

A new prescription for Pharmac

Kathy Spencer

Too often it is left up to seriously-ill New Zealanders to fight for access to new medicines that can extend or improve the quality of their lives – medicines that are available in countries like the UK and Australia and should be provided by our public health system.

Pharmac's usual response is that it has a fixed budget that doesn't stretch far enough to pay for these medicines.

The review of Pharmac announced in March will look at how long it takes for New Zealanders to get access to medicines, as well as the timeliness and transparency of Pharmac's decision-making.

However, the question of Pharmac's budget has been excluded. That is a major problem because what we want Pharmac to deliver, and its funding level, go hand-in-hand.

Pharmac talks about its fixed budget as if it comes carved in a tablet of stone, but how is the budget actually set?

Each year, Pharmac gets together with our 20 DHBs to decide what Pharmac's budget should be and together they recommend an amount for the Minister of Health's approval. Through this process, Pharmac has a very significant say in its own funding level.

The DHBs then pay Pharmac out of the amount government has given them in the Budget. So, the more the DHBs agree to give to Pharmac, the less they have to pay for GP visits, surgery, emergency departments, mental health services and so on.

For 2021/22, the total budget for DHBs is \$16.2 billion, with close to \$1.1 billion of that making up the *Combined Pharmaceutical Budget*, managed by Pharmac.

Normally you would expect an organisation like Pharmac to be pushing for more funding. But Pharmac takes great pride in driving hard bargains and spending as little as possible, so that doesn't happen.

There are a number of signs that Pharmac's budget is inadequate.

The most concerning is that effective drugs can wait years to be funded by Pharmac, and many New Zealanders are paying a high price for that.

While Pharmac saves money by holding off funding particular drugs, some patients are using their own savings to pay for medicines, some are using *Give A Little* pages to raise money, and others are simply missing out.

Another sign that Pharmac's funding is inadequate is that it has grown at a much slower rate than funding for DHBs. It has also failed to keep pace with population growth and inflation.

In his Budget speech, Grant Robertson said that the Government had increased Pharmac's budget by almost 25% since 2017. However, during that period Pharmac took on responsibility for medicines used in our hospitals, shifting around \$100m from DHBs to the budget managed by Pharmac.

Comparing apples with apples, the actual increase is only around 13%. This was less than inflation and population growth at over 15%, and less than half of the 28% growth in funding provided to the DHBs.

The long-standing practice of successive governments injecting extra money into Pharmac's budget again points to a failure in the funding mechanism. Examples of these top-ups include \$60m that formed part of the Government's cancer initiatives announced in September 2019, and an extra \$50m a year announced in May 2020.

This year's Budget continued with piecemeal top-ups: the trumpeted "\$200 million increase" is actually an increase in the annual budget of \$60m, phased-in over 4 years.

When the government routinely steps in to provide top-ups, there is little incentive for DHBs and Pharmac to recommend adequate funding in the first place.

My prescription for Pharmac is:

- Pharmac should be required to make effective medicines available in a timeframe that matches comparable countries (such as Australia and the UK)
- The adequacy of Pharmac's budget to deliver on its objectives should be reviewed every 5 years. Starting now, and between reviews, Pharmac should get the same percentage increase in funding each year as the DHBs (or Health NZ in the future)
- Pharmac should publish a list of all the medicines going through its process, the stage that each one is at, and how long each drug has been waiting to be funded.

The system will be working as it should when Pharmac is getting enough money to fund effective medicines in a timely way. People with serious illnesses won't have to spend their life savings on medicines, beg for donations from the public, or march in the street. Less well-off New Zealanders will have the same access to effective medicines as those who are better-off.

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