

PHARMAC

E.59

Statement of Performance Expectations

2026/27



PHARMAC
TE PĀTAKA WHAIORANGA

Board Statement

The Board certifies that the information contained in this Statement of Performance Expectations reflects the operations and prospective financial statements, including the appropriateness of the underlying assumptions, of Pharmac for the period 1 July 2026 to 30 June 2027.

In signing this statement we acknowledge our responsibility for the prospective financial statements contained in this Statement of Performance Expectations.

Signed on behalf of the Board.



Hon Paula Bennett
Chair
July 2026



Dr Peter Bramley
Deputy Chair
July 2026

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What we do

Ō mātou mahi

Pharmac is New Zealand's government agency responsible for deciding which medicines, vaccines, medical devices and related products are publicly funded and how they are managed to deliver the greatest health benefit for New Zealanders.

Ensuring that New Zealanders have timely and equitable access to these essential medicines and health technologies, is one of the main ways that Pharmac contributes to improved wellbeing and quality of life for all.

We do this through the value assessment of medicines and health technologies - integrating patient and whānau voice, expert advice, clinical benefit, equity implications, budget impact, cost-effectiveness, and implementation considerations to inform decision-making.

For medicines, vaccines, some community medical devices and related products, Pharmac holds the national budget and makes funding decisions that determine which treatments are publicly funded. Each year, Pharmac invests in new treatments and widens access to treatments that are already funded.

Pharmac plays a central role in the national management of hospital medical devices, working in partnership with Health New Zealand, to deliver system-wide benefits from a more coordinated, consistent and equitable system.

We work closely with suppliers and the health system to ensure medicines, vaccines, medical devices and related products are available nationwide.

Our work focusses on what works, what offers good value, and how these products will help the people who need them.

Through our work with medicines, vaccines, medical devices and related products, we are building on strong foundations and working together for a healthier future for whānau and communities.

We invest in medicines, vaccines and medical devices for all New Zealanders

We manage New Zealand's fixed medicines budget, which involves investment in new medicines as well as securing savings which are all used for reinvestment in funded medicines. We also are responsible for the stewardship of the Pharmaceutical Schedule. The Schedule lists all Government-funded medicines and related products and includes the hospital medical devices Pharmac is responsible for. Health New Zealand manages the budget for these devices.

We decide which medicines, vaccines, medical devices and related products are available to New Zealanders, so these are affordable and easy to access.

We fund treatments for people with exceptional circumstances

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

We promote wellbeing by ensuring access to vaccines nationwide

The Vaccination programme is one area where Pharmac plays a major role in preventing the transmission of illness from starting or spreading in our communities. We manage the funding, purchasing and distribution of most government funded vaccines.

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

We promote treatments being used in the right way

We promote the responsible use of medicines, vaccines and related products. 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.

Work with Health New Zealand on hospital medical devices

Pharmac and Health New Zealand are working together to strengthen a more coordinated, transparent and value-driven national approach to hospital medical device evaluation and procurement. In September 2025, the Government announced changes to how hospital medical devices are procured. Under this joint approach, Pharmac and Health New Zealand share responsibility, with each organisation focusing on the areas that best align with its expertise and capabilities. This supports better decision-making across the system, unlocking value from New Zealand's investment in medical devices and improving consistency, fairness and outcomes for patients over time.

We also work together under an agreed framework for Pharmac to deliver a range of independent Health Technology Assessments (HTA) for hospital medical devices. These assessments support fair, evidence-based and nationally consistent adoption and investment decisions.

Our funding for 2026/27

Pharmac manages New Zealand's medicines budget¹ which is \$1.806 billion for 2026/27.

The medicines budget comprises:

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

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

Hospital medical devices are funded by Government separately. Health New Zealand is the funding authority for hospital medical devices, with decisions informed by agreed priorities and evidence-based advice from Pharmac.

Alignment with Government health priorities

The Government Policy Statement on Health 2024-2027 (GPS) reflects the Government's long-term vision to achieve longer life expectancy and improved quality of life for all people eligible for publicly funded health services in New Zealand. The Government is focused on achieving timely access to quality health care, for both mental and physical health.

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

¹ Previously referred to as the Combined Pharmaceutical Budget.

2026/27 Letter of Expectations

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

This Statement of Performance Expectations is guided by the Associate Minister of Health's 2026/27 Letter of Expectations. Expectations for 2026/27 are themed under three key headings and build on the Minister's 2025/26 Letter of Expectations²:

Improving access to medicines and medical technology:

- Evaluating and evolving the different roles Pharmac undertakes in relation to health technology assessment (HTA) and procurement to ensure they are fit-for-purpose and clear. This could include considering different advice and assessment pathways to improve timeliness.
- Updating Pharmac's assessment methodologies and approach, including:
 - the wider fiscal impacts to the Government of funding medicines and medical devices, and how you consider societal impacts. This could include a review of the Factors for Consideration.
 - embedding appropriate processes for ensuring that those living with a disease, their carers, and their family, can participate and provide input into the decision-making processes.
 - completing a review of the Exceptional Circumstances Framework including improvements to the Named Patient Pharmaceutical Assessment (NPPA) process.
- Working with the Ministry of Health, Health New Zealand and the Social Investment Agency to use Statistics NZ Integrated Data Infrastructure (IDI) to progress work on how to measure and monitor health services impact as well as wider fiscal and societal impacts of Pharmac's funding decisions.
- Pharmac making budget requests to me as its responsible Minister, in a manner which maintains independence but supports additional investment. This could include exploring with stakeholders different methods for funding medicines.

Building productive partnerships:

- Prioritising improvements in the timeliness of assessment and decision-making. I expect you to continue working on the reporting of timelines and results publicly. This should include:
 - clear timeline targets for the advice and assessment process.
 - efforts to increase transparency through the timely publication of meeting and decision records.
- Partnership and engagement work being strengthened to ensure all stakeholders understand what Pharmac does and how it works. This should include identifying opportunities for collaboration including:

² <https://www.pharmac.govt.nz/news-and-resources/publications/corporate-publications/letter-of-expectations>

- continuing to use appropriate stakeholder advisory groups (e.g. the Supplier Advisory Panel).
 - reviewing how the Pharmac Board receives consumer advice and the role of the Consumer Advisory Committee.
 - continuing to support the implementation of the Rare Disorders Strategy.
 - supporting government and non-government initiatives in relation to genomics, as required.
- Partnering with government and non-government stakeholders, including the medicines and medical devices industries, to consider opportunities to improve horizon scanning, support funding and planning for emerging technologies, and ultimately deliver better health outcomes. This could include work to identify:
 - joint horizon scanning opportunities for industry to share their pipeline of upcoming medical technologies.
 - opportunities for early engagement prior to submission to identify any evidential or implementation issues.

Continuous improvement of organisational culture and capability

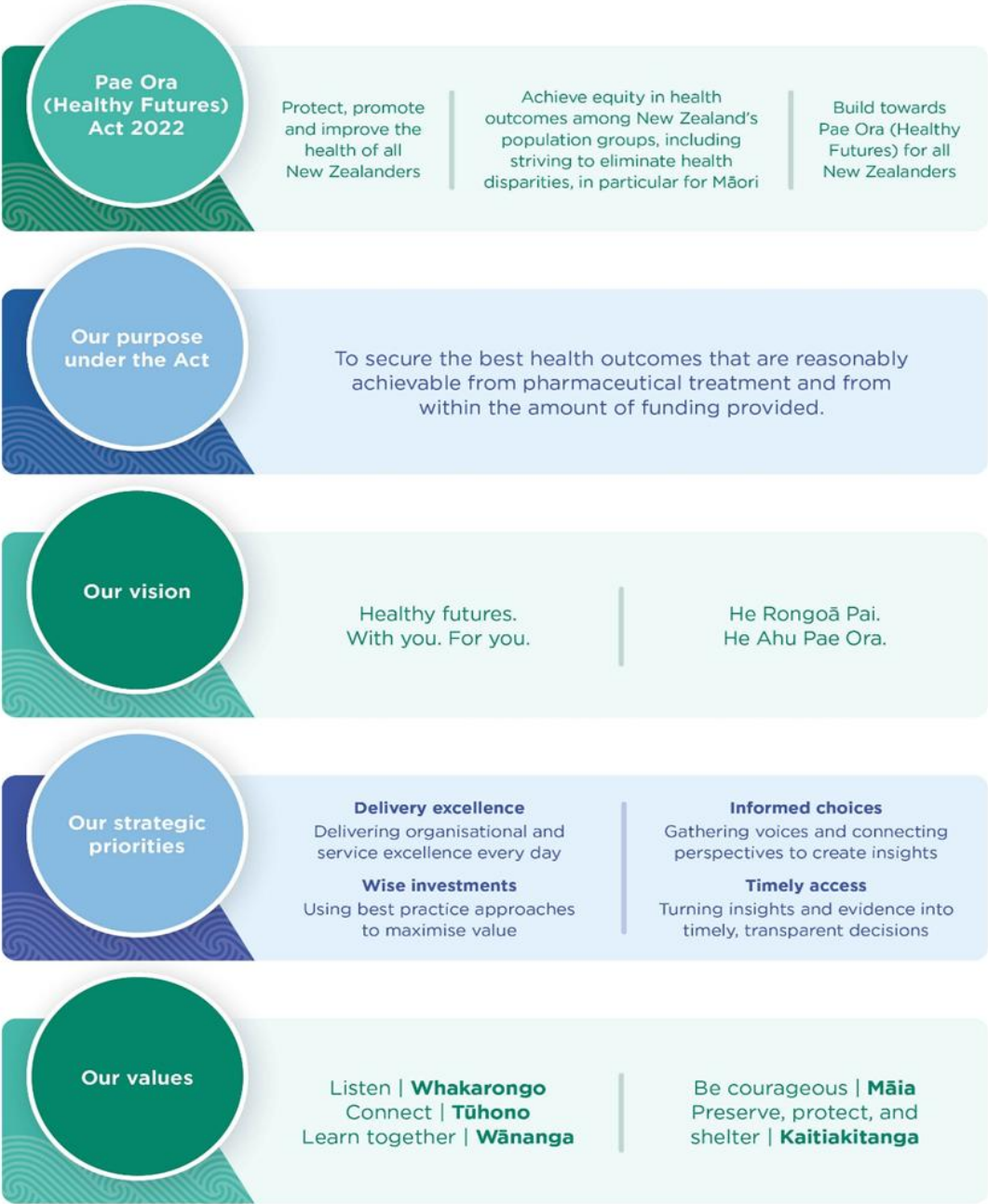
- Investing in data and digital infrastructure to enhance core functions, and improve decision-making, collaboration, efficiency and transparency. This includes for example:
 - considering the use of artificial intelligence to support analytics, reporting, and decision-support across core functions.
 - the delivery of a new modernised Pharmaceuticals Schedule technology solution which integrates with Health New Zealand's Health Sector Agreements and Payments (HSAAP) infrastructure.
 - supporting the Ministry of Health and Health New Zealand to re-establish reporting of health and disability system expenditure to the OECD.
- Continuing to contribute to the Government's health priorities including:
 - the Government Policy Statement on Health 2024-2027.
 - national health targets.
 - New Zealand Health Plan and associated Pae Ora (Healthy Futures) strategies.
- Giving effect to the Cabinet Circular (24) 5: *Needs-based Service Provision*, to meet the Government's expectations for how the targeting, commissioning and design of public services should be based on the needs of all New Zealanders.
- Delivering on the letter of expectations from the Minister of Health and myself dated 22 September 2025 in relation to medical device evaluation and procurement.

Our strategic framework

Tō mātou anga rautaki

Our strategic framework sets out our vision, strategic priorities and values and shows how our work contributes to the Government’s priorities and objectives for the health system.

Strategic framework



Our vision

Tō mātou whakakitenga

**Healthier futures.
With you. For you.**

**He rongōā pai,
He ahu pae ora.**

Delivering medicines and health technologies people need

Our vision shows Pharmac’s commitment to helping improve the health of everyone in New Zealand. We do this by making sure people can get the medicines and health technologies that really make a difference in their lives.

“With You” means we listen and work closely with patients, whānau, health professionals, suppliers, and others across the health system so we can understand what people need and make better informed decisions together.

“For You” means we focus on making sure people can access effective medicines and health technologies in a fair and sustainable way. We use evidence, people’s lived experiences, commercial expertise, and careful management of public funds to deliver the best possible health outcomes.

Pharmac helps create a healthier future by bringing together insights, research, commercial skills, and strong partnerships across the health system. This helps ensure people can access the medicines and health technologies they need now and in the future. By being transparent in how we make decisions, using best practice approaches, and committing to service excellence, we help build a health system where people can trust that the medicines and health technologies are carefully chosen, fairly managed, and designed to benefit everyone.

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:



Listen | Whakarongo

We listen with intent and empathy to understand.

Āta whakarongo kia puaki te ngākau aroha.



Connect | Tūhono

We connect with people, communities, the health system, and each other.

Kōtuitui kia piri, tūhono kia whakatatū te ara tika.



Learn together | Wānanga

We draw on evidence and people's experiences to improve.

Ma te māhirahira ka whāwhāki te māramatanga.



Be courageous | Māia

We challenge ourselves.

Tū te ihiihi, tū te wanawana, tū te wehiwehi.



Preserve, protect, and shelter our future | Kaitiakitanga

We safeguard wellbeing for New Zealanders, now and for the future.

Hāpaitia te mana tangata hei whāriki mō ngā uri whakatipu.

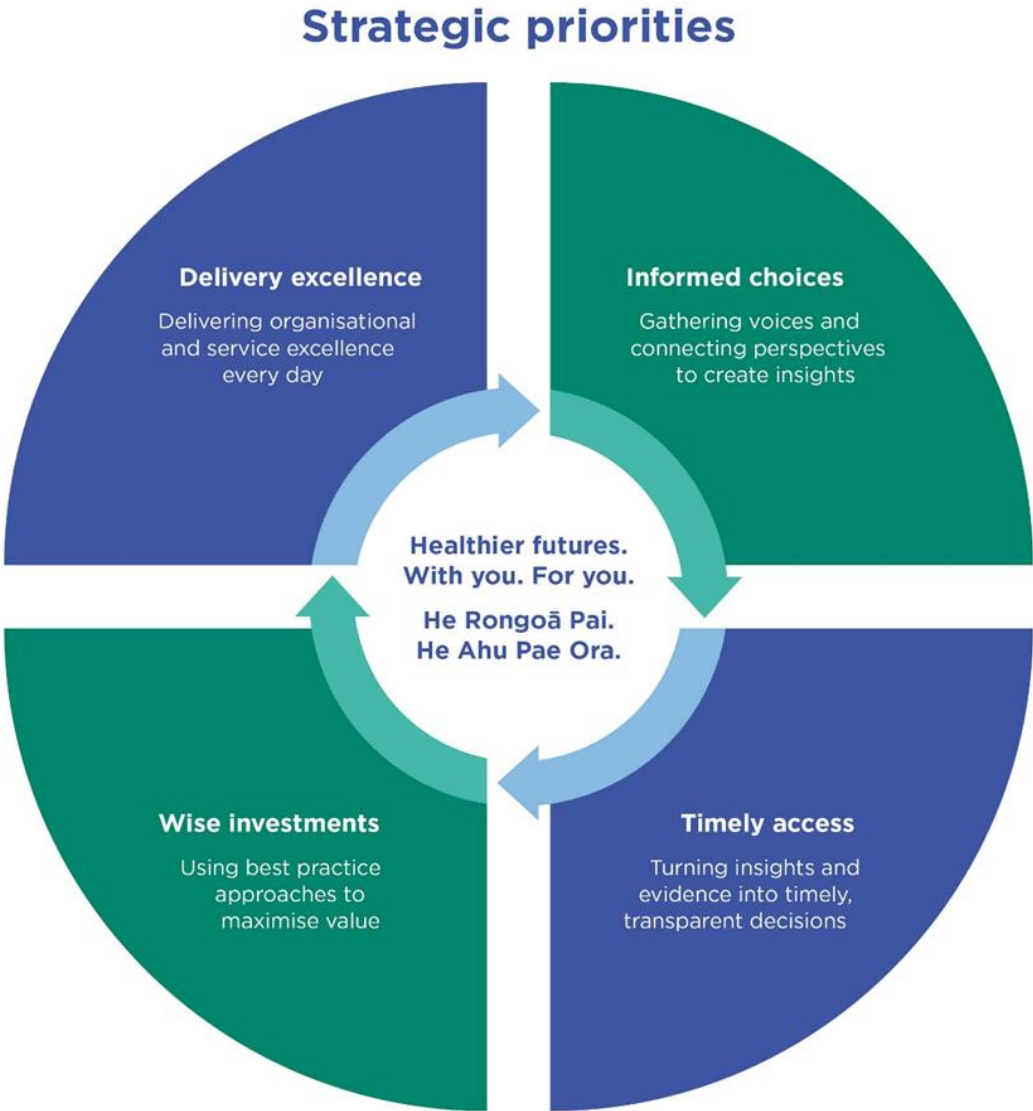
Our strategic priorities

Ā mātou whāinga matua

Our current strategy, as outlined in our Statement of Intent, is built around two fundamental elements:

- improving how we manage and invest in medicines and maximise value for medical devices in a timely and transparent way
- working together to be a more outward-focused, collaborative, and transparent organisation that values and actively engages with patients, consumers and stakeholders

To deliver improvements across our work we have four strategic priorities below.



Informed choices

He kōwhiringa i runga i te mōhio

'Gathering voices and connecting perspectives to create insights'

Good health technology assessment draws on many perspectives. We bring together lived experience, clinical expertise, research evidence, cultural and social insights, and health system priorities. By hearing from patients, whānau, clinicians, researchers, communities, and decision-makers early and respectfully, we build a balanced understanding of what matters most. Combining these insights helps support decisions that are fair, trusted, deliver value and improve health outcomes for all New Zealanders.

We will know we are successful when:

- Partners and stakeholders (consumers, suppliers, health professionals, health system and sector partners) experience Pharmac as a trusted specialist partner. Transparent in how we work, empathetic in how we engage, responsive to needs, and inclusive of diverse voices and perspectives.
- Formal partnerships support meaningful co-design and lived-experience input – shaping our assessments, decisions and processes for medicines and health technologies.
- Expert advice is robust, informed by evidence and published quickly, drawing on diverse expertise, and is clearly reflected in decisions.
- Insights from engagement and evidence are systematically captured and analysed, and are actively fed into strategy, assessment and decision-making.
- Enquiries and information requests are handled quickly, consistently and in a respectful way, with clear communication and feedback that closes the loop and builds understanding and trust.

What we will focus on in 2026/27

- Strengthen partnerships and participation across our work.
- Review how we seek, receive and use expert advice, including lived experience.
- Update our assessment processes to consider wider societal impacts.
- Embed joint leadership with Health New Zealand for hospital medical devices.
- Complete a review of Pharmac's consumer advisory function to make sure it is fit-for-purpose and implement changes as required.
- Strengthen horizon scanning across Pharmac.
- Ensure our communications are transparent, respectful, and empathetic.

Timely access

Te āhei ā-wā

'Turning insights and evidence into timely, transparent decisions'

Timeliness matters because medicines and health technologies can have a major impact on people's health, and delays can affect lives. Good decisions about medicines and health technologies rely on bringing together many types of information in a clear and purposeful way. Our job is to take complex information - such as clinical data and insights, economic analysis, people's expert advice and lived experiences, equity considerations, and the impacts on the wider health system - and turn it into decisions that are timely, transparent, and trusted. In making decisions we use clear and proportionate processes to move from assessment to decision as efficiently as possible.

Transparency is essential for building trust. We explain how we reached our decisions, what evidence we used, how we balanced benefits and risks, and how factors like equity, value, and system impacts shape outcomes. When timeframes change, we communicate any delays that will impact the health and livelihoods of patients. By openly sharing how decisions were made and the trade-offs involved, we help people understand not only what we decided, but why.

We will know we are successful when we have:

- A modern advice and assessment approach that delivers quicker and more predictable decisions, with clearer pathways so people know what to expect and when.
- Greater openness and more opportunities to be heard, helping build trust and confidence while still protecting information that must remain confidential for commercial, privacy or analytical reasons.
- Better coordination and consistency across medicines and medical devices, making processes easier to understand, navigate and engage with.
- An exceptional circumstances framework for medicines that is clear, responsive and works for those that need it.
- Fairer access for people with high health needs supported by decisions that take equity impacts into account alongside clinical and system considerations.

What we will focus on in 2026/27

- Improve timeliness and predictability of decisions so consumers and their whānau have greater certainty about when decisions will be made and what to expect.
- Reduce the number of unranked older applications supporting clearer prioritisation and more consistent progress across our advice and assessment process.

- Make clearer how health equity considerations are applied including how equity impact is assessed and reflected alongside other elements.
- Complete a review of the Exceptional Circumstances medicines framework ensuring it is clear, workable and responsive.
- Increase transparency of our processes for all stakeholders, providing clearer information about how decisions are made, how priorities are set, and how trade-offs are considered.

Wise investments

Ngā whakangāo matatau

'Using best practice approaches to maximise value'

Getting the best value from public investment in medicines and health technologies means combining strong financial discipline with flexible, innovative funding approaches. We use best practice approaches for assessment, negotiation, forecasting, and portfolio management to support consistent, transparent, and value-driven decisions across medicines and health technologies.

Drawing on a range of proven tools - such as risk-sharing agreements, value-based contracts, and long-term planning - we respond to new technologies, manage uncertainty, and secure better value while maintaining access to effective treatments. We apply these approaches in ways that reflect New Zealand's needs, considering equity, health system priorities, and culturally informed perspectives.

Through clear analysis, strong governance, and skilled commercial practice, we make responsible trade-offs, avoid unnecessary costs, and reinvest savings to improve access and deliver better health outcomes for patients, whānau, and the wider health system.

We will know we are successful when:

- We achieve and support improved health outcomes and benefits reflecting clinical impact, quality of life and equity considerations.
- We increase the number of new medicines available and widen access to already funded medicines each year.
- More New Zealanders are able to access the medicines and medical devices they need in ways that are fair, timely and consistent.
- Our portfolio of medicines and medical devices remains clinically appropriate, commercially sustainable and fit for purpose over time, while maintaining an emphasis on improving health equity.
- Our commercial approaches continue to evolve in response to changes in the (New Zealand and global) medicines and health technology markets supporting innovation while managing risk and affordability.
- We effectively manage and mitigate supply chain risks to ensure people can access the medicines and medical devices that they need.

- Medicines and health technologies are easier for people to access across different care settings, supported by reimbursement and funding arrangements that reduce barriers and improve people's experience.

What we will focus on in 2026/27

- Increase access to medicines by funding new medicines or widening access to medicines that are already funded through value-based decisions.
- Work in partnership with Health New Zealand and the wider health sector to help ensure that people can receive the full health benefit from the Government's investment in medicines and medical devices.
- Strengthen our supply chain resilience supporting more reliable and sustainable access to medicines and medical devices.
- Develop a planned programme for therapeutic group reviews and category planning, focussed on responding to innovation and technology change, supporting a fairer health system, improving health outcomes, and unlocking savings.
- Commence a joint work programme with Health New Zealand to improve hospital medicine funding and reimbursement arrangements supporting clearer, more consistent access for patients across care settings.

Delivery excellence

Hiranga i roto i ngā putanga

'Delivering organisational and service excellence every day'

At Pharmac, organisational and service excellence means delivering our work with integrity, consistency, and accountability. We use strong systems, clear processes, and evidence-based practice to support timely, transparent, and reliable decisions about medicines and health technologies.

We continuously improve by listening to feedback, strengthening capability, and working closely with partners, so our work remains responsive and fit for purpose. By doing this well, we build trust, support better health outcomes, and act as a responsible steward of public resources for all New Zealanders.

We will know we are successful when:

- Data and feedback show that health outcomes and benefits are improving, reflecting better access, quality and equity for New Zealanders.
- Our ways of working are simpler, more modern and more consistent, making it easier for people to engage with us and for staff to do their work well.
- Our people have the capability, cultural competence, and leadership needed to deliver high quality services, and staff feel supported, included and able to contribute their best.
- Productivity improves across our core practices and disciplines, helping us deliver decisions, advice and services more effectively within limited resources.
- Operating costs are well managed and demonstrate value for money, supporting our role as a responsible steward of public funds.
- Digital tools, data, insights and ethical use of AI are used effectively, improving efficiency, supporting better decisions and enabling continuous improvement.
- Pharmac is strengthened as a trusted, enduring public institution capable of continuing to deliver value and fairness in a changing health system.

What we will focus on in 2026/27

- Deliver the hospital medical devices plan in partnership with Health New Zealand supporting clear roles, joint leadership and a more coordinated, value-driven national approach.

- Strengthen our responsiveness to Māori and high needs population groups so that our engagement, advice and decisions better reflect their priorities and support improved equity of outcomes.
- Implement our people and capability programme building the skills, cultural competence and leadership needed to deliver high-quality, trusted services.
- Develop the new Pharmaceutical Schedule ensuring it is clear, accessible and supports consistent application across the health system.
- Update our core data and digital infrastructure and workflow tools supporting more efficient, reliable and transparent ways of working.
- Improve how data and insights are used in decision-making strengthening evidence-informed choices and continuous improvement across our work.

Measuring our performance

Te tauine i ā mātou mahi

The SPE outlines how we will measure our financial and non-financial performance during 2026/27. Our performance and our prospective financial statements form part of the auditable requirements that will be reported in the Annual Report 2025/26.

Service Performance Reporting Standard

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

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

Our appropriations

We have two appropriations within Vote Health for 2026/27 that we manage.

National Pharmaceuticals Purchasing

We manage the medicines budget which for 2026/27 is \$1.806 billion. We receive this funding directly as an appropriation via Vote Health (National Pharmaceuticals Purchasing).

National Pharmaceuticals Purchasing	Forecast 2025/26 \$000	Budget 2026/27 \$000
Revenue		
Crown revenue	1,760,435	1,806,745
Other revenue	6,308	3,145
Total revenue	1,766,743	1,809,890
Total expenses	1,745,505	1,808,971
Surplus/(deficit)	21,238	919

How we will measure performance

No	Performance measure	Most recent available result	2026/27 target	Relevant strategic priority
1	Increase in the number of New Zealanders receiving funded medicines. ³	Achieved 4,102,683 people received funded medicines (2024/25 result)	Achieved	Timely access Wise investments
2	Increase in the number of new medicines funded. ³	Achieved 31 new medicines funded (2024/25 result)	Achieved	Timely access Wise investments
3	Access is widened to an increased number of medicines that are already funded. ³	Achieved 52 access widenings (2024/25 result)	Achieved	Timely access Wise investments
4	Increase the estimated number of New Zealanders benefitting from new medicines funded. (Includes access widenings and new medicines). ³	Achieved 89,436 New Zealanders estimated to benefit (2024/25 result)	Achieved	Timely access Wise investments

National Management of Pharmaceuticals

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

³ The total number is accumulated during the year as decisions come into effect. Year-on-year comparisons and trends are not relevant as a performance measure. This is because the number changes every year, depending on the balance and mix of new drugs supplied and number of New Zealanders receiving funded medicines. For this reason, Pharmac counts the number that is accumulated during the year as decisions come into effect.

National Management of Pharmaceuticals	Forecast 2025/26 \$000	Budget 2026/27 \$000
Revenue		
Crown revenue	32,507	32,507
Other revenue	9,055	1,896
Total revenue	41,562	34,403
Total expenses	40,222	41,668
Surplus/(deficit)	1,340	(7,265)

How we will measure performance

No	Performance measure	Most recent available result	2026/27 target	Relevant strategic priority
5	A reduction in the average time to assess and rank new applications (average number of months) across a 5-year average	27.2 months	Improvement on previous year	Timely access Wise investments
6	A reduction in the average time to assess and rank new applications (average number of months) - all proposals	40.7 months	Improvement on previous year	Timely access Wise investments
7	A reduction in average time to publish Pharmacology and Therapeutics Advisory Committee records	82 days	Improvement on previous year	Informed choices Wise investments
8	A reduction in average time to publish subcommittee records	97 days	Improvement on previous year	Informed choices Wise investments
9	A reduction in average time to publish PTAC and Advisory Committee provisional record recommendations	New measure for 2025/26 (but anticipated to be less than 30 days)	Less than 30 days	Timely access Wise investments

Additional Non-appropriation Performance Measures

No	Performance measure	Most recent available result	2026/27 target	Relevant strategic priority
10	A reduction in the number of historical applications yet to be ranked	New measure for reporting in 2025/26. While the result is not yet available – we are aiming for a target of 150 or less for 2025/26	100 or less	Timely access Wise investments
11	New funding applications to be assessed within 18 months	New measure	Improvement	Timely access Wise investments
12	A reduction in the median time to assess new funding applications	New measure	Improvement on previous year	Timely access Wise investments
13	Average time from funding application received to first decision date	95.5 months (all applications) 36 months (applications received in last 5 years)	No target set Many decisions rely on factors outside of Pharmac's control (e.g., budget availability)	Timely access Wise investments
14	Percentage of decisions on initial Named Patient Pharmaceutical Applications (NPPA) made within 10 working days	79 percent Achieved	75%	Timely access Wise investments
15	The number of medicines (volume) and the range of medicines (mix) have increased over time within budget	The number of medicines (volume) and the range of medicines (mix) continue to increase over time within budget	Volume and mix go up compared to previous years	Wise investments
16	Public reputation Sourced from external survey	Overall reputation score = 60 (same as the public trust result)	Improvement on previous year	Informed choices Timely access Wise investments Delivery Excellence
17	% of key decisions consulted on for new proposals	New measure	100%	Informed choices Wise investments
18	Manage expenditure on hospital medical devices under Pharmac contract to within 1% of budget for the year	0.44% Achieved	1%	Wise investments

Prospective financial statements

Prospective Financial Statements							
Statement of Forecast Comprehensive Revenue and Expense							
	Note	2025/26	2026/27	2027/28	2028/29	2029/30	
	1	\$000	\$000	\$000	\$000	\$000	
Revenue							
Crown funding - baseline		32,507	32,507	32,507	32,507	32,507	
Health New Zealand - Medical Devices Funding		-	-	-	-	-	
National Pharmaceuticals Purchasing - baseline		1,760,435	1,806,745	1,833,201	1,833,201	1,833,201	
Other							
Interest received - Operating		900	630	410	300	140	
- Legal Risk Fund		369	366	328	334	318	
- Appropriations		6,308	3,145	3,000	3,000	2,900	
Other revenue		7,785	900	-	-	-	
Total revenue		1,808,304	1,844,293	1,869,446	1,869,342	1,869,066	
Expenditure							
Personnel costs		27,628	28,357	27,395	26,926	26,784	
Operating costs		12,198	12,974	8,604	7,809	7,891	
Depreciation and amortisation costs		321	287	275	283	291	
Net National Pharmaceuticals Purchasing Expenditure (net of Rebate recoveries)		1,727,456	1,808,971	1,835,427	1,835,427	1,835,427	
Net inventory movements		18,049	-	-	-	-	
Legal Risk Fund expense		75	50	50	50	50	
Finance costs		-	-	-	-	-	
Total expenditure		1,785,727	1,850,639	1,871,751	1,870,495	1,870,443	
Net surplus/(deficit) for the period		22,577	(6,346)	(2,305)	(1,153)	(1,377)	
Other comprehensive revenue		-	-	-	-	-	
Total comprehensive revenue and expense		22,577	(6,346)	(2,305)	(1,153)	(1,377)	
Summary by Appropriation							
Pharmac operating		1,339	(7,265)	(3,079)	(1,927)	(2,051)	
National Pharmaceuticals Purchasing		21,238	919	774	774	674	
Total comprehensive revenue and expense		22,577	(6,346)	(2,305)	(1,153)	(1,377)	
1. The above statement should be read in conjunction with the accounting policies set out in Appendix 1.							

Statement of Forecast Financial Position						
	Note	2025/26	2026/27	2027/28	2028/29	2029/30
	1	\$000	\$000	\$000	\$000	\$000
Public Equity						
Contribution capital		1,856	1,856	1,856	1,856	1,856
Retained earnings and reserves - operating		15,994	8,413	5,056	2,845	526
Restricted reserves						
Retained earnings and reserves - Appropriations		191,461	192,380	193,154	193,928	194,602
Legal Risk Fund		10,266	10,582	10,860	11,144	11,412
TOTAL PUBLIC EQUITY		219,577	213,231	210,926	209,773	208,396
Represented by:						
Current assets						
Cash and cash equivalents - operating		4,613	1,010	833	1,910	3,888
Investments		16,600	13,600	10,300	7,100	2,500
Debtors and other receivables		174,581	148,020	148,020	148,020	148,020
Prepayments		625	200	200	200	200
Pharmaceuticals Inventory		41,000	41,000	41,000	41,000	41,000
GST Receivable		9,800	9,800	9,800	9,800	9,800
Current assets associated with Restricted reserves						
Cash and cash equivalents - Appropriations		226,461	206,786	202,560	190,965	179,639
Cash and cash equivalents - Legal Risk Fund		588	604	682	666	933
Investments - Legal Risk Fund		9,200	9,500	9,800	10,000	10,300
Total current assets		483,468	430,520	423,195	409,661	396,280
Non-current assets						
Property, plant and equipment		437	445	465	477	481
Intangible Assets		-	-	-	-	-
Total non-current assets		437	445	465	477	481
Total assets		483,905	430,965	423,660	410,138	396,761
Current liabilities						
Creditors and other payables		261,800	215,206	210,206	197,837	185,837
Employee entitlements		2,200	2,200	2,200	2,200	2,200
Make Good Provision		-	-	-	-	-
GST Payable		-	-	-	-	-
Total current liabilities		264,000	217,406	212,406	200,037	188,037
Non-current liabilities						
Make Good Provision		328	328	328	328	328
Total liabilities		264,328	217,734	212,734	200,365	188,365
NET ASSETS		219,577	213,231	210,926	209,773	208,396

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

Statement of Forecast Changes in Equity						
	Note	2025/26	2026/27	2027/28	2028/29	2029/30
	1	\$000	\$000	\$000	\$000	\$000
CONTRIBUTION CAPITAL						
Balance at 1 July		1,856	1,856	1,856	1,856	1,856
Balance at 30 June		1,856	1,856	1,856	1,856	1,856
RETAINED EARNINGS AND RESERVES						
Balance at 1 July		185,172	207,455	200,793	198,210	196,773
Net surplus/(deficit) - Operating		1,339	(7,265)	(3,079)	(1,927)	(2,051)
Net surplus/(deficit) - Appropriations		21,238	919	774	774	674
Net transfer from/(to) Legal Risk fund		(294)	(316)	(278)	(284)	(268)
Net transfer from/(to) Medical Devices reserve		-	-	-	-	-
Balance from HDPF transfer to Retained		-	-	-	-	-
Capital Withdrawal		-	-	-	-	-
Balance at 30 June		207,455	200,793	198,210	196,773	195,128
HDPF						
Balance at 1 July		-	-	-	-	-
Less: Balance transferred to retained earnings		-	-	-	-	-
Balance at 30 June		-	-	-	-	-
LEGAL RISK FUND						
Balance at 1 July		9,972	10,266	10,582	10,860	11,144
Add: Revenue received transferred from retained earnings and unused litigation budget		369	366	328	334	318
Less: Litigation expenses transferred to retained earnings		(75)	(50)	(50)	(50)	(50)
Balance at 30 June		10,266	10,582	10,860	11,144	11,412
MEDICAL DEVICES RESERVE						
Balance at 1 July		-	-	-	-	-
Less: Devices expenses transferred from/(to) retained earnings		-	-	-	-	-
Less: Balance transferred to retained earnings		-	-	-	-	-
Balance at 30 June		-	-	-	-	-
TOTAL PUBLIC EQUITY		219,577	213,231	210,926	209,773	208,396
1. The above statement should be read in conjunction with the accounting policies set out in Appendix 1.						

Statement of Forecast Cash Flows						
	Note	2025/26	2026/27	2027/28	2028/29	2029/30
	1	\$000	\$000	\$000	\$000	\$000
CASH FLOWS – OPERATING ACTIVITIES						
Cash was provided from:						
- Operating receipts from the Crown		32,507	32,507	32,507	32,507	32,507
- Health New Zealand - Medical Devices Funding		-	-	-	-	-
- Baseline receipts from the Crown		1,760,435	1,806,745	1,833,201	1,833,201	1,833,201
- Receipts from pharmaceutical suppliers		806,298	1,122,183	1,106,394	1,123,180	1,133,662
- Interest Operating		785	630	410	300	140
- Interest Legal Risk Fund		288	366	328	334	318
- Interest Appropriations		6,308	3,145	3,000	3,000	2,900
- Other Operating		7,785	900	-	-	-
- Goods and services tax (net)		8,060	-	-	-	-
		2,622,466	2,966,476	2,975,840	2,992,522	3,002,728
Cash was disbursed to:						
- Legal Risk Fund expenses		(75)	(50)	(50)	(50)	(50)
- Payments to suppliers and employees		(46,485)	(40,345)	(35,998)	(34,734)	(34,674)
- Net Payments for National Pharmaceuticals Purchasing		(2,490,580)	(2,951,748)	(2,946,822)	(2,970,977)	(2,981,090)
- Goods and services tax (net)		-	-	-	-	-
		(2,537,140)	(2,992,143)	(2,982,870)	(3,005,761)	(3,015,814)
Net cash flows from operating activities		85,326	(25,667)	(7,030)	(13,239)	(13,086)
CASH FLOWS – INVESTING ACTIVITIES						
- Purchase of property, plant and equipment		(285)	(295)	(295)	(295)	(295)
- Purchase of intangible assets		-	-	-	-	-
- Proceeds from the redemption of investments		5,100	2,700	3,000	3,000	4,300
- Purchase of investments		-	-	-	-	-
Net cash flows from investing activities		4,815	2,405	2,705	2,705	4,005
CASH FLOWS – FINANCING ACTIVITIES						
- Capital withdrawal		-	-	-	-	-
Net cash flows from financing activities		-	-	-	-	-
Net increase/(decrease) in cash		90,141	(23,262)	(4,325)	(10,534)	(9,081)
Cash at the beginning of the year		141,521	231,662	208,400	204,075	193,541
Cash at the end of the year		231,662	208,400	204,075	193,541	184,460

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

Reconciliation of Forecast Net Surplus to Cash Flow from Operating Activities						
	Note	2025/26	2026/27	2027/28	2028/29	2029/30
	1	\$000	\$000	\$000	\$000	\$000
Net operating surplus/(deficit)		22,577	(6,346)	(2,305)	(1,153)	(1,377)
Add non-cash items						
Make good provision - discounted value recognised as expense		-	-	-	-	-
Depreciation and amortisation		321	287	275	283	291
Total non-cash items		321	287	275	283	291
Add/(less) movements in working capital items:						
Decrease/(increase) in debtors and other receivables		30,034	26,562	-	-	-
Decrease/(increase) in prepayments		(30)	425	-	-	-
Decrease/(increase) in inventories		18,049	-	-	-	-
Increase/(decrease) in creditors and other payables		5,943	(46,595)	(5,000)	(12,369)	(12,000)
Increase/(decrease) in employee entitlements		372	-	-	-	-
Increase/(decrease) in make good provision		-	-	-	-	-
Decrease/(increase) in net GST		8,060	-	-	-	-
Net movements in working capital		62,428	(19,608)	(5,000)	(12,369)	(12,000)
Other movements						
Increase/(decrease) in non-current make good provision		-	-	-	-	-
Total other movements		-	-	-	-	-
Net cash flows from operating activities		85,326	(25,667)	(7,030)	(13,239)	(13,086)

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

Statement of Forecast Comprehensive Revenue and Expense, by Output Class				
	Funding MOH	Funding Other	Output expenditure	Net surplus/ (deficit)
	\$000	\$000	\$000	\$000
2025/26 Forecast				
National Management of Pharmaceuticals	32,507	9,054	(40,222)	1,339
National Pharmaceuticals Purchasing	1,760,435	6,308	(1,745,505)	21,238
Total	1,792,942	15,362	(1,785,727)	22,577
2026/27				
National Management of Pharmaceuticals	32,507	1,896	(41,668)	(7,265)
National Pharmaceuticals Purchasing	1,806,745	3,145	(1,808,971)	919
Total	1,839,252	5,041	(1,850,639)	(6,346)
2027/28				
National Management of Pharmaceuticals	32,507	738	(36,324)	(3,079)
National Pharmaceuticals Purchasing	1,833,201	3,000	(1,835,427)	774
Total	1,865,708	3,738	(1,871,751)	(2,305)
2028/29				
National Management of Pharmaceuticals	32,507	634	(35,068)	(1,927)
National Pharmaceuticals Purchasing	1,833,201	3,000	(1,835,427)	774
Total	1,865,708	3,634	(1,870,495)	(1,153)
2029/30				
National Management of Pharmaceuticals	32,507	458	(35,016)	(2,051)
National Pharmaceuticals Purchasing	1,833,201	2,900	(1,835,427)	674
Total	1,865,708	3,358	(1,870,443)	(1,377)

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

Appendix One:

Statement of accounting policies

Reporting entity

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

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

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

Basis of preparation

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

Statement of compliance

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

Presentation currency and rounding

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

Summary of Significant Accounting Policies

Revenue

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

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

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

National Pharmaceutical Purchasing

Pharmac receives funding from the Crown for payment to community pharmacies, acquisition of nationally acquired pharmaceuticals for use in hospitals, vaccines acquired nationally.

Financial instruments

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

Cash and cash equivalents

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

Receivables

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

Investments

Bank term deposits

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

Property, plant and equipment

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

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

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

- **Disposals** – gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit.
- **Subsequent costs** – costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to Pharmac and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.
- **Depreciation** – depreciation is provided on a straight-line basis on all property, plant and equipment at rates that will write-off the cost of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

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

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

Intangible assets

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

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

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

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

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

Payables

Short term payables are recorded at their face value.

Employment entitlements

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

Superannuation schemes

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

Provisions

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

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

Public equity

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

Goods and Services Tax (GST)

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

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

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

Income Tax

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

Cost Allocation

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

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

Critical accounting estimates and assumptions

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

Critical judgements in applying Pharmac's accounting policies

Management has not exercised any critical judgements in applying Pharmac's accounting policies for the years ended 30 June 2026 – 30 June 2030.



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