Device Advice
Your update on PHARMAC’s Hospital Medical Devices programme

Issue 7 - 15 October 2014

Activity to date
PHARMAC’s national procurement of ranges of medical devices is progressing and savings for the sector are increasing.

As of 1 October 2014, PHARMAC has listed over 4,900 hospital medical devices on the Pharmaceutical Schedule, covering national expenditure of about $34.9 million per annum.

Minimum savings achieved for DHBs to date are almost $2 million per annum. This will continue to grow as more DHBs move to national contracts over time.

National contracts are now available with nine suppliers for ranges of wound care products, sutures and disposable laparoscopic equipment.

The most recent listings were for ranges of wound care products supplied by Jackson Allison (100 line items) offering about $14,000 per annum in savings, and Covidien (105 wound care products, 1,527 lines of sutures and 158 laparoscopic devices) offering savings of about $650,000 per annum for DHBs. This deal includes tiered pricing options, which allows DHBs to make even greater savings if they increase the volume of this brand they use.

The national contracts aim to get national consistency, transparency and, where possible, a reduction in cost for particular items. While DHBs still deal directly with suppliers to obtain devices, by ordering these products they pay a national price negotiated by PHARMAC.

Key opportunities for DHBs
The three key contracts offering the most significant savings for DHBs are Applied Medical’s laparoscopic equipment, USL’s Assut sutures, and Covidien’s products.

Canterbury, Capital & Coast and Counties Manukau DHBs are evaluating the Assut sutures in various clinical settings, with Hutt, Whanganui and Southern DHB also considering the opportunity. We will assist with coordinating this and will share the results with all DHBs.

We are shortly going to visit Auckland DHB and Waitemata DHB to talk to them about all the national contracts on offer.

At the recent PEHNZ meeting PHARMAC acknowledged the hard work being done by CPCs, healthAlliance and clinical leaders to support the product evaluations for Assut sutures.

We are encouraging the standardisation of the process for carrying out evaluations, where clinically appropriate, across DHBs, and we will be helping to facilitate this.

While the contracts are currently optional for DHBs to take up, we are talking to DHBs about changing their mix of products to a higher proportion of the better value brands to capitalise on savings.

Update on the Wound Care Advisory Group
Wound care is a complex area, with thousands of different products. Activity to date has seen $27 million of the $32 million a year spend come under PHARMAC contracts.

Now that we are close to having most of the products currently used in DHBs listed, we will seek to gather more data and begin further work in this category.

PHARMAC has established a Wound Care Advisory Group of clinicians to provide clinical advice in the wound care category. This group will assist us in analysing usage patterns and providing clinical expertise to determine strategies for this category going forward.

We hope to be able to announce the members of this group shortly, with the intention of holding the first meeting before the end of the year.

Latest activity at a glance
- Almost 5,000 hospital medical devices listed so far, covering $34.9m expenditure
- Minimum national savings so far of almost $2 million per annum
- National contracts in place for wound care products, sutures and disposable laparoscopic equipment
- New Covidien agreement offering national savings of $650,000 per annum
Where to next?

Interventional Cardiology

We are currently consulting on a proposal to list about 300 interventional cardiology medical devices supplied by Bio-Excel. The products, including cardiac stents, guide wires, balloon and guide catheters, ancillary devices, miscellaneous, are already used in some DHBs.

This agreement offers national savings of $131,000 per annum covering national expenditure of about $1.3 million annually.

We're also considering a number of additional proposals from other suppliers covering equipment already being used in DHBs.

Orthopaedic Implants (spine and trauma)

We are currently considering the possibilities for ranges of orthopaedic trauma and spine implants and have been working closely with the NZ Orthopaedic Association.

Other activity

IV infusion bags

For the first time, PHARMAC has listed a medical device in its draft annual tender – empty intravenous infusion bags. Consultation on the draft tender has just closed and the final list will be out in the next month.

PHARMAC will be considering more categories over time. We will regularly update you as activity progresses and let you know when we are considering particular categories of products. Watch our website for the most recent activity and consultations on proposals to list more products on the Schedule (www.pharmac.health.nz/medicines/hospital-devices/interim-procurement-project/current-activity/)

PHARMAC’s devices management approach

PHARMAC has now reviewed all submissions to the discussion document on the approach to management and a summary will be published before year end.

We appreciate the time submitters have taken to provide feedback. The information received from this consultation, along with the previous submissions and notes taken at various meetings, will inform how PHARMAC undertakes and increases its management activity over time.

PHARMAC will consider this information as we work through the review of our Operating Policies and Procedures (OPPs). Where substantial change is proposed to our OPPs, including describing how we will undertake our medical devices activity, there will be further opportunity for involvement in this process. (For further information on our operating policies and procedures visit: http://www.pharmac.health.nz/about/operating-policies-and-procedures/)

We will also be consulting with the relevant specialty, interest and consumer groups as we undertake activity in more device categories and as we increase the level of activity within a category in future years. All the information we have received to date, and which we will continue to gather over time, will continue to inform our work.

While we are starting with national procurement of products in 12 categories, PHARMAC intends to bring much greater value to devices management over time. Our approach will be incremental, on a category by category basis. We will let you know when we’re looking at a new category and we will be seeking clinical input, which will be key to informing our approach to any new categories. We will continue to consult with you when we have new proposals about particular devices or device categories.

Definitions

PHARMAC intends to work under the definition provided in the New Zealand Public Health & Disability Act regarding what constitutes a ‘pharmaceutical’. In simplified terms, we consider a medical device to be any item that is used on, by or for a person for a therapeutic or diagnostic purpose, but which is not a medicine.

There have been some valid points raised about how PHARMAC will determine whether a product is a medicine or medical device. Most recently, this has been raised in the context of discussion about things like antimicrobial impregnated sutures (not currently being looked at, but, for your interest, we consider these to be a medical device).

As noted during our consultations, there will be grey areas for some devices, especially as technology looks towards greater integration of therapeutic benefits, and we will carefully consider where each product should sit, as we approach the category they fall into.

When we were developing our list of hospital medicines, PHARMAC specifically excluded some products and included others. This process involved widespread consultation with DHBs and decisions were made on the basis of those discussions.

While there is no definitive list of what is considered a medicine or medical device, the best advice we can give to DHBs is:

- Ask your pharmacy department whether they would consider the product a medicine (and therefore subject to the Pharmaceutical Schedule Section H Part II); and
- Ask PHARMAC for its view (email devices@pharmac.govt.nz).

For any devices we are not currently looking at, DHBs will continue to get their own clinical advice before deciding if they wish to use these.

Who we’re working with

PHARMAC has committed significant time over the past couple of years in discussion with Health Benefits Ltd and more recently, healthAlliance, on our relationship to the FPSC business case and also to ensure we are able to coordinate our activity in our sector.

PHARMAC is working closely with DHBs, HBL and hA to ensure everyone understands which areas are subject to PHARMAC’s national contracting activity. We are also keen to ensure that the National Catalogue will incorporate and reflect the Pharmaceutical Schedule.

DHB procurement teams, HBL and hA are sent regular updates in Excel format of the PHARMAC national contracts for ease of integration into DHB procurement systems. Over time we hope to refine our processes to make it as easy for DHB staff as possible. And the full list is available online, with pricing information, as the addendum to Part III of Section H of the Pharmaceutical Schedule. http://www.pharmac.health.nz/assets/schedule-addendum-devices-2014-10.pdf
PHARMAC will eventually determine the list of all medical devices (including listing capital items and diagnostics) but this will take some time to achieve. We will signal which areas we are working in, so that DHBs can focus their own (and their agents’) procurement initiatives in other areas to maximise their savings and avoid sector confusion or disruption to PHARMAC’s activities.

We recognise that appropriate clinical input is critical where hospital medical devices are being changed, and new products are being made available.

Keeping you informed

We will regularly be updating all interested groups about the progress of the devices work programme. Feel free to circulate this newsletter to anyone you think might be interested in this work.

You are welcome to contact us directly at any time with proposals, suggestions or concerns.

Email us: devices@pharmac.govt.nz or give us a call: 04 460 4990

You can also find all of our medical devices listed as an Addendum to Section H of the Pharmaceutical Schedule: www.pharmac.health.nz/tools-resources/pharmaceutical-schedule/section-h/

For general information about our activity visit: www.pharmac.health.nz/medicines/hospital-devices

Other PHARMAC business

If you would like information about other PHARMAC activity, you can also sign up to receive one of our other newsletters like Inpharmation to keep up-to-date with how this work might affect you.

You may be interested in PHARMAC’s activity over the past year and you can read this in our Annual Review.

If you want to stay in touch with the review of all PHARMAC’s Operating Policies and Procedures go to: http://www.pharmac.health.nz/about/operating-policies-and-procedures