28 August 2013

Nikki Shute
PHARMAC
PO Box 10-254
Wellington 6143

By email: opp@pharmac.govt.nz

PHARMAC's Decision Criteria Consultation

Dear Nikki

The New Zealand Medical Association (NZMA) welcomes the opportunity to provide feedback to PHARMAC on the above consultation document.

The NZMA is the country's largest voluntary pan-professional medical organisation with over 5,000 members. Our members come from all disciplines within the medical profession and include general practitioners, specialists, doctors-in-training and medical students. The NZMA aims to provide leadership of the medical profession, and promote professional unity and values, and the health of New Zealanders. Our submission on PHARMAC's decision criteria has been informed by consultations with our General Practice Advisory Council, Specialist Council, Doctors-in-training Council, and the NZMA Board.

The NZMA congratulates PHARMAC on the extensive consultations it has undertaken in relation to the review of its nine decision criteria. We understand that the decision criteria are intended to be central to PHARMAC's prioritisation and funding decision-making, which in turn directly affects the pharmaceutical treatments that are available for public subsidy in New Zealand. We are aware that that part of the rationale for the current review relates to the applicability of the existing criteria to medical devices and other areas beyond PHARMAC's traditional remit for managing community pharmaceuticals.

The NZMA is broadly supportive of the first eight of the current nine decision criteria.[1] We believe that these first eight criteria continue to be relevant and are sufficiently broad as to

[1] These criteria include the following: i) The health needs of all eligible people within New Zealand; ii) The particular health needs of Māori and Pacific peoples; iii) The availability and suitability of existing medicines, therapeutic medical devices and related products and related

cover decisions relating to the funding of medical devices and hospital medicines. However, we have major reservations around criterion nine.[2] We believe that having a criterion which stipulates "such other criteria as PHARMAC thinks fit" is unhelpful and contrary to the purpose of a pre-defined and robust set of criteria against which an application can be evaluated. Accordingly, we suggest that criterion nine be withdrawn as part of PHARMAC's review.

An issue of central importance to the NZMA is how the decision criteria translate into funding decisions. Even the best possible decision criteria will be of limited value unless there is transparency surrounding their use. While we appreciate that the process around considering funding applications is not intended to be the subject of this consultation, we nevertheless believe that the decision criteria and decision process are inextricably linked. We are aware of several instances that would appear to represent apparent anomalies in the process of making funding decisions. For example, in the four years to 30 June 2010, PHARMAC funded more products which received a decline or low priority recommendation from PTAC than products which received a high priority recommendation. Many applications receiving a positive recommendation from PTAC remain unresolved, often several years after the submission.

We understand that PHARMAC's purchasing strategies such as multi-product agreements (bundling) and trade offs mean that some funding decisions do not reflect merit based on the decision criteria. This is not ideal. While we acknowledge the sensitivities around the negotiating process and the need to protect commercially sensitive information, funding decisions must remain transparent to ensure the confidence of the medical profession as well as of patients. We suggest that it be made a requirement to report why all funding decisions are made and to include mandatory equal value propositions, such that it is clear for each funding decision as to what was not funded and why.

There is currently no benchmark (such as an acceptable cost per QALY adjusted for severity of illness, or a utility cost) at which products are funded. We suggest that PHARMAC further explore the feasibility of setting such a benchmark. We are also aware of the specific challenges relating to funding medications for people with rare disorders and suggest that some form of weighting be incorporated into the decision criteria to counter the disadvantage of rarity. Finally, to avoid siloing, we suggest the consideration of an additional criterion that takes into account costs that extend beyond the pharmaceutical budget. For example, a drug that costs more to the schedule may require less intensive monitoring and testing and be associated with lower overall indirect costs to the health system and to society. A drug's adverse event profile and the associated costs of managing adverse events should probably also be taken into account.

The NZMA believes that considerations around fairness and equity are vitally important with respect to the provision of publically funded healthcare. We acknowledge the enormous challenges confronting PHARMAC as it attempts to make decisions "to secure for eligible people in need of pharmaceuticals, the best health outcomes that are reasonably achievable…from within the amount of funding provided" that incorporate these principles.

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things; iv) The clinical benefits and risks of pharmaceuticals; v) The cost-effectiveness of meeting health needs by funding pharmaceuticals rather than using other publicly funded health and disability support services; vi) The budgetary impact (in terms of the pharmaceutical budget and the Government's overall health budget) of any changes to the Schedule; vii) The direct cost to health service users; viii) The Government's priorities for health funding, as set out in any objectives notified by the Crown to PHARMAC, or in PHARMAC's Funding Agreement, or elsewhere

[2] Criterion nine is: Such other criteria as PHARMAC thinks fit. PHARMAC will carry out appropriate consultation when it intends to take any such other criteria into account.

We recognise the valuable contribution that PHARMAC makes in making medicines more affordable for New Zealanders and we wish the agency success as it embarks on future challenges, including, but not limited to, the management of hospital devices. Our specific concerns relating to the management of devices have been conveyed in previous submissions to PHARMAC.[3]

We hope that our comments on this consultation have been helpful and we look forward to the outcome of the review of the decision criteria.

Yours sincerely

Dr Mark Peterson
NZMA Chair

[3] Feedback on PHARMAC's Initial Medical Device Activity, 11 June 2013; PHARMAC and hospital medical devices: Obtaining clinical input, 25 March 2013