

Pharmaceutical Management Agency
Te Pātaka Whaioranga

STATEMENT OF PERFORMANCE EXPECTATIONS

*Te Tauākī o Ngā Mahi
Hei Whakatutuki*

2023/24

PHARMAC
TE PĀTAKA WHAIORANGA

Te Kāwanatanga o Aotearoa
New Zealand Government



Hon Steve Maharey
Chair
June 2023



Dr Peter Bramley
Deputy Chair
June 2023

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A person is seen from behind, standing on a beach at dusk. They are holding a glowing lantern in their right hand, which illuminates the scene. The background shows the ocean and a dark sky.

Introduction

Kupu whakataki

This annual Statement of Performance Expectations has been prepared in accordance with the Crown Entities Act 2004 and should be read in conjunction with the July 2023 – June 2027 Pharmac Statement of Intent. It identifies for Parliament and the New Zealand public what Pharmac intends to achieve in the 2023/24 financial year and how performance will be assessed to deliver on Pharmac's strategy.

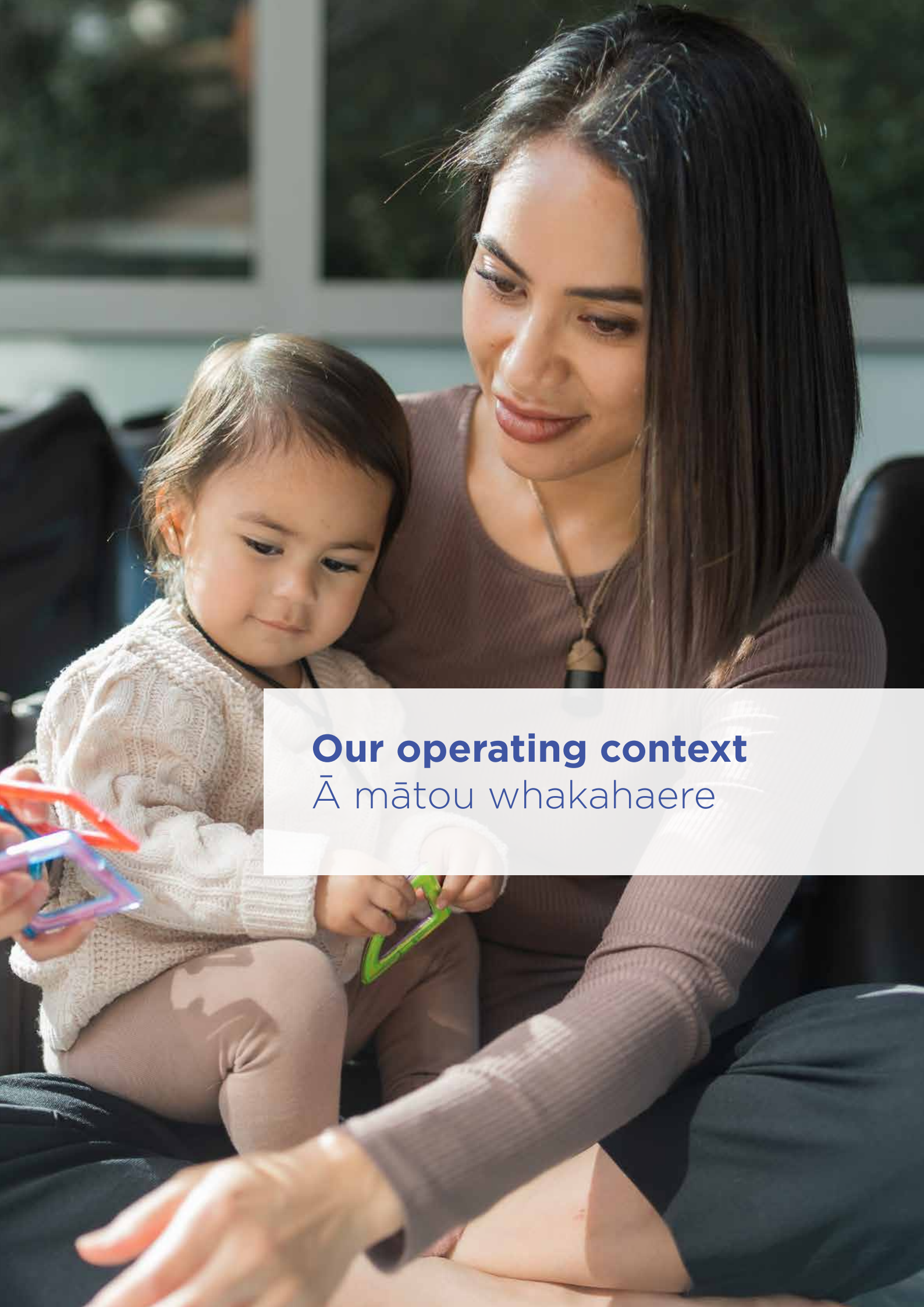
Ministerial expectations for the 2023/24 financial year

This Statement of Performance Expectations is guided by the Minister of Health's annual Letter of Expectations to Pharmac received on 21 April 2023.¹

Expectations for 2023/24 set by the Minister of Health are that Pharmac:

- Continue to maintain and improve our good performance of our functions (as specified under the Pae Ora (Healthy Futures) Act 2022), in keeping with the aspirations of the health reforms
- Support the health system to meet its obligations under te Tiriti o Waitangi, achieve equitable health outcomes, be accessible, cohesive, and whanau-centred
- Consider how we can contribute to the interim Government Policy Statement priorities:
 - Achieving equity in health outcomes
 - Embedding te Tiriti o Waitangi across the health sector
 - Keeping people well in their communities
 - Developing the health workforce of the future
 - Ensuring a financially sustainable health sector
 - Laying the foundations for the ongoing success of the health sector
- Continue to address the actions outlined in the Government response to the review of Pharmac
- Work collaboratively and collectively with other health agencies
- Ensure the free flow of information between Pharmac and Manatū Hauora
- Prepare for future three-year funding cycles, and Budget 24
- Make progress with the code of expectations for health entities' engagement with consumers and whānau, including how we have embedded te Tiriti into our engagement
- Continue to work closely with the cross-agency immunisation steering group and sector to ensure COVID-19 response remains appropriate for emerging need and changing priorities.

¹ Available at: <https://pharmac.govt.nz>



Our operating context
Ā mātou whakahaere

The past few years have stretched and tested the health systems of every country. New Zealand has not been immune to the impact of the global COVID-19 pandemic, the growing demands and expectations on the health and disability sector, and the need for fiscal restraint in the wake of likely economic pressures across our public services.

A changing landscape also provides opportunity. The introduction of the Pae Ora Act sets the scene for once-in-a-generation changes to the health and disability system in New Zealand. In the period 2023 to 2027 we will look to embed and deliver on the expectations of the Pae Ora (Healthy Futures) Act 2022² in all that we do and as part of an integrated health and disability system.

Pae Ora (Healthy Futures) Act 2022

The Pae Ora (Healthy Futures) Act 2022 (the Pae Ora Act) came into force on 1 July 2022, replacing the New Zealand Public Health and Disability Act 2000.

The Pae Ora Act provides a new structure and new accountability arrangements for the publicly-funded health and disability system. It is intended to bring about a step-change in how health entities work collectively to eliminate health disparities, in particular for Māori, and to build towards pae ora (healthy futures) for all New Zealanders.

Te Pātaka Whaioranga Pharmac, alongside all health entities, will also be guided by a series of health sector principles when performing a function or exercising a power or duty under the Pae Ora Act. To help give effect to the legislation, all sector agencies will align to a framework of policy statements, health-based strategies, and operational plans to be developed by the Minister of Health, Manatū Hauora, Te Whatu Ora and Te Aka Whai Ora.

We are focused on supporting and contributing to the success of the health reforms, including the implementation of:

- the interim Government Policy Statement on Health 2022–2024³
- Te Pae Tata: the interim New Zealand Health Plan 2022⁴ and Whakamaua: Māori Health Action Plan 2020–2025
- the Code of expectations for consumer and whānau engagement.

² <https://www.legislation.govt.nz/act/public/2022/0030/latest/versions.aspx>

³ <https://www.health.govt.nz/system/files/documents/publications/hp8132-igps-v28.pdf>

⁴ <https://www.tewhatauora.govt.nz/publications/te-pae-tata-interim-new-zealand-health-plan-2022/>

Health outcomes are improving but equity is still an issue

For most people, the health sector delivers outcomes that compare well with health outcomes in other countries around the world. We have a dedicated and highly skilled workforce, and our communities are engaged and focused.

However, the system remains under pressure and does not cater well for all. Health outcomes are not equitable across populations and life course, particularly for Māori, Pacific peoples, disabled people, those residing in rural areas, and people experiencing poverty. Access to health services is variable and rural New Zealanders face further issues. The distribution of our health resources and workforce is not always well matched to the needs of our diverse populations. There remains a need to address racism in all its forms and to develop a workforce that more closely reflects the people and communities it serves.

The health and disability system reforms will provide the foundation for improving health outcomes, tackling inequity, and honouring our obligations to te Tiriti o Waitangi. Creating a new system based on collaboration and partnership, and establishing clear and consistent roles and responsibilities, will better set up our organisations for success.

Te Tiriti o Waitangi

Te Pātaka Whaioranga Pharmac will rightly be judged by Māori for how effective we are in giving effect to te Tiriti, including working in partnership and contributing to improved health outcomes. Te Tiriti also embodies equity for Māori as tangata whenua and for all people as tangata Tiriti.

Pacific peoples and priority populations

Alongside Māori, the Pae Ora Act directs a stronger focus on health equity for priority populations, including Pacific and disabled people. This requires strong contributions from multiple agencies, including connection to overarching frameworks like the All-of-Government Pacific Wellbeing Strategy (and related work like the Pacific Wellbeing Outcomes Framework) and New Zealand Disability Strategy. These connections are also important to recognise and address multiple disadvantages that some people experience within priority populations.

Pharmac Review – Te Arotake i Te Pātaka Whaioranga

The final Pharmac Review report⁵ and Government response⁶ were published in 2022. The main outcome of the review was that Pharmac is doing an important job and performs well against its objectives but there are improvements to be made, including:

- securing equitable outcomes, especially for Māori, Pacific peoples, and disabled people
- engaging with and promoting participation and sharing decision making with Māori, and upholding the principles and articles of te Tiriti o Waitangi
- making our processes, decisions, and information more open and accessible to the public, consumer groups, and interest groups.

⁵ <https://www.health.govt.nz/publication/pharmac-review-final-report>

⁶ <https://www.health.govt.nz/about-ministry/information-releases/general-information-releases/government-response-independent-review-pharmac>

- incorporating consumer advice and lived experience into many aspects of our work and decision making, including for people with rare disorders
- strengthening collaboration with other health agencies to achieve more equitable health outcomes
- explaining the highly technical work we do and the impacts on people's health and doing this with equity of health outcomes clearly visible.

Rare disorders

The health and disability system needs to do more to improve the lives of people with rare disorders. There is scope for a range of agencies and stakeholders – within and outside the health and disability system – to work more effectively together. We look forward to supporting Manatū Hauora in its important work to develop a national rare disorders strategy.

Increasing expectations

There will always be strong advocacy for funding of new medicines, vaccines, medical devices, and related products, and more options than we can possibly fund. Some new medicines, vaccines, medical devices, and related products are very expensive and have incomplete or emerging evidence about their effectiveness. Our role is to make careful and transparent decisions, well-informed by evidence and all relevant information, about the best funding choices for New Zealand.

Hospital medical devices

Strategic management of hospital medical devices is a significant part of building Pharmac's and the sector's capability. We have made significant progress with building a strong foundation for medical device contracting and procurement since commencing this responsibility in 2012. We now need to continue this work, in collaboration with our sector partners, to maximise health benefits to New Zealanders by implementing an integrated approach to hospital medical devices which drives better value and more consistent and equitable access.

Environmental sustainability

The global pharmaceutical industry causes environmental impacts through the manufacture, disposal, and packaging of medicines, vaccines, medical devices, and related products. While very little pharmaceutical manufacturing occurs in New Zealand there are opportunities to improve sustainability through our procurement as well as looking at other opportunities for reducing Pharmac's carbon footprint.

A young girl with her hair in a ponytail, wearing a light purple t-shirt and denim overalls, stands in a forest. She is looking upwards and to the right, with her right hand resting on the mossy bark of a large tree. The background is filled with sunlight filtering through the trees, creating a bokeh effect. A white semi-transparent box is overlaid on the right side of the image, containing text.

**Our commitment to te
Tiriti o Waitangi**

Tō mātou ngākau pūmau
ki te Tiriti o

Te Pātaka Whaioranga Pharmac acknowledges te mana o te Tiriti o Waitangi and the ongoing partnership it instils between the Crown and Māori. Through our work on behalf of Aotearoa, we strive to achieve equitable health outcomes for and with Māori.

He Korowai Oranga: the Māori Health Strategy and Whakamaui: the Māori Health Action Plan set the overarching framework that guides the Government and the health and disability system to achieve the best health outcomes for Māori. We look forward to working collaboratively with our health sector partners, our te Tiriti partners and whānau Māori to deliver on the Government's vision for Māori health.

Te Pātaka Whaioranga te Tiriti o Waitangi policy expresses our unequivocal commitment to upholding the principles and articles of te Tiriti o Waitangi (te Tiriti) and supports us to strive for excellence in enacting collaborative approaches in everything we say and do, both within our organisation and in our external relationships.

The policy sets out the expectations and requirements for Te Pātaka Whaioranga to uphold te Tiriti through the pursuit of equitable health outcomes for Māori, effective relationships with our te Tiriti partners and whānau Māori, strong Māori leadership and involvement, cultural competence and capability across the organisation, and improvements to our systems and processes.

It is only by consciously upholding te Tiriti that the parties can work together effectively to address the unjust, unfair, and avoidable health inequities experienced by Māori. Te Pātaka Whaioranga recognises that institutional racism in our systems and behaviours disadvantage Māori and are a significant contributor to inequitable health outcomes. Systematically examining and eliminating institutional racism, and introducing pro-equity measures, will help us to maximise our contribution to achieving equitable health outcomes for Māori to the fullest extent possible consistent with our statutory objectives and functions.

In implementing our policy, it should be noted that Te Pātaka Whaioranga is continuously working towards giving effect to the position statements set out. The policy sets the direction of what we want to achieve and our commitment to making rapid progress.



**Our role and function in
the health and disability
system**

Tō mātou tūranga me ā
mātou mahi i te pūnaha
o te hauora me te hunga
whaikaha

Our mandate

Pharmac's legislative objective is set out in section 68 of the Pae Ora Act:

“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 a Crown entity and are accountable to the Minister of Health.

We manage funding for medicines, vaccines, medical devices, and related products

Therapeutic products are the most common intervention in health care. Ensuring New Zealanders have timely and equitable access to a wide range of effective medicines, vaccines, medical devices, and related products, and are able to use these well, is the key way in which Pharmac will contribute to wellbeing.

We help people live better, healthier lives by deciding which medicines, vaccines, medical devices, and related products should be funded for New Zealanders in a way that is affordable and easy to access. We undertake evidence-based critical appraisal of new treatments (or requests for expanded access to existing funded treatments) and manage the funding of medicines, vaccines, medical devices, and related products in the community and public hospitals. Our expert advisory network – Pharmacology and Therapeutics Advisory Committee (PTAC), Special Advisory Committees, Consumer Advisory Committee and Te Rōpu (Māori expertise) – provide critical input to Pharmac's decision-making processes.

We are also working towards applying the full Pharmac model to maximise health benefits to New Zealanders from hospital medical devices. To date, our focus has been on building a list of medical devices that are used in public hospitals through negotiating national contracts. This will help build a strong foundation for strategic management of hospital medical devices. The next step is to implement with our sector partners an integrated approach to hospital medical devices which drives better value and more consistent and equitable access.

We manage vaccines in New Zealand

We manage the funding, purchasing, and distribution of the majority of government-funded vaccines in New Zealand. This includes vaccines on the National Immunisation Schedule (NIS). Our role in COVID-19 vaccines is slightly different to other vaccines we manage, and vaccines required to manage outbreaks are funded by Te Whatu Ora.

We will work across the health and disability system, working closely with Manatū Hauora, Te Whatu Ora, Te Aka Whai Ora, and other health entities to implement the vaccine programmes. We will also contribute to a cross-agency steering group, established to support and strengthen immunisation activity.

We fund treatments for people with exceptional circumstances

Te Pātaka Whaioranga Pharmac may approve funding of a medicine, vaccine, medical device or related product for an individual with exceptional clinical circumstances. For example, a prescriber may want to prescribe a treatment that is not funded, or that is funded for other uses but not the particular health condition they are seeking to treat. The main way we make decisions in these situations is through a process called a Named Patient Pharmaceutical Assessment (NPPA), where a person's clinician makes an application for them to access funding for these treatments.

We promote funded treatments being used in the right way

We promote the responsible use of medicines, vaccines, medical devices, and related products in New Zealand. This means making sure funded treatments are not under-, over-, or mis-used. We do this by providing information and educational material to both health professionals and the public. We are committed to ensuring equitable access to the treatments we fund and to ensuring everyone uses treatments in the best way, so they get the health benefits those treatments offer.

We are also focused on priority population groups, especially Māori and Pacific peoples, to support them to live healthy lives through improved and timely access to and use of treatments.

Research

Te Pātaka Whaioranga Pharmac collaborates with other agencies and organisations to contribute to research projects that are mutually beneficial, including providing funding and sharing data and information. We acknowledge the importance of both privacy and data sovereignty.

Accountability

We are accountable to the Minister of Health who, on behalf of the Crown, is accountable to Parliament for our performance. The Minister of Health sets out their expectations of Pharmac in the annual Letter of Expectations, including requirements to manage within funding provided by the Government. The Minister also sets out the level of the Combined Pharmaceutical Budget (CPB). Manatū Haurora acts as the Minister's agent in monitoring Pharmac's performance.

Governance

The Minister of Health appoints Pharmac's Board, which has the powers necessary for the governance and management of Pharmac. All decisions about our work are made by, or are under the authority of, the Board. The Board is responsible for agreeing outputs with the Minister of Health and ensuring the Minister's expectations of Pharmac are met.

The Board also has an Audit and Risk Committee and a Health and Safety Committee (both comprising Board members), which provide assistance to the Board on relevant issues.

In addition to the work undertaken by Pharmac itself, the Board takes objective advice from two statutory advisory committees: the Pharmacology and Therapeutics Advisory Committee (PTAC), and the Consumer Advisory Committee (CAC) – a committee of people experienced in consumer issues⁷.

We have also established Te Rōpū Māori, an external group of Māori experts nominated by key stakeholder groups, including Māori doctors, rongoā practitioners, Whānau Ora kaimahi, pharmacists, and nurses. The role of Te Rōpū is being discussed through the development of a partnership framework and includes supporting Te Pātaka Whaioranga Pharmac to build its capability in te ao Māori and enhance how it gives effect to te Tiriti. Te Rōpū will work closely with the Pharmac Board.

Reporting

With specific parameters agreed with the Minister of Health, our reporting includes monthly reports, quarterly reporting, and ad hoc reports to the Minister as well as annual reports to Parliament. We are subject to annual reviews by the Health Committee to check on the performance of Pharmac over the previous year. We will provide commentary on our activities, including any ongoing impacts of COVID-19, in our upcoming Annual Report.

Our funding for 2023/24

Te Pātaka Whaioranga Pharmac manages the Combined Pharmaceutical Budget (CPB). The Minister of Health has determined that the level of the CPB for 2023/24 is \$1.311 billion.

The CPB 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, and 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 funded and managed separately to the CPB. This funding enables Pharmac to procure COVID-19 vaccines and secure access to a range of COVID-19 treatments.

Pharmac's operating budget is used to meet the day-to-day costs of running Pharmac. This operating budget is separate to the CPB and Pharmac cannot use CPB funding to meet its operational costs.

⁷ PTAC members are independently appointed by the Director-General of Health. CAC members are appointed by the Pharmac Board. PTAC seeks input as required from specialist subcommittees, whose members are also practising clinicians.

Ngā uaratanga

Our values

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, Tūhono, Wānanga, Māia, and Kaitiakitanga.



Whakarongo | *Listen*

Āta whakarongo kia puaki te ngākau aroha.

We listen with intent and empathy to understand.

Whakarongo means listening with more than your ears. It involves perceiving with all senses – listening with intent and empathy, listening to understand. To do this well, we must seek out all voices. We must be ready to change our minds when needed, based on what we hear. With whakarongo shaping the way we communicate, people will trust us and know that we will always engage in a meaningful and empathetic way.



Tūhono | *Connect*

Kōtuitui kia piri, tūhono kia whakatatū te ara tika.

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

Tūhono means that everything in the universe is connected. It's a warm word that reminds us that relationships and connections are taonga that must be treasured. We combine tūhono with whakatatū, which means coming to an agreement or decision together. To help us find the best way forward for everyone, tūhono reminds us that we must connect with people, communities, the health system, and each other. We must see each other as people first and value tūhono with sincerity and purpose.



Wānanga | *Learn together*

Ma te māhirahira ka whāwhāki te māramatanga.

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

To keep growing and changing for the better, we must share our knowledge and ideas. We must be curious and always feed our appetite to learn. We must balance empirical evidence with the unique experiences people share. This way, we can reveal the best way forward. By combining māhirahira (curiosity), whāwhāki (revelation), and māramatanga (insight), we learn together. We wānanga with an open mind.



Māia | *Be courageous*

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

We challenge ourselves.

Ihi, wana, and wehi are central to māia because challenging ourselves takes courage. These words are used in many haka as they capture the joy and excitement of life. They describe a wonder and gratitude for the world itself. To be courageous, we must be excited about what we can achieve and driven by a greater purpose. Māia ensures we face change with positivity, don't avoid difficult conversations, and continue to challenge ourselves and each other to do better.



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.

Kaitiakitanga is core to who we are. Te Pātaka Whaioranga, our te reo Māori name, means the storehouse of wellbeing. Whaioranga describes recovering to good health, and Te Pātaka symbolises the solid and reliable structure that safeguards supplies. For Pharmac, those are supplies of medicines and medical devices. As kaitiaki of Te Pātaka Whaioranga, we play our part to preserve, protect, and shelter the future wellbeing of everyone in New Zealand. We whakarongo, tūhono and wānanga with māia to strengthen Te Pātaka Whaioranga.



Our strategy
Tā mātou rautaki

Strategic context

Pae Ora (Healthy Futures) Act

The Pae Ora Act sets out a long-term pathway for all agencies across the health and disability system to:

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

The Pae Ora Act is the foundation for our vision and strategy and will underpin all our work. As we build our relationships and partnerships, we will take the opportunity to review the way that we work and re-think how we can better align with the principles and priorities of the system.

Interim Government Policy Statement and Pae Ora strategies

The Government has outlined in the Pae Ora Act and interim Government Policy Statement on Health its expectations for the health and disability system. Our work will help give effect to this, and strategies and plans currently under development by Manatū Hauora, Te Whatu Ora, and Te Aka Whai Ora.

One of those strategies is the Hauora Māori Strategy which will set the direction of the new health and disability system for improving Māori health and wellbeing. This will be foundational in setting the direction for how Pharmac, and the system, will uphold and deliver on its Tiriti o Waitangi obligations and Hauora Māori priorities, reflecting the direction and approach set out in He Korowai Oranga and Whakamaua.

Strategic framework

Our strategic framework (refer to Figure 1) sets out our vision, our strategic priorities, and our values – and outlines our contribution to the principles and outcomes of the health and disability system.

Health Sector Principles

Pae Ora - Healthy Futures

The health sector should be equitable, including equitable outcomes for Māori

The health sector should engage with Māori, population groups, and others to reflect their needs and aspirations

Our vision and purpose

Our purpose

He Rongoā Pai, He Ahu Pae Ora.

Our purpose is to deliver the best health outcomes from the Government's investment in medicines and medical devices

Our vision

He Rongoā Pai, He Ahu Pae Ora.

He Rongoā Pai, He Ahu Pae Ora

Through our work with medicines and devices we support the overall system drivers and our own aspirations to get to, foster and achieve Pae Ora

Pae Ora
Healthy Futures

Mauri ora
(healthy individuals)
Protect, promote, and improve the health of all New Zealanders

Health Sector Outcomes

Interim Government Policy Statement

Our strategic priorities

He Rongoā Pai, He Ahu Pae Ora.

Where we are focusing our efforts to make the biggest impact to the health sector outcomes

Our values

Ngā uaratanga

The health sector should provide opportunities for Māori to exercise decision-making authority

The health sector should provide choice of quality services to Māori and other population groups

The health sector should protect and promote people's health and wellbeing

**Whānau ora
(healthy families)**

Achieve equity in health outcomes among New Zealand's population groups, including by striving to eliminate health disparities, in particular for Māori

Wai ora

(healthy environments)

Build towards pae ora (healthy futures for all New Zealanders)

Embedding Te Tiriti o Waitangi across the system

Achieving equity in health outcomes

Laying the foundations for the success of the system

Developing the workforce of the future

Keeping people well and independent in their communities

Ensuring a financially stable health system

The choices we make contribute to better health outcomes for individuals and more equitable outcomes for population groups, particularly for Māori

Strategic management of the Combined Pharmaceutical Budget

Enhanced Assessment & Decision-making

Strategic Management of Medical Devices





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 Te Pātaka Whaioranga:

He Rongoā Pai, He Ahu Pae Ora.

This is a narrative that speaks to ancestry and the lineage to our kaitiaki, Hine-Ahu-One. Weaving through whakapapa, time, and space to the present, *“we build on our existing foundations and work together towards a future of health and wellbeing for our whānau.”* To guide us through the challenges, we draw on our values of Tūhono, Whakarongo, Wānanga, Māia, and Kaitiakitanga to drive the connection to hauora through our work in medicines and medical devices.



**Our strategic
priorities**
Ā mātou
whāinga tōmua

Our strategy is built around shaping improvements in the way that we manage and invest in medicines and medical devices. These improvements will be centred in three key areas.

1. *Strategic management of the Combined Pharmaceutical Budget:* There are significant opportunities to better plan and manage the Budget over a medium-term horizon to ensure that we achieve the best health outcomes and health equity for New Zealanders from medicines, vaccines, and related products, while staying within the fixed budget set by Government.
2. *Enhanced assessment and decision making:* Making improvements to ensure that we make high-quality, evidence-based, and timely funding decisions that achieve equitable health outcomes. We need clear and consistent processes for assessment and decision making, including clarity of how equity considerations and te Tiriti are embedded throughout our work.
3. *Strategic management of medical devices:* We have built strong foundations for medical device contracting and procurement. With our sector partners there are significant opportunities to maximise health benefits to New Zealanders by implementing an integrated approach to hospital medical devices, which drives better value and more consistent and equitable access.

We intend te Tiriti o Waitangi, health equity, and collaboration and engagement to be key components of Pharmac’s activities and initiatives. Underpinned by organisational excellence, they are integral to everything that we do.

The following framework outlines our strategic priorities, and the key factors that are woven throughout our work.





Strategic priority 1:

Strategic management of the combined pharmaceutical budget

Our core role is to get the best health outcomes from medicines, medical devices, vaccines, and related products for New Zealanders while staying within the fixed budget set by Government. Our budget has increased over time to enable us to fund new products, widen access to products already funded, and meet other costs such as those related to population growth and demographic changes.

We now directly manage a Vote Health appropriation for the Combined Pharmaceutical Budget. New multi-year funding arrangements for the health and disability system are due to come into effect from July 2024, bringing significant opportunities for Pharmac to better plan and manage the Combined Pharmaceutical Budget in the medium term.

What we want to achieve

To achieve the best health outcomes for medicines, vaccines, medical devices and related products, we need to better optimise funding available and take a longer-term view of how and where we direct funding to achieve improved health outcomes and health equity.

Through this priority we will seek to:

- use multi-year funding arrangements to take a longer-term view of spending decisions and the impact on the system. We want 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 the expansion in Pharmac's scope, changes in the (New Zealand and global) pharmaceutical market, and broader Government procurement objectives
- enhance how pharmaceuticals are reimbursed in different settings⁸, to make it easier for New Zealanders to collect their medicines, improve our understanding of how and where pharmaceuticals are used, and to ensure an efficient and effective use of available funding.

⁸ By different settings we mean the range of different types of places where reimbursement occurs, for example community pharmacy, hospital pharmacy, general practice.

Responding to COVID-19

We have played an important role in New Zealand's response to COVID-19. Our work will be ongoing, working in close collaboration and partnership with others across the health and disability system, and will include:

- advising on purchasing and access decisions that support the outcomes of the COVID-19 immunisation programme, and ensuring that they are responsive to emerging needs and changing priorities
- securing supply of COVID-19 treatments through a portfolio management approach
- working closely with the health sector, government agencies, suppliers, logistics providers, and wholesalers to minimise the impact of supply issues.

Strengthening our focus on engagement, equitable access and Māori health aspirations

Our funding decisions make a huge difference to health outcomes for many New Zealanders. However, many people are still missing out on the potential benefits, and some people miss out more than others.

Through our work we will expect to see improved health outcomes across all population groups, improvements in health equity, and an increase in the number of New Zealanders benefitting from our medicines, devices, vaccines, and related products.

What we will focus on in 2023/24

There are enduring expectations that Pharmac will continue to do, and needs to do, well. We must ensure that we:

- manage the Pharmaceutical Schedule
- maintain CPB expenditure within budget, and secure savings for reinvestment
- take action to mitigate and resolve supply issues
- fund medicines and related products for patients in exceptional circumstances
- promote responsible use of medicines
- procure COVID-19 vaccines and continue to secure supply of COVID-19 treatments.

New initiatives to support our strategic direction include:

- scope a strategic CPB investment pathway for Budget 2024
- progress number of medicines investments focused on health needs of Māori, and improving health equity
- update and adapt our commercial activities
- work more collaboratively with the health sector and other stakeholders on service and workforce implications of our investments
- explore with Te Whatu Ora how we can improve hospital medicines management
- work with Te Whatu Ora on improvements to Pharmaceutical Schedule as part of Health Sector Agreements and Payments programme.

How we will measure our success

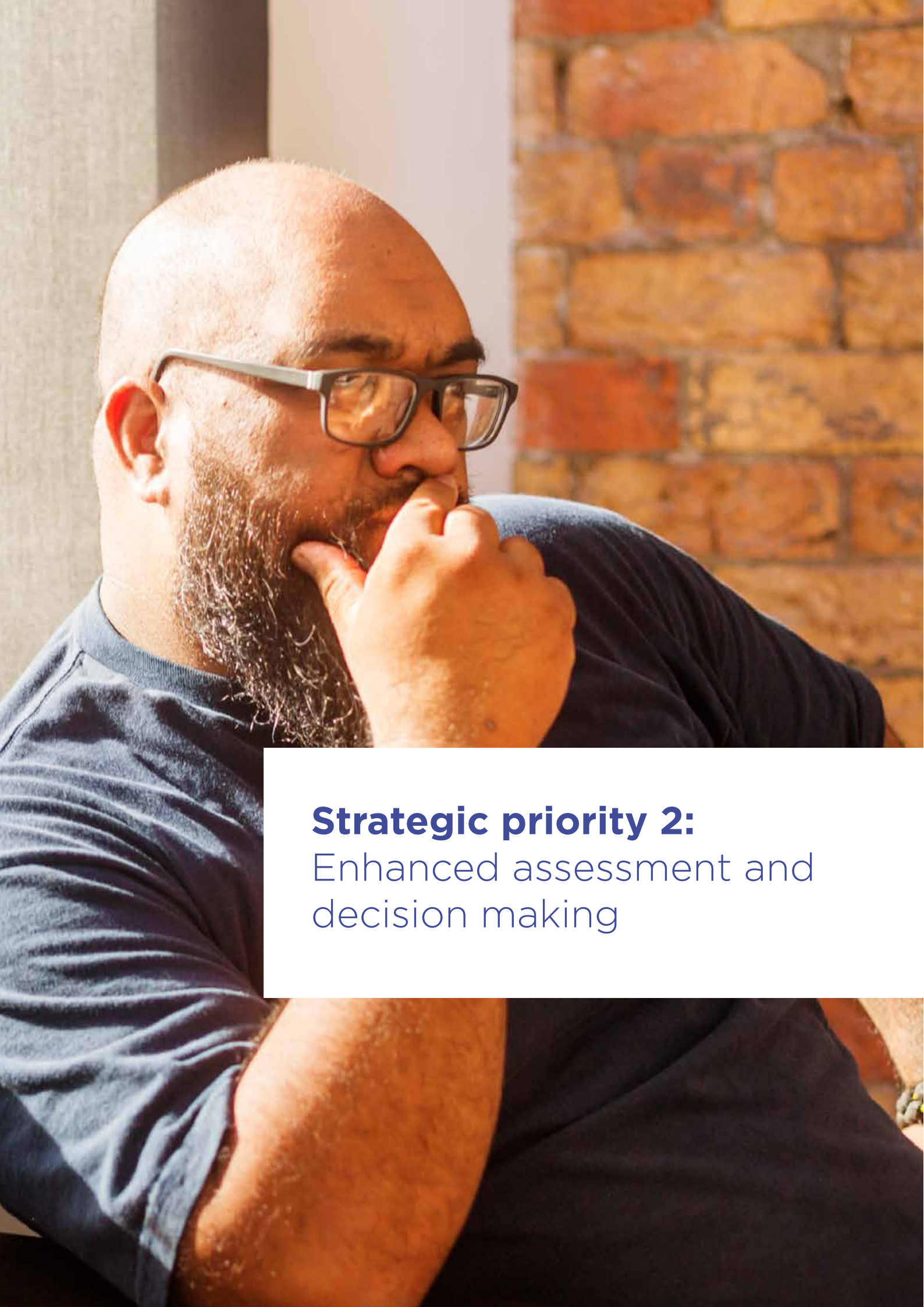
| Performance measure | Most recent result ⁹ (2021/22) | Target 2023/24 | Result sought |
|-----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|---------------------|
| Number of New Zealanders receiving funded medicines (A) ¹⁰ | 3.81 million New Zealanders received funded medicines | Volume measure only | Volume measure only |
| Number of new medicines funded (A) ¹¹ | 6 new 'treatments' funded | Increase in total number of new medicines | Achieved |
| Access is widened to an increased number of medicines that are already funded (A) | 16 access widenings implemented | Number of access widenings reported | Volume measure only |
| Number of New Zealanders benefiting from new medicines funded or widened (A) | 118,747 additional New Zealanders received new medicines | Number of additional New Zealanders receiving new medicines reported | Volume measure only |
| Access of medicines compared to subsidy ¹² | From 2012, the number of medicines (volume) and the range of medicines (mix) have increased over time | Volume and mix go up compared to previous years | Increase |
| Number of COVID-19 treatments funded (A) | The number of COVID-19 therapeutics purchased by Pharmac and available for treatment of COVID-19 in accordance with guidelines issued by Manatū Hauora Ministry of Health was 81,914 | Number of additional New Zealanders receiving new medicines reported | Volume measure only |
| Number of patients receiving COVID-19 treatments (A) | We will report on the number of courses of treatments purchased and dispensed | Number of New Zealanders receiving Covid-19 treatments reported | Volume measure only |

⁹ Most recent result at time of publishing.

¹⁰ A = appropriation measure included in Vote Health Estimates 2023/24 and required to be reported in Pharmac's 2022/23 Annual Report.

¹¹ New medicines are added to the Pharmaceutical Schedule.

¹² We want to see the volume and mix of pharmaceuticals go up, relative to the cost, while the average subsidies paid decline.



Strategic priority 2:

Enhanced assessment and decision making

We want to continually improve how we assess and make funding decisions. To do this we must take proactive steps to respond to the health needs of New Zealanders, incorporating more diverse perspectives, health equity considerations, and te Tiriti throughout our work.

We will continue to build on our work over recent years to increase transparency and make our funding assessment and decision-making processes faster, clearer, and simpler. We will work to ensure stakeholders have confidence that we have genuinely listened to and taken on board feedback.

What we want to achieve

We want to ensure we undertake high quality assessment and decision-making processes for medicines, vaccines, and related products. We must 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 must be evidence-based, inclusive, and timely to achieve the best possible health outcomes.

Increasing the diversity of voices in our decision making will take time but we are committed to doing so. Choosing which treatments to fund is critically important and often challenging. Receiving high-quality advice and hearing from a range of perspectives ensures we are making the most informed decisions we can.

We need to provide more opportunities for Māori to exercise decision-making authority on matters of importance to Māori. We must take action now to provide a pathway for this aspiration.

Through this priority we will seek to:

- enhance how we assess and make decisions on funding proposals to make these processes more timely and transparent, better coordinated with sector partners, and more strongly centred around health equity and other Pae Ora health sector principles
- more strongly bring the voice of the New Zealand public into our consideration of funding proposals
- put greater focus on ensuring people benefit from the funding decisions that we make, by improving how 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.

Strengthening our focus on engagement, equitable access and Māori health aspirations

Our aim is to look at how we can better incorporate more views and perspectives into our assessment and decision making. We will do this by increasingly drawing from a diverse network, including consumers, Māori, and Pacific voices, who can bring different perspectives to our work. Additionally, we will seek those with lived experience of health conditions and interactions with the health and disability system, who can offer insights on the health of diverse communities across the motu. Our work will draw from demographic analysis, particularly for Māori.

We will explore opportunities to exercise tino rangitiratanga, with Māori exercising decision-making in areas of importance to Māori.

What we will focus on in 2023/24

RR is used throughout our SPE to note where an initiative is a Pharmac review response initiative.

- Bring more diverse voices into all stages of our assessment and decision making. (RR)
- Continue to make consumer appointments to our expert advisory network. (RR)
- Continue to make our assessment and decision-making processes timelier and more efficient. (RR)
- Continue to make our assessment and decision-making process more transparent. (RR)
- Develop a plan for the review of Pharmac's decision-making framework (Factors for Consideration).
- Increased focus on collaborating and working in partnership with the health sector to support implementation of our decisions.
- Develop our approach, with health sector partners, on assessing whether our decisions achieve the outcomes expected. (RR)

How we will measure our success

| Performance measure | Most recent result ¹³ (2021/22) | Target 2023/24 | Result sought |
|------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|---------------|
| Access to medicines for priority populations ¹⁴ | New measure | Undertake and report findings of two assessments of access to medicines (based on Special Authority equity access criteria) | Achieved |
| Time to funding decision (A), ^{15 16} | The average time taken from application to decision was 27.95 months | Less than 27.9 months | Achieved |
| Time to rank applications (A) ¹⁷ | The average time taken from application to rank was 15.24 months | Less than 15.2 months | Achieved |
| Timeliness of Exceptional Circumstances decisions (NPPA) ¹⁸ | 45% of decisions were made within 10 working days | More than 45% | Achieved |
| Timeliness of PTAC and other specialist advisory committee records being published (A) ¹⁹ | PTAC = 52 working days SAC = 60 working days | Less than 52 working days (PTAC) Less than 60 working days (SAC) | Achieved |

¹³ Most recent result at time of publishing.

¹⁴ Based on our Special Authority criteria, we will measure actual access to medicines from an equity perspective to determine the effectiveness of changes, to inform future changes and future design of criteria for new listings by 30 June 2024.

¹⁵ We want to ensure our decision times are improving. This measure reports on the average time from a funding application being received to a decision on whether to fund is made. This measure is based on applications that have had a decision made during the 2023/24 financial year (1 July 2023 – 30 June 2024). The results will only include applications received within the previous five years to a decision being made.

¹⁶ A = appropriation measure included in Vote Health Estimates 2023/24 and required to be reported in Pharmac's Annual Report.

¹⁷ We want to improve the timeliness of our decisions. We will identify applications received during the previous five financial years and determine the average time taken for those applications to be placed (ranked) on one of our priority lists for funding. The average time to rank reflects the time required for applications to be considered by our expert clinical advisors, any additional information outstanding to be collected and submitted by applicants, all material and advice to be analysed (including health economic analysis) by Pharmac, and the application being placed on one of our priority lists for funding.

¹⁸ We want to ensure we provide a decision to applicants as soon as we can. 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). We report on Named Patient Pharmaceutical Applications (NPPA).

¹⁹ This measure is intended to assess the efficiency of one of our core decision-making functions.



Strategic priority 3:
Strategic management of
medical devices

Te Pātaka Whaioranga Pharmac's work in hospital medical devices is based on our successful track record in managing medicines and controlling pharmaceutical cost growth, along with a desire for more consistent and transparent decision making about medical device expenditure with a clear goal of improving health outcomes.

The Government response to the Pharmac Review in June 2022 reaffirmed Pharmac's role in the management of medical devices given its strong fit with Pharmac's capability, noting the need for Pharmac and Te Whatu Ora to work collaboratively together.

What we want to achieve

We have built strong foundations for medical device contracting and procurement since commencing this responsibility in 2012. Working in collaboration with our sector partners, there are significant opportunities to maximise health benefits to New Zealanders by implementing an integrated approach to the strategic management of hospital medical devices, which drives better value and more consistent and equitable access.

Given the significant change involved with transitioning to a centralised model, we are taking a staged approach. The programme is structured to deliver changes, and benefits, in three sequential levels of management as capacity and capability is built over time.

Through this priority we will seek to:

- improve value for money and health benefits from hospital medical devices
- increase national consistency and equity of access to hospital medical devices
- increase transparency of funding decisions about medical devices purchased by Te Whatu Ora hospitals
- grow medical device expenditure managed to an agreed pathway.

Strengthening our focus on engagement, equitable access, and Māori health aspirations

Our medical device work has had significant external input over the years. We will continue to engage widely to ensure an approach to hospital medical devices that delivers equitable outcomes for Māori, Pacific peoples, and other population groups, and meets the needs of the health and disability system. This includes designing our approach for an equity lens and diverse voices in strategy development as well as aligning with the planning and goals of our sector partners.

Strengthening this focus will be reflected in our engagement and operational practices in line with our engagement strategy, equity and te Tiriti policies.

Our focus 2023/24

- Determine and agree programme delivery pathway including implementation of the next level of management by 2024 (resource dependent) and step to budget management.
- Scope health technology assessment for new device technologies with view to influencing Te Whatu Ora investment decisions, and at next level of management inform our decisions.
- Integrate Te Whaioranga and Pacific Responsiveness Strategy into medical devices work.
- Bring the voices of consumers, people with disabilities, and other wider perspectives (as per our wider strategic work programme) into medical devices work. (RR)
- Explore how best to connect and integrate work focused on health equity and responsible and optimal use, particularly for products supplied by hospitals for use in the community.
- Partner with Te Whatu Ora to accelerate completion of a comprehensive Health Sector Catalogue (detailing all products currently in use in public hospitals).
- Formalise partnerships through memorandum of understanding that sets out respective entities' roles regarding medical device investment and clarity for sector approach to complex capital equipment.

How we will measure our success

| Performance measure | Most recent result ²⁰ (2021/22) | Target 2023/24 | Result sought |
|-----------------------------------------------------------------------------------------------------------------------|--------------------------------------------|----------------------------------------------------|---------------|
| Increase in the number of hospital medical devices on the schedule/list for Te Whatu Ora hospitals to access/purchase | 60% ²¹ | Greater than 60% | Achieved |
| Develop a methodology to show value to New Zealanders/health system from hospital medical devices by 30 June 2024 | New measure | Methodology and baseline developed by 30 June 2024 | Achieved |

²⁰ Most recent result at time of publishing.

²¹ We measure the increase in the proportion of supplier categories of hospital medical devices purchased by public hospitals under national agreement with Pharmac. We will also report the number of devices on the schedule.



Te hiranga tara ā-whare
Organisational
excellence

Our strategic priorities will be supported by a set of organisation-wide strategies and initiatives that help guide improvement and implementation.

We will take an organisational excellence approach to consider how 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, and a focus on groups who have been most poorly served by the system.

What we will focus on in 2023/24

Te Whaioranga: Māori Responsiveness Strategy

Te Whaioranga provides a framework for Te Pātaka Whaioranga Pharmac to strengthen our engagement and partnerships with Māori communities, empowering Māori whānau through education, information, and best practice, and build our internal capability. In 2023/24 we will:

- implement our te Tiriti o Waitangi policy and build te Tiriti into and across our organisational policies and work programmes
- ensure the Board are meeting their te Tiriti accountabilities through a thorough and focused programme of work
- ensure the senior leadership team are meeting and committing to their organisational and individual directorate te Tiriti accountabilities (RR)
- complete a full review of systemic bias/institutional racism as they relate to Māori across our work (RR)
- commence a full review and renewal of Te Whaioranga with Māori, noting the desirability of bringing this forward to ensure a strategy fit for purpose under the Pae Ora Act and the expiry of the current strategy in 2023. (RR)

Health Equity

Te Pātaka Whaioranga Pharmac intends to make the best contribution we can to health equity from the work that we do in medicines and medical devices and across our strategic priorities. Implementing our te Tiriti policy and progressing implementation of our health equity policy will be our key focus in 2023/24 (RR), providing a pathway to understanding and acting on how we can better address inequities including barriers to accessing medicines, vaccines, medical devices, and related products.

Pacific Responsiveness Strategy

In 2023/24 we will work alongside Manatū Hauora 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.

We will make internal improvements to ensure our Pacific Responsiveness Strategy reaches all aspects of our work. This means making improvements to our work programmes and capability – with a view to ensuring that every Pacific person in New Zealand can have access to, and understand the use of funded medicines or medical devices they need.

Strengthening our engagement and collaboration

We will build greater alignment across the health and disability system for all aspects of medicines and hospital medical devices, including building stronger relationships with a range of stakeholders who are central to our work. In doing this, we will also give effect to the Health System Principles of the Pae Ora Act and the Health Quality and Safety Commission's Code of Consumer and Whānau Engagement. Working in partnership with Māori will be a central and critical part of our engagement. In 2023/24, we will:

- develop principles that guide our engagement and hold us accountable to good engagement practice
- develop an engagement framework that provides a clear high-level understanding of Pharmac's engagement approach that supports our strategic direction and Pae Ora.

How we receive expert advice

Te Pātaka Whaioranga Pharmac has a range of committees and subcommittees that provide us with expert advice to support the decisions we make. This includes experts who provide us with clinical advice, consumer advisers, and specialist advisers covering a range of many topics. We will continue to ensure that our advice is drawn from a diverse range of backgrounds who can bring both evidence-based perspectives and insights about how our decisions impact the people of New Zealand.

Strengthening our policies and operating procedures

We must ensure that we design our work to align with the principles and priorities of the Pae Ora Act. In 2023/24 we will continue to strengthen our internal policies and operating procedures to ensure we embed Pae Ora and can demonstrate, where possible, practical improved progress towards health equity and health outcomes.

This will include recognition of tino rangatiratanga in the development of our policies.

Building our People Strategy/capability

Our kaimahi are committed to helping people live better and healthier lives and are our most valuable asset. We have specialist expertise across a number of areas including clinical, pharmaceutical assessment, health economics, and procurement and contracting. We are also committed to investing in our kaimahi to ensure they have the tools they need to deliver the best work that they can. We will also provide opportunities to develop our kaimahi, including taking on new roles internally and externally, undertaking training and development, and supporting formal qualifications.

We offer regular training to directly support Te Whaioranga, including te reo Māori classes and te Tiriti o Waitangi capability training. Our Pacific Responsiveness Strategy also guides our focus for strengthening our Pacific capability.

Our success requires the right people in the right roles, working collaboratively, and committed to achieving our goals. In 2023/24 we will continue to advance our People and Capability Strategy, strengthening our leadership, engagement, and cultural capabilities.

Inclusivity and diversity

Te Pātaka Whaioranga Pharmac is committed to providing an equitable work environment where inclusion is embedded as part of our purpose, values and our tikanga. Our kaimahi are encouraged to be themselves and are committed to diversity and inclusion. (RR)

We also seek to strengthen diversity in the workplace and will aim for a workforce that reflects New Zealand society.

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 improve how we make transparent progress of applications. In 2023/24, working closely with Te Whatu Ora, we will seek to invest in systems to support the management of medical devices. We will also focus on improving the ability to look up and enquire on medicines and medical devices for New Zealanders – making it simpler and clearer to find the information they are looking for. We acknowledge the importance of both privacy and data sovereignty principles in this context.

We will continue to improve the range of data we have, with a strong focus on integrating with other parts of the health and disability system. (RR) We will ensure that data is well governed and managed – and that our products are timely, high quality, and accurate.

Carbon reduction

As a Crown entity we actively support New Zealand's greenhouse gas emissions reduction goals to levels that meet international agreements. Te Pātaka Whaioranga Pharmac is a member of the Carbon Neutral Government Programme to reduce net carbon emissions. We encourage innovative thinking to find smarter ways of being more energy efficient, increase environmental awareness in our activities, and implement sustainable procurement initiatives.

Financial management

We operate in a financially responsible manner consistent with section 51 of the Crown Entities Act 2004. We have an Audit and Risk Committee which assists the Pharmac Board in performing its oversight responsibilities relating to the financial management of Pharmac.

For pharmaceutical expenditure, Te Pātaka Whaioranga Pharmac manages a fixed budget known as the Combined Pharmaceutical Budget. This budget is for subsidies for all vaccines, medical devices, and related products made available through primary health care, and spending on all medicines and related products that are made available through Te Whatu Ora hospitals. Te Pātaka Whaioranga Pharmac's role is to ensure that spending does not exceed this budget while ensuring that the available funding is spent on the products that provide the biggest health gain.

Managing risk

Te Pātaka Whaioranga Pharmac will continue to enhance its organisational risk framework to ensure risks are defined in terms of uncertainty, so that equal emphasis is on upside opportunities as well as downside threats so that all risks are effectively identified, assessed, managed, and monitored.

Our Audit and Risk Committee assists the Pharmac Board in performing its oversight responsibilities relating to risk management of Pharmac. This Committee and our Board receive regular reporting to provide transparency and confidence in how success is achieved, and associated risks are managed.

How we will measure our success

| Performance measure | Most recent result (2021/22) ²² | Target 2023/24 | Result sought |
|------------------------------------------------------------|------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| Increased public trust in Pharmac | In 2022 our score was 88. | 85-95 | Achieved |
| and Māori trust and confidence in Pharmac ²³ | There was an increase in the number of advocates (22%) and a decline in the number of critics (29%). | Increase in number of advocates and decline in number of critics | Achieved |
| Consumer engagement ²⁴ | New measure | Measure and baseline to be agreed and established in 2023/24 in line with the code of expectations for health entities' engagement with consumers and whānau | Achieved |
| Assessment of bias and racism | n/a | Independent review of racism and bias completed by June 2024 ²⁵ | Achieved |

²² Most recent result at time of publishing.

²³ We use the results from the annual Public Sector Reputation Index to measure trust in Pharmac. We aim to increase our score each year. The Public Sector Reputation Index Survey is produced annually. The 2022 survey covered 55 public sector agencies. Reputation is measured across 16 attributes under four pillars, which are combined into a single reputation score, and an index created with the average being 100.

²⁴ This measure will be developed in 2023/24 alongside health sector agencies and draw from the expectations established by the HQSC. The code is discussed on page 45.

²⁵ An independent review of racism and bias in Pharmac is currently underway. The review will be used to define a sustainable process to systematically assess, identify, and map racism across the organisation and deliver a suite of recommended actions to address racism.

| Performance measure | Most recent result (2021/22) | Target 2023/24 | Result sought |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|---------------|
| Proportion of Māori and other under-represented groups in Pharmac's workforce and advisory groups, compared with the proportion of the total population | <p>Pharmac Board = 33% Māori</p> <p>PTAC and Specialist Advisory Committees = 3% Māori</p> <p>Consumer Advisory Committee = 33% Māori</p> <p>Responsible Use Advisory Group = 37% Māori</p> | Increase the proportion of Māori and other under-represented groups | Achieved |
| Reduce Pharmac carbon emissions | <p>Base Year 2018/2019</p> <p>Total carbon emissions 436 tonnes CO₂ (tCO₂-e)</p> | Target is to reduce by 21% by 2025 = 345 tCO ₂ -e | Achieved |



Code of expectations for health entities' engagement with consumers and whānau

Te tikanga mō te mahi tahi a ngā hinonga hauora ki ngā kiritaki me ngā whānau

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.

This code is required by the Pae Ora (Healthy Futures) Act 2022 and is underpinned by the health sector principles. Health entities, including Te Pātaka Whaioranga, must act in accordance with the code and will be assessed on how the code has been applied. The associated performance framework, known as the Consumer engagement quality and safety marker (QSM) is still under development.

Pharmac is working closely with the Health Quality and Safety Commission, and we will report on our performance in line with the code in our Annual Report each year.

Performance reporting standard

Pharmac acknowledges the new reporting standard for public benefit entities, effective on 1 January 2022. PBE FRS 48 imposes additional reporting obligations on entities.

Pharmac will use PBE FRS 48 as a guide while performance measures are further developed. Guidelines cover what to report, how much detail to provide and how to present the information.

Appropriations

Pharmac has three appropriations (funding from Vote Health) we manage on behalf of the Government and which reflect our output classes.

National management of pharmaceuticals

This appropriation is limited to services related to the national management of pharmaceuticals.

| National management of pharmaceuticals | Forecast 2023/24 \$000 | Budget 2022/23 \$000 |
|-----------------------------------------------|----------------------------------|--------------------------------|
| Revenue | | |
| Crown revenue | 29,507 | 28,872 |
| Other revenue | 1,316 | 1,082 |
| Total revenue | 30,823 | 29,954 |
| Total expenses | 33,085 | 32,976 |
| Surplus/(deficit) | (2,262) | (3,022) |

How we will assess performance

Performance measures are detailed on pages 29, 33, 37 and 43.

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.

| National pharmaceuticals purchasing (the CPB) | Forecast 2023/24 \$000 | Budget 2022/23 \$000 |
|------------------------------------------------------|----------------------------------|--------------------------------|
| Revenue | | |
| Crown revenue | 1,311,000 | 1,186,000 |
| Other revenue | 2,342 | - |
| Total revenue | 1,313,342 | 1,186,000 |
| Total expenses | 1,310,400 | 1,186,000 |
| Surplus/(deficit) | 2,942 | - |

How we will assess performance

Performance measures are detailed on pages 29, 33, 37, and 43.

Multi-category appropriations

Pharmac contributes to the following one multi-category appropriation:

Implementing the COVID-19 vaccine strategy

The single overarching purpose of this appropriation is to implement the COVID-19 vaccine strategy to minimise the health impacts of COVID-19, and to fund COVID-19 treatments.

| Implementing the COVID-19 vaccine strategy | Forecast 2023/24 \$000 | Budget 2022/23 \$000 |
|---------------------------------------------------|----------------------------------|--------------------------------|
| Revenue²⁶ | | |
| Crown revenue | - | 235,250 |
| Total revenue | - | 235,250 |
| (2023/24 Inventory movement only) | | |
| Total expenses | 115,000 | 235,250 |
| Surplus/(deficit) | (115,000) | - |

How we will assess performance

Performance measures are detailed on pages 29, 33, 37 and 43.

²⁶ Budget for 2023/24 to be confirmed.

Summary of performance measures

| Performance measure | Most recent result (2021/22) | Target 2023/24 | Result sought |
|-----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|---------------------|
| Number of New Zealanders receiving funded medicines (A) ²⁸ | 3.81 million New Zealanders received funded medicines | Volume measure only | Volume measure only |
| Number of new medicines funded (A) ²⁹ | 6 new 'treatments' funded | Increase in total number of new medicines | Achieved |
| Access is widened to an increased number of medicines that are already funded (A) | 16 access widenings implemented | Number of access widenings reported | Volume measure only |
| Number of New Zealanders benefiting from new medicines funded or widened (A) | 118,747 additional New Zealanders received new medicines | Number of additional New Zealanders receiving new medicines reported | Volume measure only |
| Access of medicines compared to subsidy ³⁰ | From 2012, the number of medicines (volume) and the range of medicines (mix) have increased over time | Volume and mix go up compared to previous years | Increase |
| Number of COVID-19 treatments funded (A) | The number of COVID-19 therapeutics purchased by Pharmac and available for treatment of COVID-19 in accordance with guidelines issued by Manatū Hauora Ministry of Health was 81,914 | Number of Covid-19 therapeutics reported | Volume measure only |

²⁷ Most recent result at time of publishing.

²⁸ A = appropriation measure included in Vote Health Estimates 2023/24 and required to be reported in Pharmac's 2022/23 Annual Report.

²⁹ New medicines are added to the Pharmaceutical Schedule.

³⁰ We want to see the volume and mix of pharmaceuticals go up, relative to the cost, while the average subsidies paid decline.

| Performance measure | Most recent result (2021/22) | Target 2023/24 | Result sought |
|------------------------------------------------------------------------|-------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|---------------------|
| Number of patients receiving COVID-19 treatments (A) | We will report on the number of courses of treatments purchased and dispensed | Number of New Zealanders receiving Covid-19 treatments reported | Volume measure only |
| Access to medicines for priority populations ³¹ | New measure | Undertake and report findings of two assessments of access to medicines (based on Special Authority equity access criteria) | Achieved |
| Time to funding decision (A), ^{32 33} | The average time taken from application to decision was 27.95 months | <27.9 months | Achieved |
| Time to rank applications (A) ³⁴ | The average time taken from application to rank was 15.24 months | <15.2 months | Achieved |
| Timeliness of Exceptional Circumstances decisions (NPPA) ³⁵ | 45% of decisions were made within 10 working days | More than 45% | Achieved |

³¹ Based on our Special Authority criteria, we will measure actual access to medicines from an equity perspective to determine the effectiveness of changes, to inform future changes and future design of criteria for new listings by 30 June 2024.

³² We want to ensure our decision times are improving. This measure reports on the average time from a funding application being received to a decision on whether to fund is made. This measure is based on applications that have had a decision made during the 2023/24 financial year (1 July 2023 – 30 June 2024). The results will only include applications received within the previous five years to a decision being made.

³³ A = appropriation measure included in Vote Health Estimates 2023/24 and required to be reported in Pharmac's Annual Report.

³⁴ We want to improve the timeliness of our decisions. We will identify applications received during the previous five financial years and determine the average time taken for those applications to be placed (ranked) on one of our priority lists for funding. The average time to rank reflects the time required for applications to be considered by our expert clinical advisors, any additional information outstanding to be collected and submitted by applicants, all material and advice to be analysed (including health economic analysis) by Pharmac, and the application being placed on one of our priority lists for funding.

³⁵ We want to ensure we provide a decision to applicants as soon as we can. 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). We report on Named Patient Pharmaceutical Applications (NPPA).

| Performance measure | Most recent result (2021/22) | Target 2023/24 | Result sought |
|-----------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| Timeliness of PTAC and other specialist advisory committee records being published (A) ³⁶ | PTAC = 52 working days SAC = 60 working days | Less than 52 working days (PTAC) Less than 60 working days (SAC) | Achieved |
| Increase in the number of hospital medical devices on the schedule/list for Te Whatu Ora hospitals to access/purchase | 60% ³⁷ | >60% | Achieved |
| Develop a methodology to show value to New Zealanders/Health system from hospital medical devices by 30 June 2024 | New measure | Methodology and baseline developed by 30 June 2023 | Achieved |
| Increased public trust in Pharmac and Māori trust and confidence in Pharmac ³⁸ | In 2022 our score was 88. | 85-95 | Achieved |
| | There was an increase in the number of advocates (22%) and a decline in the number of critics (29%). | Increase in number of advocates and decline in number of critics | Achieved |
| Consumer engagement (stakeholder experience) ³⁹ | New measure | Measure and baseline to be agreed and established in 2023/24 in line with the code of expectations for health entities' engagement with consumers and whānau | Achieved |

³⁶ This measure is intended to assess the efficiency of one of our core decision-making functions.

³⁷ We measure the increase in the proportion of supplier categories of hospital medical devices purchased by public hospitals under national agreement with Pharmac. We will also report the number of devices on the schedule.

³⁸ We use the results from the annual Public Sector Reputation Index to measure trust in Pharmac. We aim to increase our score each year. The Public Sector Reputation Index Survey is produced annually. The 2022 survey covered 55 public sector agencies. Reputation is measured across 16 attributes under four pillars, which are combined into a single reputation score, and an index created with the average being 100.

³⁹ This measure will be developed in 2023/24 alongside health sector agencies and draw from the expectations established by the HQSC. The code is discussed on page 45.

| Performance measure | Most recent result (2021/22) | Target 2023/24 | Result sought |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|---------------|
| Assessment of bias and racism | n/a | Independent review of racism and bias completed by June 2024 ⁴⁰ | Achieved |
| Proportion of Māori and other under-represented groups in Pharmac's workforce, and advisory groups compared with the proportion of the total population | Pharmac Board = 33% Māori PTAC and Specialist Advisory Committees = 3% Māori Consumer Advisory Committee = 33% Māori Responsible Use Advisory Group = 37% Māori | Increase the proportion of Māori and other under-represented groups | Achieved |
| Reduce Pharmac carbon emissions | Base Year 2018/2019 Total carbon emissions 436 tonnes CO ² (tCO ² -e) | Target is to reduce by 21% by 2025 = 345 tCO ² -e | Achieved |

⁴⁰ An independent review of racism and bias in Pharmac is currently underway. The review will be used to define a sustainable process to systematically assess, identify, and map racism across the organisation and deliver a suite of recommended actions to address racism.

Prospective financial statements

Statement of Forecast Comprehensive Revenue and Expense

| | Note 1 | 2022/23 \$000 | 2023/24 \$000 | 2024/25 \$000 | 2025/26 \$000 | 2026/27 \$000 |
|-----------------------------------------------------------------------------------|-----------|------------------|------------------|------------------|------------------|------------------|
| Revenue | | | | | | |
| Crown funding - baseline | | 29,347 | 29,507 | 29,507 | 29,507 | 29,507 |
| National Pharmaceuticals Purchasing - baseline | | 1,236,000 | 1,311,000 | 1,130,000 | 1,130,000 | 1,130,000 |
| COVID related - baseline | | 307,501 | - | - | - | - |
| Other | | | | | | |
| Interest received - Operating | | 1,031 | 972 | 956 | 956 | 956 |
| - Legal Risk Fund | | 342 | 344 | 344 | 344 | 344 |
| - Appropriations | | 15,000 | 2,342 | 2,443 | 2,528 | 2,617 |
| Other revenue - Operating | | 77 | - | - | - | - |
| Total revenue | | 1,589,298 | 1,344,165 | 1,163,250 | 1,163,335 | 1,163,424 |
| Expenditure | | | | | | |
| Personnel costs | | 20,865 | 22,115 | 21,793 | 22,048 | 22,551 |
| Operating costs | | 12,225 | 10,430 | 9,949 | 9,342 | 9,178 |
| Depreciation and amortisation costs | | 419 | 290 | 233 | 247 | 227 |
| Net National Pharmaceuticals Purchasing Expenditure (net of Rebate recoveries) | | 1,235,155 | 1,311,000 | 1,130,000 | 1,130,000 | 1,130,000 |
| COVID related Expenditure | | 307,501 | - | - | - | - |
| Net inventory movements | | (22,173) | 114,400 | 2,207 | - | - |
| Legal Risk Fund expense | | - | 250 | 250 | 250 | 250 |
| Total expenditure | | 1,553,992 | 1,458,485 | 1,164,432 | 1,161,887 | 1,162,206 |
| Net surplus/(deficit) for the period | | 35,306 | (114,320) | (1,182) | 1,448 | 1,218 |
| Other comprehensive revenue | | - | - | - | - | - |
| Total comprehensive revenue and expense | | 35,306 | (114,320) | (1,182) | 1,448 | 1,218 |
| Summary by Appropriation | | | | | | |
| Pharmac operating | | (2,712) | (2,262) | (1,418) | (1,080) | (1,399) |
| National Pharmaceuticals Purchasing | | 15,845 | 2,942 | 2,443 | 2,528 | 2,617 |
| COVID-19 related activity | | 22,173 | (115,000) | (2,207) | - | - |
| Total comprehensive revenue and expense | | 35,306 | (114,320) | (1,182) | 1,448 | 1,218 |

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

Statement of Forecast Financial Position

| | Note 1 | 2022/23 \$000 | 2023/24 \$000 | 2024/25 \$000 | 2025/26 \$000 | 2026/27 \$000 |
|-----------------------------------------------------------|-----------|------------------|------------------|------------------|------------------|------------------|
| Public Equity | | | | | | |
| Contribution capital | | 1,856 | 1,856 | 1,856 | 1,856 | 1,856 |
| Retained earnings and reserves - operating | | 8,796 | 6,441 | 4,929 | 3,755 | 2,263 |
| Restricted reserves | | | | | | |
| Retained earnings and reserves - Appropriations | | 155,922 | 43,864 | 44,100 | 46,628 | 49,245 |
| HDPF | | 12,791 | 12,791 | 12,791 | 12,791 | 12,791 |
| Legal Risk Fund | | 8,942 | 9,036 | 9,130 | 9,224 | 9,318 |
| Medical Devices Reserve | | 1,430 | 1,430 | 1,430 | 1,430 | 1,430 |
| TOTAL PUBLIC EQUITY | | 189,737 | 75,418 | 74,236 | 75,684 | 76,903 |
| Represented by: | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents - operating | | 4,963 | 4,518 | 4,704 | 4,142 | 4,541 |
| Investments | | 21,000 | 18,300 | 16,600 | 16,000 | 14,100 |
| Debtors and other receivables | | 148,020 | 148,020 | 148,020 | 148,020 | 148,020 |
| Prepayments | | 200 | 200 | 200 | 200 | 200 |
| General Vaccines Inventory | | 23,266 | 23,866 | 23,866 | 23,866 | 23,866 |
| COVID-19 Vaccines Inventory | | 90,000 | - | - | - | - |
| COVID-19 Treatments Inventory | | 27,207 | 2,207 | - | - | - |
| Current assets associated with Restricted reserves | | | | | | |
| Cash and cash equivalents - Appropriations | | 66,909 | 69,797 | 72,240 | 74,768 | 77,385 |
| Cash and cash equivalents - Legal Risk Fund | | 585 | 929 | 1,023 | 1,117 | 1,211 |
| Investments - Legal Risk Fund | | 8,300 | 8,300 | 8,300 | 8,300 | 8,300 |
| Investments - HDPF | | 2,700 | 2,700 | 2,700 | 2,700 | 2,700 |
| Total current assets | | 393,150 | 278,837 | 277,653 | 279,113 | 280,323 |
| Non-current assets | | | | | | |
| Property, plant and equipment | | 469 | 399 | 393 | 381 | 390 |
| Intangible Assets | | - | 16 | 24 | 24 | 24 |
| Total non-current assets | | 469 | 415 | 417 | 405 | 414 |
| Total assets | | 393,619 | 279,252 | 278,070 | 279,518 | 280,737 |
| Current liabilities | | | | | | |
| Creditors and other payables | | 201,553 | 201,806 | 201,806 | 201,806 | 201,806 |
| Employee entitlements | | 1,801 | 1,500 | 1,500 | 1,500 | 1,500 |
| GST Payable | | 200 | 200 | 200 | 200 | 200 |
| Total current liabilities | | 203,554 | 203,506 | 203,506 | 203,506 | 203,506 |
| Non-current liabilities | | | | | | |
| Make Good Provision | | 328 | 328 | 328 | 328 | 328 |
| Total liabilities | | 203,882 | 203,834 | 203,834 | 203,834 | 203,834 |
| NET ASSETS | | 189,737 | 75,418 | 74,236 | 75,684 | 76,903 |

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

Statement of Forecast Cash Flows

| Note | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|--------------------------------------------------------|----------------|---------------|---------------|---------------|---------------|
| 1 | \$000 | \$000 | \$000 | \$000 | \$000 |
| CASH FLOWS – OPERATING ACTIVITIES | | | | | |
| Cash was provided from: | | | | | |
| - Operating receipts from the Crown | 29,347 | 29,507 | 29,507 | 29,507 | 29,507 |
| - Baseline receipts from the Crown | 1,543,501 | 1,311,000 | 1,130,000 | 1,130,000 | 1,130,000 |
| - Interest Operating | 1,031 | 972 | 956 | 956 | 956 |
| - Interest Legal Risk Fund | 341 | 344 | 344 | 344 | 344 |
| - Interest Appropriations | 15,000 | 2,342 | 2,443 | 2,528 | 2,617 |
| - Other Operating | 77 | - | - | - | - |
| - Goods and services tax (net) | 200 | - | - | - | - |
| | 1,589,497 | 1,344,165 | 1,163,250 | 1,163,335 | 1,163,424 |
| Cash was disbursed to: | | | | | |
| - Legal Risk Fund expenses | - | (250) | (250) | (250) | (250) |
| - Payments to suppliers and employees | (32,554) | (32,593) | (31,742) | (31,390) | (31,729) |
| - Net Payments for National Pharmaceuticals Purchasing | (1,230,553) | (1,311,000) | (1,130,000) | (1,130,000) | (1,130,000) |
| - Payments for COVID activities | (307,501) | - | - | - | - |
| | (1,570,608) | (1,343,843) | (1,161,992) | (1,161,640) | (1,161,979) |
| Net cash flows from operating activities | 18,889 | 322 | 1,258 | 1,695 | 1,445 |
| CASH FLOWS – INVESTING ACTIVITIES | | | | | |
| - Purchase of property, plant and equipment | (755) | (215) | (215) | (215) | (215) |
| - Purchase of intangible assets | (4) | (20) | (20) | (20) | (20) |
| - Proceeds from the redemption of investments | - | 2,700 | 1,700 | 600 | 1,900 |
| - Purchase of investments | (1,400) | - | - | - | - |
| Net cash flows from investing activities | (2,159) | 2,465 | 1,465 | 365 | 1,665 |
| Net increase/(decrease) in cash | 16,730 | 2,787 | 2,723 | 2,060 | 3,110 |
| Cash at the beginning of the year | 55,727 | 72,457 | 75,244 | 77,967 | 80,027 |
| Cash at the end of the year | 72,457 | 75,244 | 77,967 | 80,027 | 83,137 |

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

Statement of Forecast Changes in Equity

| | Note 1 | 2022/23 \$000 | 2023/24 \$000 | 2024/25 \$000 | 2025/26 \$000 | 2026/27 \$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 | | 128,204 | 164,719 | 50,305 | 49,029 | 50,383 |
| Net surplus/(deficit) - Operating | | (2,712) | (2,262) | (1,418) | (1,080) | (1,399) |
| Net surplus/(deficit) - Appropriations | | 38,018 | (112,058) | 236 | 2,528 | 2,617 |
| Net transfer from/(to) Legal Risk fund | | (342) | (94) | (94) | (94) | (94) |
| Net transfer from/(to) Medical Devices reserve | | 1,550 | - | - | - | - |
| Balance at 30 June | | 164,718 | 50,305 | 49,029 | 50,383 | 51,507 |
| HDPF | | | | | | |
| Balance at 1 July | | 12,791 | 12,791 | 12,791 | 12,791 | 12,791 |
| Add: Revenue received transferred from retained earnings | | - | - | - | - | - |
| Balance at 30 June | | 12,791 | 12,791 | 12,791 | 12,791 | 12,791 |
| LEGAL RISK FUND | | | | | | |
| Balance at 1 July | | 8,600 | 8,942 | 9,036 | 9,130 | 9,224 |
| Add: Revenue received transferred from retained earnings and unused litigation budget | | 342 | 344 | 344 | 344 | 344 |
| Less: Litigation expenses transferred to retained earnings | | - | (250) | (250) | (250) | (250) |
| Balance at 30 June | | 8,942 | 9,036 | 9,130 | 9,224 | 9,318 |
| MEDICAL DEVICES RESERVE | | | | | | |
| Balance at 1 July | | 2,980 | 1,430 | 1,430 | 1,430 | 1,430 |
| Less: Devices expenses transferred from/(to) retained earnings | | (1,550) | - | - | - | - |
| Balance at 30 June | | 1,430 | 1,430 | 1,430 | 1,430 | 1,430 |
| TOTAL PUBLIC EQUITY | | 189,737 | 75,418 | 74,236 | 75,684 | 76,902 |

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

Reconciliation of Forecast Net Surplus to Cash Flow from Operating Activities

| | Note 1 | 2022/23 \$000 | 2023/24 \$000 | 2024/25 \$000 | 2025/26 \$000 | 2026/27 \$000 |
|--------------------------------------------------------|-----------|------------------|------------------|------------------|------------------|------------------|
| Net operating surplus/(deficit) | | 35,306 | (114,320) | (1,182) | 1,448 | 1,218 |
| Add non-cash items | | | | | | |
| Depreciation and amortisation | | 419 | 290 | 233 | 247 | 227 |
| Total non-cash items | | 419 | 290 | 233 | 247 | 227 |
| Add/(less) movements in working capital items: | | | | | | |
| Decrease/(increase) in debtors and other receivables | | (2,001) | - | - | - | - |
| Decrease/(increase) in prepayments | | 4,575 | - | - | - | - |
| Decrease/(increase) in inventories | | (22,173) | 114,400 | 2,207 | - | - |
| Increase/(decrease) in creditors and other payables | | 490 | 253 | - | - | - |
| Increase/(decrease) in employee entitlements | | - | (301) | - | - | - |
| Decrease/(increase) in net GST | | 2,273 | - | - | - | - |
| Net movements in working capital | | (16,836) | 114,352 | 2,207 | - | - |
| Other movements | | | | | | |
| Increase/(decrease) in non-current make good provision | | - | - | - | - | - |
| Total other movements | | - | - | - | - | - |
| Net cash flows from operating activities | | 18,889 | 322 | 1,258 | 1,695 | 1,445 |

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

Statement of Forecast Comprehensive Revenue and Expense, by Output Class

| | Funding MOH \$000 | Funding Other \$000 | Output expenditure \$000 | Net surplus/ (deficit) \$000 |
|----------------------------------------|----------------------|---------------------------|--------------------------------|------------------------------------|
| 2022/23 | | | | |
| National Management of Pharmaceuticals | 29,347 | 1,450 | (33,509) | (2,712) |
| National Pharmaceuticals Purchasing | 1,236,000 | 15,000 | (1,235,155) | 15,845 |
| COVID-19 Vaccines/Therapeutics | 307,501 | - | (285,328) | 22,173 |
| Total | 1,572,848 | 16,450 | (1,553,992) | 35,306 |
| 2023/24 | | | | |
| National Management of Pharmaceuticals | 29,507 | 1,316 | (33,085) | (2,262) |
| National Pharmaceuticals Purchasing | 1,311,000 | 2,342 | (1,310,400) | 2,942 |
| COVID-19 Vaccines/Therapeutics | - | - | (115,000) | (115,000) |
| Total | 1,340,507 | 3,658 | (1,458,485) | (114,320) |
| 2024/25 | | | | |
| National Management of Pharmaceuticals | 29,507 | 1,300 | (32,225) | (1,418) |
| National Pharmaceuticals Purchasing | 1,130,000 | 2,443 | (1,130,000) | 2,443 |
| COVID-19 Vaccines/Therapeutics | - | - | (2,207) | (2,207) |
| Total | 1,159,507 | 3,743 | (1,164,432) | (1,182) |
| 2025/26 | | | | |
| National Management of Pharmaceuticals | 29,507 | 1,300 | (31,887) | (1,080) |
| National Pharmaceuticals Purchasing | 1,130,000 | 2,528 | (1,130,000) | 2,528 |
| COVID-19 Vaccines/Therapeutics | - | - | - | - |
| Total | 1,159,507 | 3,828 | (1,161,887) | 1,448 |
| 2026/27 | | | | |
| National Management of Pharmaceuticals | 29,507 | 1,300 | (32,206) | (1,399) |
| National Pharmaceuticals Purchasing | 1,130,000 | 2,617 | (1,130,000) | 2,617 |
| COVID-19 Vaccines/Therapeutics | - | - | - | - |
| Total | 1,159,507 | 3,917 | (1,162,206) | 1,218 |

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

Te Pātaka Whaioranga 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 Te Pātaka Whaioranga Pharmac's operations includes the Crown Entities Act 2004 and the Pae Ora (Healthy Futures) Act 2022. Te Pātaka Whaioranga Pharmac's ultimate parent is the New Zealand Crown.

Te Pātaka Whaioranga 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. Te Pātaka Whaioranga Pharmac does not operate to make a financial return.

Te Pātaka Whaioranga 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: Te Pātaka Whaioranga Pharmac receives operating funding from the Crown. This funding is restricted in its use for the purpose of Te Pātaka Whaioranga Pharmac's 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 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.

National pharmaceutical purchasing and COVID funding

From 1 July 2023 Te Pātaka Whaioranga Pharmac receives funding from the Crown for payment to community pharmacies, acquisition of nationally acquired pharmaceuticals for use in hospitals, vaccines acquired nationally, and pharmaceuticals for COVID-19 treatments and COVID-19 vaccines.

Financial instruments

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

Cash and cash equivalents

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

Receivables

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

Investments

Bank term deposits

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

Property, plant, and equipment

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

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

Te Pātaka Whaioranga 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

Te Pātaka Whaioranga 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 Te Pātaka Whaioranga 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 Te Whatu Ora's Combined Pharmaceutical Budget.

Critical judgements in applying Te Pātaka Whaioranga Pharmac's accounting policies

Management has not exercised any critical judgements in applying Te Pātaka Whaioranga Pharmac's accounting policies for the years ended 30 June 2023 – 30 June 2027.







PHARMAC
TE PĀTAKA WHAIORANGA

Pharmaceutical Management Agency
Level 9, 40 Mercer Street, PO Box 10254, Wellington 6143, New Zealand
Phone: 64 4 460 4990 - Fax: 64 4 460 4995 - www.pharmac.govt.nz
Freephone Information line (8am–5pm weekdays) 0800 66 00 50

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