Finance Act 1989.

Responsibilities of the auditor for the audit of the annual financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the annual financial statements, the statement of performance, and the end-of-year performance information for appropriations, as a whole, are free from material

misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of the annual financial statements, the statement of performance, and the end-of-year performance information for appropriations.

For the budget information reported in the annual financial statements, the statement of performance, and the end-of-year performance information for appropriations, our procedures were limited to checking that the information agreed to Pharmac's statement of performance expectations or to the Estimates of Appropriations for the Government of New Zealand for the year ending 30 June 2025.

We did not evaluate the security and controls over the electronic publication of the annual financial statements, the statement of performance, and the end-of-year performance information for appropriations.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the annual financial statements, the statement of performance, and the end-of-year performance information for appropriations, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Pharmac's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.

- We evaluate whether the statement of performance and the end-of-year performance information for appropriations:

- provide an appropriate and meaningful basis to enable readers to assess the actual performance of Pharmac in relation to the forecast performance of Pharmac for the statement of performance and what has been achieved with the appropriation by Pharmac for the end-of-year performance information for appropriations. We make our evaluation by reference to generally accepted accounting practice in New Zealand; and

- fairly present the actual performance of Pharmac and what has been achieved with the appropriation by Pharmac for the financial year.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board.

- We evaluate the overall presentation, structure and content of the annual financial statements, the statement of performance, and the end-of-year performance information for appropriations, including the disclosures, and whether the annual financial statements, the statement of performance, and the end-of-year performance information for appropriations represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board is responsible for the other information. The other information comprises all of the information included in the annual report, but does not include the annual financial statements, the statement of performance, and the end-of-year performance information for appropriations, and our auditor's report thereon.

Our opinion on the annual financial statements, the statement of performance, and the end-of-year performance information for appropriations does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the annual financial statements, the statement of performance, and the end-of-year performance information for appropriations, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the annual financial statements, the statement of performance, and the end-of-year performance information for appropriations or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material

misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of Pharmac in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests in, Pharmac.

Dumi Rathnadiwakara
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Financial statements

Statement of comprehensive revenue and expense

For the year ended 30 June 2025

	Note	Actual 2025 $000	SPE Budget 2025 $000	Actual 2024 $000
Non-exchange revenue				
Funding from the Crown - Pharmac Operating		31,507	31,507	29,907
Health New Zealand - Operating funding		2,049	2,049	1,006
Funding from the Crown - National Pharmaceuticals Purchasing	2	1,689,634	1,689,634	1,806,211
Exchange revenue; other				
Interest received - Operating		1,235	754	1,399
- Legal Risk Fund		521	380	548
- Other appropriations		16,890	2,216	10,115
Other revenue - Operating		804	-	217
Other revenue - National Pharmaceuticals Purchasing		505	-	22,203
Total revenue		1,743,145	1,726,540	1,871,606
Expenditure				
Operating costs		7,494	8,418	7,427
Personnel costs	3	25,781	26,101	23,598
Audit fees		180	161	181
Depreciation and amortisation costs	8, 9	298	393	327
Director fees	15	192	199	159
Finance costs		-	-	-
Net National Pharmaceuticals Purchasing costs/distributions	2	1,627,320	1,864,346	1,595,013
Implementation projects		343	354	1,306
Legal Risk Fund payments for litigation		27	250	-
Occupancy costs		980	976	917
Total expense		1,662,615	1,901,198	1,628,928
Net surplus/(deficit) for the period		80,530	(174,658)	242,678
Other comprehensive revenue		-	-	-
Total comprehensive revenue and expense		**80,530**	**(174,658)**	**242,678**
Total comprehensive revenue and expense from:				
- Pharmac operations		821	(2,162)	(838)
- National Pharmaceuticals Purchasing		79,709	(172,496)	243,516
Total comprehensive revenue and expense		80,530	(174,658)	242,678

Explanations of significant variances against budget are detailed in note 22.

The accompanying accounting policies and notes form part of these financial statements.

Statement of changes in equity

For the year ended 30 June 2025

	Note	Actual 2025 $000	SPE Budget 2025 $000	Actual 2024 $000
Balance at 1 July		401,301	330,134	158,623
Capital withdrawal		(284,831)	-	-
Total comprehensive revenue and expense		80,530	(174,658)	242,678
Balance at 30 June	4	**197,000**	**155,476**	**401,301**

During 2025 Pharmac returned funds to the Crown for funding that had been received in the 2024 financial year. This was returned as a Capital witdrawal.

Explanations of significant variances against budget are detailed in note 22.
The accompanying accounting policies and notes form part of these financial statements.

Statement of financial position

As at 30 June 2025

	Note	Actual 2025 $000	SPE Budget 2025 $000	Actual 2024 $000
PUBLIC EQUITY				
Contribution capital	4	1,856	1,856	1,856
Retained earnings and reserves	4	185,172	144,121	389,967
Restricted reserves				
Legal Risk Fund	4	9,972	9,499	9,478
TOTAL PUBLIC EQUITY		**197,000**	**155,476**	**401,301**
Represented by:				
Current assets				
Cash and cash equivalents	5	140,942	68,032	348,572
Investments	6	21,600	13,200	16,500
Debtors and other receivables	7	204,614	148,020	194,679
Prepayments		596	200	726
Inventories		59,050	118,623	76,861
GST Receivable		17,860	-	-
Current assets associated with Restricted reserves				
Cash and cash equivalents - Legal Risk Fund	5	579	858	539
Investments - Legal Risk Fund	6	9,300	8,900	8,800
Total current assets		454,541	357,833	646,677
Non-current assets				
Property, plant and equipment	8	473	426	424
Intangible assets	9	-	1,051	-
Total non-current assets		473	1,477	424
Total assets		455,014	359,310	647,101
Current liabilities				
Creditors and other payables	10	255,084	201,806	231,436
Employee entitlements	11	2,602	1,500	2,235
GST payable		-	200	11,801
Total current liabilities		257,686	203,506	245,472
Non-current liabilities				
Make good provision	12	328	328	328
Total liabilities		258,014	203,834	245,800
NET ASSETS		**197,000**	**155,476**	**401,301**

Explanations of significant variances against budget are detailed in note 22.

The accompanying accounting policies and notes form part of these financial statements.

Statement of cash flows

For the year ended 30 June 2025

	Note	Actual 2025 $000	SPE Budget 2025 $000	Actual 2024 $000
CASH FLOWS – OPERATING ACTIVITIES				
Cash was provided from:				
- Operating receipts from the Crown		31,507	31,507	29,907
- National Pharmaceuticals Purchasing receipts from the Crown		1,689,634	1,689,634	1,806,211
- Receipts from pharmaceutical suppliers		946,954	825,441	806,098
- Operating Receipts from Crown Entities		2,049	2,049	1,006
- Interest Operating		1,392	754	1,285
- Interest Legal Risk Fund		541	380	467
- Interest National Pharmaceuticals Purchasing		16,890	2,216	10,115
- Other Operating revenue		804	-	217
- Other National Pharmaceuticals Purchasing revenue		505	-	1,402
- Goods and services tax (net)		-	-	37,512
		2,690,276	2,551,981	2,694,220
Cash was disbursed to:				
- Legal Risk Fund expenses		(27)	(250)	-
- Payments to suppliers and employees		(27,920)	(36,802)	(41,599)
- Payments to Crown Entities - National Pharmaceuticals Purchasing		(2,364,530)	(2,229,729)	(2,230,497)
- Payments to other Entities - National Pharmaceuticals Purchasing		(184,950)	(284,800)	(257,116)
- Goods and services tax (net)		(29,661)	-	-
		(2,607,088)	(2,551,581)	(2,529,212)
Net cash flows from operating activities	13	83,188	400	165,008
CASH FLOWS – INVESTING ACTIVITIES				
- Purchase of property, plant and equipment		(347)	(295)	(281)
- Purchase of intangible assets		-	(1,167)	-
- Proceeds from the redemption of investments		39,500	2,900	35,100
- Purchase of investments		(45,100)	-	(32,600)
Net cash flows from investing activities		(5,947)	1,438	2,219
CASH FLOWS – FINANCING ACTIVITIES				
- Capital withdrawal		(284,831)	-	-
Net cash flows from investing activities		(284,831)	-	-
Net increase/(decrease) in cash		(207,590)	1,838	167,227
Cash at the beginning of the year		349,111	67,052	181,884
Cash at the end of the year	5	141,521	68,890	349,111

The GST (net) component of operating activities reflects the net GST paid and received.

The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes and to be consistent with the presentation basis of the other primary financial statements.

Explanations of significant variances against budget are detailed in note 22.
The accompanying accounting policies and notes form part of these financial statements.

Statement of comprehensive revenue and expense by output class

For the year ended 30 June 2025

	$000	$000	$000	$000	$000
Output Actual 2024/25	**Funding MoH**	**Funding Other**	**Total Revenue**	**Output expenditure**	**Net surplus/ (deficit)**
National Management of Pharmaceuticals	31,507	4,609	36,116	(35,295)	821
National Pharmaceuticals Purchasing	1,689,634	17,395	1,707,029	(1,627,320)	79,709
Total	**1,721,141**	**22,004**	**1,743,145**	**(1,662,615)**	**80,530**

Output SPE Budget 2024/25	**Funding MoH**	**Funding Other**	**Total Revenue**	**Output expenditure**	**Net surplus/ (deficit)**
National Management of Pharmaceuticals	31,507	3,183	34,690	(36,852)	(2,162)
National Pharmaceuticals Purchasing	1,689,634	2,216	1,691,850	(1,864,346)	(172,496)
Total	**1,721,141**	**5,399**	**1,726,540**	**(1,901,198)**	**(174,658)**

Output Actual 2023/24	**Funding MoH**	**Funding Other**	**Total Revenue**	**Output expenditure**	**Net surplus/ (deficit)**
National Management of Pharmaceuticals	29,907	3,170	33,077	(33,915)	(838)
National Pharmaceuticals Purchasing	1,806,211	32,318	1,838,529	(1,595,013)	243,516
Total	**1,836,118**	**35,488**	**1,871,606**	**(1,628,928)**	**242,678**

From 1 July 2023 all funding for COVID-19 related activities is included within the National Pharmaceuticals Purchasing (NPP) appropriation. As a result all NPP and COVID-19 activities have been combined and reported as "National Pharmaceuticals Purchasing" and the 2022/23 comparative has also been combined.

Statement of commitments

As at 30 June 2025

Non-cancellable operating lease commitments

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

	Actual 2025 $000	Actual 2024 $000
Operating commitments approved and contracted		
Rental lease		
Not later than one year	979	979
Later than one year and not later than five years	4,163	4,163
Later than five years and not later than 10 years	520	1,561
Balance at 30 June	**5,662**	**6,703**

Pharmac's rental lease dates back to the 2002/03 financial year and has been the subject of regular variation. During 2020/21, variations were executed to occupy another floor taking total floors to five (four of which are contiguous space). At the end of 2023/24 Pharmac renegotiated the lease and the expiry date is now 31 December 2030. Pharmac has recognised a make good provision of $327,825 (2024: $327,825).

Statement of contingent assets and liabilities

As at 30 June 2025

Pharmac has no contingent assets as at 30 June 2025 (2024: $nil).

Pharmac has no contingent liabilities as at 30 June 2025 (2024: $nil).

Explanations of significant variances against budget are detailed in note 22.
The accompanying accounting policies and notes form part of these financial statements.

Note 1: Statement of Accounting Policies

Reporting entity

Pharmaceutical Management Agency (Pharmac) is a Crown entity as defined in the Crown Entities Act 2004 and is domiciled and operates in New Zealand. Pharmac acts as an agent of the Crown for the purpose of meeting its obligations in relation to the operation and development of a national Pharmaceutical Schedule.

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

The financial statements of Pharmac are for the year ended 30 June 2025. The financial statements were approved by the Board of Pharmac on 31 October 2025.

Basis of preparation

The financial statements of Pharmac 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 of Pharmac have been prepared in accordance with the requirements of the Crown Entities Act 2004 and the New Zealand Public Health and Disability Act 2000, 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 financial reporting standards, which have been applied consistently throughout the period, and complies with PBE financial reporting 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).

Standards issued and not yet effective and not early adopted

There are no standards and amendments issued but not yet effective and not early adopted.

Changes in accounting standards

Disclosure of fees for Audit Firms' Services (Amendments to PBE IPSAS 1)

Amendments to PBE IPSAS 1 Presentation of Financial Reports change the required disclosures for fees relating to services provided by the audit or review provider, including a requirement to disaggregate the fees into specified categories. The amendments to PBE IPSAS 1 aim to address concerns about quality and consistency of disclosures an entity provides about fees paid to its audit or review firm for different types of services. The enhanced disclosures are expected to improve the transparency and consistency of disclosures about fees paid to an entity's audit or review firm. This is effective for the year ended 30 June 2025.

Summary of Significant Accounting Policies

Significant accounting policies are included in the notes to which they relate. Significant accounting policies that do not relate to a specific note are outlined below.

Revenue

Funding from the Crown

Pharmac is primarily funded by the Crown. This funding is restricted in its use for the purpose of Pharmac meeting the objectives specified in its founding legislation and 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 to be 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.

Interest revenue

Interest revenue is recognised using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at 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 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 amount of the receivable and the present value of the amounts expected to be collected.

Investments

Investments in bank term deposits are initially measured at the amount invested.

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

Inventory

Inventories are measured at the lower of cost and current replacement cost. Cost is determined using the first-in, first-out (FIFO) method and includes all costs of purchase, import duties, and other costs incurred in bringing the inventories to their present location and condition.

Inventories held for distribution or consumption in the provision of services are measured at cost, adjusted when applicable for any loss of service potential. Inventories acquired through non-exchange transactions are measured at their fair value at the date of acquisition.

When inventories are distributed or consumed, the carrying amount is recognised as an expense. Any write-down resulting from a loss of service potential is recognised in the surplus or deficit in the period in which the loss occur.

Property, plant and equipment

Property, plant, and equipment consist of leasehold improvements, Electronic data processing (EDP) equipment, and furniture and office equipment, and 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 comprehensive revenue and expense.

Additions

The cost of an item 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 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 disposal 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 - 5 years	20% - 40%
Furniture and fittings	5 years	20%

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is shorter.

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 licences are capitalised on the basis of 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 by Pharmac 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.

For computer software (the only identified intangible asset), the useful life is estimated as 2–5 years with a corresponding depreciation rate of 20%–50%.

Payables

Short-term payables are recorded at their fair 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 to date but not yet taken at balance date. 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 for contributions to KiwiSaver and the 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 where 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 risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in 'finance costs'.

Equity

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- contribution capital
- retained earnings and reserves
- Hospital Discretionary Pharmaceutical Fund
- Legal Risk Fund
- Medical Devices Reserve.

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 input tax, 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 financial position.

The net GST that is 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 cash flows.

Commitments and contingencies are disclosed exclusive of GST.

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.

Budget figures

The budget figures are derived from the Statement of Performance Expectations as approved by the Board at the beginning of the financial year. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Board in preparing these financial statements.

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.

Critical judgements in applying Pharmac's accounting policies

The Minister of Health determined that the level of the Medicines Budget for 2024/25 would be $1,690 million.

The Medicines Budget comprises Government expenditure for community medicines, vaccines, hemophilia treatments and related products, some health products provided in the community settings (such as nicotine replacement therapies), and spending on all medicines that are administered in public hospitals.

Additionally, Pharmac negotiates rebates with pharmaceutical companies that are collected as an offset of medicine costs incurred in the New Zealand Health Sector.

Pharmac has assessed it is acting as principal in relation to NPP funding received from the Ministry of Health and related transactions including rebates. This is considered a significant accounting policy judgement, as it has a significant impact on Pharmac's financial statements and reported results.

Note 2: National Pharmaceutical Purchasing (NPP) Activities

	Actual 2025 $000	Actual 2024 $000
Revenue received (from the Ministry of Health)		
- National Pharmaceuticals Purchasing	1,689,634	1,806,211
Total NPP revenue	1,689,634	1,806,211
NPP costs/distributions	2,584,138	2,436,402
less Rebate recoveries from pharmaceutical suppliers	(956,818)	(841,389)
Net NPP costs/distributions	1,627,320	1,595,013
Total NPP operational surplus	62,314	211,198
Interest revenue - NPP	16,890	10,115
Other revenue - NPP	505	22,203
Total NPP surplus	**79,709**	**243,516**

Pharmac is responsible for the National Pharmaceuticals Purchasing Appropriation. This is for the provision of Community Pharmacy Claims, Pharmaceutical Cancer Treatments, Haemophilia products, Hospital Medicines, Hepatitis C treatments, all Pharmac subsidised Vaccines and other direct expenses.

A total of $1,689.634 million (2024 $1,806.211 million) has been received by Pharmac for the National Pharmaceuticals Purchasing Appropriation and has been recognised by Pharmac as Crown revenue in 2024/25.

Rebate recoveries are offset against gross expenditure as expenses are incurred.

Closing inventory balances		
Non-COVID-19 Vaccines inventory	26,231	38,100
COVID-19 Vaccines inventory	11,710	21,958
COVID-19 Treatments inventory	21,109	16,803
Total inventory	**59,050**	**76,861**

$59.050 million of inventory was held at 30 June (2024: $76.861 million). A total of $184.921 million of inventory has been expensed in the 2025 financial year (2024: $270.677 million). Included within the values expensed there have been $12.539 million write-downs in the 2025 financial year (2024: $13.083 million) as a result of expiry of the vaccines or treatments.

Inventory movements		
Opening inventory balances	76,861	122,313
Purchases	167,110	225,225
Expensed	(172,382)	(257,594)
Write-downs and adjustments	(12,539)	(13,083)
Total inventory	**59,050**	**76,861**

Critical accounting estimate - Pharmac accrues National Pharmaceuticals Purchasing expenditure as at 30 June, $235.132 million (2024: $219.908 million). This is due to the delayed receipt of distributions made by community pharmaceuticals. The estimate of expenditure incurred but not yet received is made on each funded pharmaceutical and is based on actual National Pharmaceuticals Purchasing expenditure incurred in the year to date and historical dispensing information.

Note 3: Personnel costs

	Actual 2025 $000	Actual 2024 $000
Salaries and related costs	24,633	22,312
Employer contributions to defined contribution plans	634	560
Other personnel costs	514	726
Total personnel costs	**25,781**	**23,598**

Employer contributions to defined contribution plans include contributions to the State Sector Retirement Savings Scheme and KiwiSaver.

Note 4: Public equity

	Actual 2025 $000	Actual 2024 $000
CONTRIBUTION CAPITAL		
Balance at 1 July	1,856	1,856
Balance at 30 June	**1,856**	**1,856**
RETAINED EARNINGS AND RESERVES		
Balance at 1 July	389,967	141,341
Net surplus	80,530	242,678
Capital withdrawal	(284,831)	-
Net transfer from/(to) HDPF	-	5,061
Net transfer from/(to) Legal Risk fund	(494)	(548)
Net transfer from/(to) Medical Devices reserve	-	1,435
Balance at 30 June	**185,172**	**389,967**
HDPF		
Balance at 1 July	-	5,061
Less: Balance transferred from/(to) retained earnings	-	(5,061)
Balance at 30 June	**-**	**-**
LEGAL RISK FUND		
Balance at 1 July	9,478	8,930
Add: Interest received transferred from/(to) retained earnings	521	548
Less: Litigation expenses transferred from/(to) retained earnings	(27)	-
Balance at 30 June	**9,972**	**9,478**
MEDICAL DEVICES RESERVE		
Balance at 1 July	-	1,435
Less: Devices expenses transferred from/(to) retained earnings	-	(236)
Less: Balance transferred from/(to) retained earnings	-	(1,199)
Balance at 30 June	**-**	**-**
TOTAL PUBLIC EQUITY	**197,000**	**401,301**

Note 5: Cash and cash equivalents

	Actual 2025 $000	Actual 2024 $000
Pharmac funds	5,071	2,623
Appropriation funds	135,871	345,949
Legal Risk Fund/HDPF (Restricted)	579	539
Total Cash and cash equivalents	**141,521**	**349,111**

Note 6: Investments

	Actual 2025 $000	Actual 2024 $000
Term deposits - Pharmac	21,600	16,500
Term deposits - Legal Risk Fund	9,300	8,800
Total Investments	**30,900**	**25,300**

There is no impairment provision for investments.
The carrying amounts of term deposits with maturities of less than 12 months approximates their fair value.

Note 7: Debtors and other receivables

The carrying value of receivables approximates their fair value. Receivables are non-interest bearing and generally on 30 day terms.

	2025			2024		
	Gross $000	Impairment $000	Net $000	Gross $000	Impairment $000	Net $000
Not past due	180,168	-	180,168	192,395	-	192,395
Past due 30-60 days	4,298	-	4,298	-	-	-
Past due 61-90 days	60	-	60	179	-	179
Past due > 90 days	20,088	-	20,088	2,105	-	2,105
Total	**204,614**	**-**	**204,614**	**194,679**	**-**	**194,679**

All receivables greater than 30-days in age are considered to be past due.

Note 8: Property, plant and equipment

	Cost at beginning of the year $000	Additions during the year $000	Disposals during the year $000	Accumulated depreciation beginning of the year $000	Depreciation for the year $000	Elimination on disposals $000	Net Carrying Amount as at 30 June $000
2024							
Furniture and fittings	672	48	-	494	80	-	146
EDP equipment	1,603	231	-	1,462	144	-	228
Office equipment	111	2	-	102	4	-	7
Leasehold improvements	1,602	-	-	1,460	99	-	43
Total PPE	**3,988**	**281**	**-**	**3,518**	**327**	**-**	**424**
2025							
Furniture and fittings	720	10	-	574	76	-	80
EDP equipment	1,834	312	-	1,606	192	-	348
Office equipment	113	25	-	106	4	-	28
Leasehold improvements	1,602	-	-	1,559	26	-	17
Total PPE	**4,269**	**347**	**-**	**3,845**	**298**	**-**	**473**

Note 9: Intangible assets

	Cost at beginning of the year $000	Additions during the year $000	Disposals during the year $000	Accumulated amortisation beginning of the year $000	Amortisation for the year $000	Elimination on disposals $000	Net Carrying Amount as at 30 June $000
2024							
Total Intangible assets	**557**	**-**	**-**	**557**	**-**	**-**	**-**
2025							
Total Intangible assets	**557**	**-**	**-**	**557**	**-**	**-**	**-**

Note 10: Creditors and other payables

	Actual 2025 $000	Actual 2024 $000
Creditors	253	10,503
Accrued expenses	254,831	220,933
Total creditors and other payables	**255,084**	**231,436**

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms. Accrued expenses predominantly relate to payable to Health New Zealand that will vary depending on timing of claims from pharmacies. A total of $235.132 million has been accrued for the 2025 financial year (2024: $218.281 million).

The carrying value of creditors and other payables approximates their fair value.

Note 11: Employee entitlements

	Actual 2025 $000	Actual 2024 $000
Annual leave entitlement	1,505	1,335
Accrued salaries and wages	1,097	900
Total employee entitlements	**2,602**	**2,235**

Note 12: Provisions

	Actual 2025 $000	Actual 2024 $000
Non-current provisions are represented by:		
Lease make good	328	328
Total non-current provisions	**328**	**328**
Movement for "make good" provision		
Balance at 1 July	328	328
Balance at 30 June	**328**	**328**

Pharmac has a rental lease on five floors of the current premises at Mercer Street in Wellington. At the end of 2023/24 Pharmac renegotiated the lease and the expiry date is now 31 December 2030. Upon vacation Pharmac has recognised a make good provision for returning the floors to a vacant possession state.

Note 13: Reconciliation of the net surplus from operations with the net cash flows from operating activities

	Actual 2025 $000	Actual 2024 $000
Net surplus	80,530	242,678
Add non-cash items:		
Depreciation and amortisation	298	327
Total non-cash items	298	327
Add/(less) movements in working capital items:		
Decrease/(increase) in debtors and other receivables	(9,935)	(35,646)
Decrease/(increase) in prepayments	130	(522)
Decrease/(increase) in inventory	17,811	45,452
Increase/(decrease) in creditors and other payables	23,648	(124,983)
Increase/(decrease) in employee entitlements	367	190
Decrease/(increase) in net GST	(29,661)	37,512
Net movements in working capital	2,360	(77,997)
Net cash flows from operating activities	**83,188**	**165,008**

Note 14: Related party transactions

Pharmac is a wholly owned entity of the Crown. Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect Pharmac would have adopted in dealing with the party at arm's length in the same circumstances. Further, transactions with other government agencies (for example, government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

Key management personnel compensation	Actual 2025	Actual 2024
Board members		
Remuneration	$ 191,563	$ 159,133
Full-time equivalent members	5.50	5.51
Leadership team		
Remuneration	$ 3,193,722	$ 2,656,118
Full-time equivalent members	7.75	7.90
Total key management personnel compensation	**$ 3,385,284**	**$ 2,815,252**
Total full-time equivalent members	**13.25**	**13.41**

The full-time equivalent for Board members has been determined based on the number of Board members appointed for the financial year.

Note 15: Director fees

The total value of remuneration paid or payable to each Board and committee member during the year was:

Member	Fees	
	2025 $000	2024 $000
Hon Paula Bennett (Chair)	56	4
Dr Peter Bramley (Deputy Chair)	35	39
Talia Anderson-Town	30	24
Anna Adams	11	-
Lucy Elwood	11	-
Dr Margaret Wilsher	28	24
Dr Anthony Jordan	2	24
Dr Diana Siew	20	24
Hon Steve Maharey (Chair)	-	20
Total Director fees	**192**	**159**

There have been payments of $594,380 (2024: $626,638) made to committee members appointed by the Director-General of Health or the Board who are not Board members during the financial year. Details can be found in Appendix One of this Annual Report.

Pharmac has provided a deed of indemnity to Directors for certain activities undertaken in the performance of Pharmac's functions.

Pharmac has taken out Directors' and Officers' Liability and Professional Indemnity insurance cover during the financial year in respect of the liability or costs of Board members and employees.

No Board members or committee members received compensation or other benefits in relation to cessation (2024: $nil).

Note 16: Employee remuneration

Total remuneration paid or payable	Actual	
$000	2025	2024
100 - 110	24	21
110 - 120	15	12
120 - 130	15	12
130 - 140	11	18
140 - 150	18	11
150 - 160	9	7
160 - 170	4	2
170 - 180	6	4
180 - 190	2	2
190 - 200	2	4
200 - 210	3	1
210 - 220	1	-
220 - 230	-	1
230 - 240	-	1
240 - 250	1	1
250 - 260	1	1
280 - 290	-	1
290 - 300	-	2
310 - 320	2	-
320 - 330	1	1
330 - 340	1	1
340 - 350	-	1
350 - 360	2	-
490 - 500	-	1
530 - 540	1	-

Note 17: Events after the balance date

There are no post-balance-date events.

Note 18: Financial instrument risks

Pharmac's activities expose it to a variety of financial instrument risks, including market risk, credit risk, and liquid risk. Pharmac has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

Credit risk

Credit risk is the risk that a third party will default on its obligation to Pharmac, causing Pharmac to incur a loss. Due to the timing of its cash inflows and outflows, Pharmac invests surplus cash with registered banks.

Pharmac does not have a significant concentration of credit risk.

Note 18: Financial instrument risks (continued)

Liquidity risk
Liquidity risk is the risk that Pharmac will encounter difficulty raising liquid funds to meet commitments as they fall due.

In meeting its liquidity requirements, Pharmac closely monitors its forecast cash requirements. The table below analyses Pharmac's financial liabilities that will be settled based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	2025 Less than 6 months $000	2024 Less than 6 months $000
Creditors and other payables	**255,084**	**231,436**

Fair value
The carrying amounts of financial instruments as disclosed in the financial statements at 30 June 2025 and 30 June 2024 approximate their fair values as shown in note 10.

Note 19: Categories of financial instruments

Credit quality of financial assets
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit rating.

Counterparties with credit ratings	Actual 2025 $000	Actual 2024 $000
Cash at bank and term deposits		
AA-	160,421	364,611
A+	-	-
A	12,000	9,800
Total cash at bank and term deposits	**172,421**	**374,411**
Receivables		
Debtors and other receivables	204,614	194,679
Total receivables	**204,614**	**194,679**

Note 20: Capital management

Pharmac's capital is its equity, which comprises accumulated funds and other reserves. Equity is represented by net assets.

Pharmac is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which imposes restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities, and the use of derivatives.

Pharmac manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities, investments and general financial dealings to ensure Pharmac effectively achieves its objectives and purpose, while remaining a going concern.

Pharmac is currently exempt from the imposition of the Crown's capital charge.

Note 21: Cessation payments

This information is presented in accordance with section 152(1)(d) of the Crown Entities Act 2004. During the year ended 30 June 2025, one (2024: nil) employee received compensation and other benefits in relation to cessation totalling $357,058 (2024: $nil).

Note 22: Explanation of major variances against budget

Explanations of major variances from Pharmac's estimated figures in the Statement of Performance Expectations (SPE) are as follows:

Statement of comprehensive revenue and expense
Revenue is higher than budget by $16.6 million. This is predominantly due to higher levels of interest revenue from larger cash holdings than originally expected and interest rates that were higher than what had been budgeted.

Total expenses were $238.6 million lower than budget. This was mainly a result of lower expenditure on COVID Vaccines and Treatments within the National Pharmaceuticals Purchasing Appropriation as well as lower reductions to inventory levels than expected. When the budget was prepared, it was expected that a larger opening value of COVID Vaccines would be held and then would have been dispensed during the year. The large opening levels never eventuated. Rebate recoveries were higher than expected that enabled a higher level of investment in medicines. Operating costs were $1.6 million lower than budget from generally lower expenditure than expected.

The net surplus for the year ended 30 June 2025 of $80.5 million is $255.2 million higher than the SPE budgeted (deficit) of ($174.7) million.

Statement of financial position
The major changes in the statement of financial position relate to additional cash and other cash equivalents of $72.9 million more than budget from lower levels of expenditure than expected.

There is also additional debtors and other receivables of $56.6 million more than budget from wash-ups issued but unpaid as at balance date. Also GST is receivable at balance date at $17.8 million. These increases are offset, in part, by the reduction to inventory holdings of $59.6 million and additional creditors and other payables, principally relating to amounts payable to Health New Zealand of $53.3 million.

The increase in public equity of $41.5 million reflects the movements described above.

Appendix one

Fees paid for expert advice 2024/25

Committee Member	Remuneration / Fees ($)	Committee Member	Remuneration/ Fees ($)	Committee Member	Remuneration/ Fees ($)
Anderson	7,702	Jennings	4,250	Pihema	9,403
Babington	12,063	Johnson	4,657	Poot	3,500
Baker	205	Joseph	250	Purvis	103
Bartley	1,435	Kalolo	1,746	Rademaker	1,328
Best	1,243	Khan	2,600	Randall	3,262
Bissett	300	Kilfoyle	1,143	Raymond	2,413
Brake	13,399	King	8,357	Rivalland	2,000
Braund	36,899	Lack (Crayton)	25,248	Roberts	1,542
Briggs	2,300	Le Fevre	14,244	Robinson	2,400
Buchanan	5,120	Leo	1,537	Sadleir	5,068
Buckley	77	Loft	6,908	Savell	3,075
Campbell	6,304	Lund	103	Schnakenberg	442
Cheng	1,613	Lunt	615	Sims	2,973
Chisnall	1,559	M wilson	7,348	Smallman	684
Christmas	1,608	Mackenzie	2,076	Smit	5,060
Copeland	623	Mansoor	390	Stanfield	1,076
Dalton	2,050	Manuel	20,409	Stephenson	769
Dalusong	615	Mathavan	11,685	Stokes	2,458
Davis	1,807	Mclachlan	178	Strother	31,154
Dawes	12,608	Mclean-Orsborn	11,180	Swarbrick	1,333
Dennett	25,783	McMinn	1,384	Sycamore	1,296
Duffy	1,800	McNamara	513	Teague	12,587
E Wilson	1,076	Medlicott	308	Timmings	8,725
Edward	1,795	Menkes	359	Topia	7,676
Evans	25,779	Merriman	103	Travers	5,650
Frampton	3,785	Messenger	3,690	Turner	2,614
Giles	400	Minhinnick	948	Ussher	2,358
Glamuzina	6,025	Morepeth	1,800	Vaka	1,119
Gunn	7,633	Mottershead	31,057	Verheijen	2,613
Hanna	666	Munn	48,264	Vroegop	5,172
Heal	2,410	Murdoch	7,111	W Taylor	611
Hemmings	1,272	Murphy	1,202	W Thomas	825
Hina	4,312	Neas	3,000	Walls	1,918
Hoare	615	Newton- Howes	871	Welman	572
Humberstone	1,128	Ockelford	11,794	Whatson	461
Isaacs	3,793	Ole	1,025	Whittaker	3,358
J Thomas	13,793	Palmer	666	Wiltshire	401
Janfrie	615	Paterson	1,560	Wong	283
Jefferies	203	Pidgeon	3,004	Yardley	154
Total					594,380