Terms of Reference for the PHARMAC Review Committee

Purpose

The Government has determined to undertake a review of PHARMAC. The purpose of the Review and the recommendations it makes are to ensure that New Zealanders can have confidence that PHARMAC makes the best contribution it can to improving health outcomes for all New Zealanders, particularly Māori and Pacific peoples, as part of the wider health and disability system.

Background

The Pharmaceutical Management Agency (PHARMAC) is a Crown entity established in 1993 which has the statutory objective under section 47 of the New Zealand Public Health and Disability Act 2000 to:[1]

> *"…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."*

PHARMAC is widely regarded as having been highly effective in achieving cost reductions that enable maximum value to be achieved from the fixed annual pharmaceutical budget. Since it was established PHARMAC's role has widened to also include medical devices, vaccines, haemophilia products, cancer medicines, and hospital medicines.

Given PHARMAC's role it is inevitable that its decisions attract criticism. Petitions are regularly presented to the Health Select Committee, often objecting to specific decisions not to prioritise an expensive new treatment, or decisions to switch public funding between similar pharmaceuticals and the impact this can have on patients.

A Review will help to address the concerns some have about PHARMAC, while providing an opportunity to ensure PHARMAC is well-positioned to make the best contribution it can to future health needs given the rapidly changing global, societal and technological changes. The review will also be timely as it will be informed by government decisions around health system reforms and take these into account in considering the ongoing role of PHARMAC.

Scope of the Review

This Review will help to ensure that the public can have confidence in the work of PHARMAC by investigating and making recommendations on two key issues:

1. How well PHARMAC performs against its current objectives and whether and how its performance against these could be improved.
2. Whether PHARMAC's current objectives (with emphasis on equity for Māori and Pacific peoples) maximise its potential to improve health outcomes for all New Zealanders as part of the wider health system, and whether and how these should be changed.

In addressing these questions, the scope of the review is expected to include:

[1] PHARMAC also has related statutory functions under section 48.

- Whether PHARMAC's operating model and role remain fit for purpose given significant social, economic, and technological developments that have occurred since it was established.
- Whether PHARMAC's current responsibilities (e.g. funding decisions for medicines, medical devices, vaccines etc.) should be reduced or expanded in light of PHARMAC's role and the role of other parts of the health system in achieving improved health outcomes.
- The timeliness of PHARMAC's funding decisions, including both:
    - the time taken to assess and prioritise treatments for funding; and
    - the time it takes for a treatment to be funded, which depends upon both prioritisation and the fixed budget available.
- How transparent and accessible to the public PHARMAC's decision making processes are.
- Benchmarking of public funding of new medicines comparing New Zealand with other countries, recognising that there will be significantly differing models internationally.
- The model PHARMAC uses to assess benefits and costs that informs its decisions, whether it remains fit for purpose and consideration of alternative assessment models used internationally.
- How PHARMAC utilises the pharmaceutical budget to achieve the best outcomes possible, within the allocated funding envelope, including for example:
    - Whether PHARMAC is appropriately deciding how to allocate funding between high volume and high cost treatments.
    - The balance of funding between "new medicines" and other treatments.
- Equity, including access to treatments for Māori and Pacific peoples.
- Whether decisions taken by PHARMAC adequately consider impacts on other parts of the health system, for example the implications its commercial arrangements have on resilience of supply and access to medicines.
- How effectively PHARMAC collaborates with other health sector agencies (including the Ministry of Health, DHBs, PHOs and others) to improve health outcomes and implement government policy, and PHARMAC's role alongside these in the wider health system.

Out of scope

The following are outside the scope of this review:

- Any matters that are commercial-in-confidence or that relate to specific commercial arrangements.
- The appropriateness or otherwise of any specific decisions PHARMAC has made or are under consideration.
- The day-to-day operation of PHARMAC.
- The statutory independence of PHARMAC and its form as a Crown entity
- PHARMAC's role making pharmaceutical funding decisions on behalf of the government.
- The fixed nature of the pharmaceutical budget and the total amount of funding allocated for pharmaceuticals.

Reviewers

The review will be undertaken by an expert review Committee, comprising a Chair and up to five other Committee members who collectively have expertise in clinical and health sector issues, economics and data analysis, law, and Māori and consumer perspectives. The Committee will be supported by a secretariat and will be able to seek independent advice on matters within the scope of its Terms of Reference.

Process and timing

The Committee will be expected to engage with stakeholders including the Ministry of Health, PHARMAC, DHBs, PHOs, other health providers and health professionals. Public consultation will occur and is critically important so that consumers, family and whānau perspectives can inform the review, as well as ensuring the public can have confidence in its findings.

The Committee should have its first meeting no later than April 2021 and issue an interim report to the Minister of Health no later than 20 August 2021. A final report must be issued to the Minister of Health no later than 10 December 2021. These dates may be varied only with the consent of the Minister of Health.