

8 July 2014

Proposal to list Surgical Sutures, Wound Care products and Disposable Laparoscopic Trocars and associated Instruments

PHARMAC is seeking feedback on a proposal to list a range of surgical sutures, wound care products and disposable laparoscopic trocars and associated disposable instruments ("Medical Devices") in Part III of Section H of the Pharmaceutical Schedule as a result of a provisional agreement ("Agreement") with Covidien New Zealand Limited ("Covidien").

In summary, this proposal would result in Covidien's ranges of Medical Devices being available for DHBs to purchase at PHARMAC negotiated prices from 1 September 2014, subject to consultation and approval.

PHARMAC estimates that the proposal would offer at least \$640,000 in savings per annum to those DHBs that currently purchase the Medical Devices, and could offer further significant savings should any other DHBs decide to purchase the Medical Devices.

DHBs may continue to choose to purchase other suppliers brands of medical devices..

Feedback sought

PHARMAC welcomes feedback on this proposal. To provide feedback, please submit it in writing by **28 July 2014** to:

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Wellington 6143

Email: devices@pharmac.govt.nz

Fax: 04 460 4995

All feedback received before the closing date will be considered by PHARMAC's Board (or its delegate) prior to making a decision on this proposal. Please contact us if you would like to discuss the timing of your submission outside this timeframe. Please note that extending the timeframe is likely to delay the potential savings to DHBs.

Feedback we receive is subject to the Official Information Act 1982 (OIA) and we will consider any request to have information withheld in accordance with our obligations under the OIA. Anyone providing feedback, whether on their own account or on behalf of an organisation, and whether in a personal or professional capacity, should be aware that the content of their feedback and their identity may need to be disclosed in response to an OIA request.

We are not able to treat any part of your feedback as confidential unless you specifically request that we do, and then only to the extent permissible under the OIA and other relevant laws and requirements. If you would like us to withhold any commercially sensitive, confidential proprietary, or personal information included in your submission, please clearly

state this in your submission and identify the relevant sections of your submission that you would like it withheld. PHARMAC will give due consideration to any such request

Details of the proposal

Covidien's range of Medical Devices would be listed in Part III of Section H of the Pharmaceutical Schedule from 1 September 2014.

The product range includes:

Sutures

- Biosyn
- Caprosyn
- Dermalon
- Flexon
- Maxon
- Maxon CV
- Monosof
- Novafil
- Polysorb
- Sofisilk
- Stainless Steel
- Surgidac
- Surgilon
- Surgipro
- Surgipro II
- Ticron
- Velosorb
- V-Loc
- Umbilical tape
- Suture Bolsters
- Teflon Pledgets
- Bone Wax

Wound Care products

- Curasorb
- Curity Multitrauma
- Excilon
- Kendal AMD
- Kendall Copa
- Kendall Plus
- Kerlix
- Mothermates
- Polyskin
- Telfa
- Vaseline dressings
- Xeroform

Disposable Laparoscopic devices

- Dexide
- Endo
- FRED
- Mini Step
- PEDIport
- Poly
- PLDS
- Premium
- Roticulator Endo
- Step
- Surgineedle
- Surgisleeve
- Surgiwand
- Thoracoport
- Roticulat
- Versaport
- Versaport V2
- Versastep

- SILS

- Visiport

If the Agreement is approved by PHARMAC's Board or its delegate, Covidien's range of Medical Devices would be listed in Part III of Section H of the Pharmaceutical Schedule, which contains products with national agreements that DHBs are able to purchase under.

The Agreement includes terms for education services to be provided by Covidien to DHB personnel on appropriate use of its Medical Devices, which is to be provided at times as agreed with individual DHBs.

The exact product list, pricing and specific Agreement arrangements in the proposal have not been included in this consultation for brevity. The surgical suture and disposable laparoscopic medical device ranges both have a tiered pricing arrangement that could offer further savings to the Schedule listed pricing for increased individual DHB commitment. The details of this tiered pricing arrangement and commitment levels would remain confidential and would only be made available to Procurement Departments at DHBs to work through with their clinical teams. Some DHBs already qualify based on current usage of Covidien product for the second tier pricing offered and they will be notified individually.

For the Suture range the Agreement also allows for supplier managed inventory systems to be put in place for those DHBs who wish to utilise this service.

The range of Medical Devices would be listed in Part III of Section H of the Pharmaceutical Schedule. We propose that the Medical Devices would not be individually listed in the printed Section H of the Pharmaceutical Schedule, but rather a reference made in Part III of Section H to an electronic source available on our website in an Excel spreadsheet format, and a PDF document.

Background

In the May 2013 PHARMAC consultation, Surgical Sutures and Wound Care products were identified as 2 of the 11 categories PHARMAC would be working on as part of the phased plan for PHARMAC to progressively take on the management of hospital medical devices.

In August 2013 PHARMAC issued a registration of interest document, seeking proposals from suppliers for non-exclusive national agreements for wound care products. Following the closure of this request, we have been working with a number of suppliers in order to seek to reach an agreement with them, Covidien responded to this request.

In September 2013 a direct approach to the known suppliers in the New Zealand market, with comprehensive surgical suture ranges was made. This approach was in the form of a request for a submission to PHARMAC for a listing on the Pharmaceutical schedule and Covidien responded to this request.

Laparoscopic disposable trocars and associated instruments was not part of PHARMAC's initial group of categories for medical devices consulted on in May 2013. The opportunity to list these medical devices was presented to PHARMAC following the initial consultation that identified the categories and significant saving opportunities for DHBs was offered.

PHARMAC assessed the potential opportunity and determined it was substantial and would be worthwhile pursuing.

Following further consultation with; the sector as a whole, the Royal Australasian College of Surgeons specifically, and DHB Procurement teams, PHARMAC chose to pursue the opportunity offered in the disposable laparoscopic market. In November 2013 a direct approach to the known suppliers with comprehensive disposable laparoscopic device ranges in the New Zealand market was made and Covidien responded to this.

No reusable vs. disposable costing models have been undertaken on this range of medical devices for this process as PHARMAC is looking to obtain improved pricing on disposable products already in use in DHB's, not advocating a change to disposable products. DHBs role in choosing the mix of disposable and reusable equipment they use would not be altered by this proposal.

The range of products available in all three categories would not be altered by this proposal and DHBs would continue to be able to choose which medical devices they purchase.