Pharmaceutical Management Agency
Te Pātaka Whaioranga

ANNUAL REPORT

for the year ended 30 June 2021

Pūrongo ā-Tau

Presented to the House of Representatives pursuant to Section 150(3) of the Crown Entities Act 2004

PHARMAC
TE PĀTAKA WHAIORANGA

Te Kāwanatanga o Aotearoa
New Zealand Government

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Ihirangi

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Te tauaki noho haepapa

Statement of responsibility

The Board of the Pharmaceutical Management Agency (Pharmac) accepts responsibility for:

1. preparing the annual Financial Statements and Statement of Performance and the judgements they contain
2. establishing and maintaining a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting
3. any end-of-year performance information provided by Pharmac under section 19A of the Public Finance Act 1989.

In the opinion of the Board, the Financial Statements and Statement of Performance for the year ended 30 June 2021 fairly reflect the financial position and operations of Pharmac.

Hon Steve Maharey
Chair
3 December 2021

Nicole Anderson
Chair, Audit and Risk Committee
3 December 2021

Te pūrongo a te heamana

Chair's report

Tēnā koutou ngā karanga maha
Tēnā koutou ngā mate rangatira huhua
Tēnā koutou Te Pātaka Whaioranga
Tēnā koutou katoa.

Greetings to you all.

As I introduce the Annual Report for 2020/21, I want to acknowledge my sector colleagues, the leaders and Board members who have come before me, and the skilled and committed staff of Pharmac, Te Pātaka Whaioranga.

This Annual Report for 2020/21 captures important highlights of our work over the last year. We must acknowledge that 2020/21 was a complex year as the worldwide COVID-19 pandemic continued to affect our work and the lives of all New Zealanders.

Pharmac's two key priorities during COVID-19 have been to support the health sector in its response to the pandemic and to ensure uninterrupted supply of medicines and medical devices. I want to acknowledge the continued hard work and efforts of Pharmac staff to support the COVID-19 response.

COVID-19 continues to cause significant supply chain disruptions for medicines and medical devices. We have worked closely with suppliers, DHBs, prescribers, pharmacies and other government agencies to ensure New Zealanders continued to have access to their funded medicines and devices. Despite these interruptions to the supply chain, Pharmac's work ensured that there were no significant clinical impacts to New Zealanders.

Despite the uncertainties, we achieved some major milestones this year.

During 2020/21 we impacted the lives of more Kiwis by making more medicines and medical devices available. Three out of every four Kiwis take medicines funded by Pharmac to help them with their lives. Pharmac funded 13 new medicines and widened access to 19 medicines that were already being funded. These decisions will benefit over 90,000 New Zealanders annually.

We funded two new diabetes medicines during the year. This enabled access for over 50,000 people with type 2 diabetes to two new medicines. These medicines have substantial health benefits and do more than just reduce blood sugar levels in people with type 2 diabetes. They can also help manage type 2 diabetes-related complications, such as kidney and heart disease in people who are at high risk of these complications. For the first time, the funding eligibility criteria specifically name Māori and Pacific. This will promote equitable access to these treatments for population groups who are at high risk of complications from type 2 diabetes and for whom there is direct evidence of inequities in access to medicines.

We now have more than $400 million of annual DHB expenditure on hospital medical devices under national contract. National contracting is the key mechanism we are using to build a list of

medical devices purchased by public hospitals, as we work towards our goal of achieving the best health outcomes from hospital medical devices with the funding available. We also established a Strategic Medical Devices Advisory Group.

We continue to strengthen our ability to work with and for Māori. We appointed our inaugural Chief Advisor Māori and created a dedicated Te Whaioranga team. We established a Māori Advisory Rōpū. Te Rautaki o te Whaioranga, our Māori responsiveness strategy, sets a clear direction for the next three years, in which we will begin to measure and monitor our commitment to Te Tiriti o Waitangi and how we deliver for, by, and with whānau Māori.

We are continuing to work hard to increase the transparency of our processes and decision making. We have published our medicine priority lists for all funding applications on our website, allowing people to see the medicines we have assessed but not yet funded.

We actively participated in the Chief Coroner's inquest into the deaths of six people who used lamotrigine. Although the Coroner's findings did not link Pharmac's brand change decision to the deaths, we welcome the opportunities the inquiry provided to learn and improve. We will be working with the Ministry of Health to improve how brand change information is shared across the health sector and to clarify who is responsible for passing this onto patients

We know many New Zealanders have questions about how we make our decisions, and the independent external review of Pharmac, currently underway, is an opportunity to show people what we do and the value we add. In conjunction with wider health reforms taking place, we see this review being about making a good system better and ensuring that we are as responsive as we can be to the challenges facing our health and disability system.

This year, Pharmac commenced a work programme to deliver on our new strategic direction. We want to make an even bigger contribution to the health and disability system and to the health and wellbeing of all New Zealanders. We are committed to continuous improvement in our systems and processes.

This document reports on the work outlined in the Statement of Performance Expectations 2020/21. The year was hugely impacted by COVID-19, and I am proud of the way Pharmac staff continued to step up to ensure supply of medicines and medical devices to all New Zealanders working closely with many across the sector.

The Board and I thank the staff of Pharmac for their resilience, expertise, effort, and dedication, which ensure we are an effective and ever-improving organisation as we move into another challenging year.

Hon Steve Maharey
Chair

Ko wai mātou

Who we are

Our purpose and what we do

The Pharmaceutical Management Agency, Te Pātaka Whaioranga (Pharmac) helps people live better, healthier lives by deciding which medicines, and related products, should be made available to New Zealanders in a way that is affordable and easy to access. Our purpose is to deliver the best health outcomes from New Zealand's investment in medicines and medical devices.

We are also becoming more involved in hospital medical devices through negotiating national contracts. In future, we will decide which medical devices are available for people under the care of public hospitals, and we will manage spending within a budget, so we are preparing for this change.

Pharmac is a Government health agency, and our identity in te reo Māori, Te Pātaka Whaioranga ('the storehouse of wellbeing'), sums up the part we play in managing and safeguarding something that is valuable to all New Zealanders.

What else does Pharmac do?

We fund medicines for people with exceptional circumstances

Pharmac may approve funding of a medicine for an individual in exceptional circumstances. For example, a person may want to use a medicine that is not funded at all or that is funded for other uses but not for that person's particular health condition. The main way we do this is through a process called a Named Patient Pharmaceutical Assessment (NPPA), where a person's doctor puts in a funding application to us.

We manage vaccines in New Zealand

We manage funding and distribution of the majority of Government-funded vaccines[1] in New Zealand. This includes all vaccines on the National Immunisation Schedule (NIS), which includes the childhood immunisation programme and the annual influenza vaccine which is free for eligible people.

Vaccination is one of the areas where Pharmac plays a major role in wellbeing by preventing illness from starting or spreading in our communities. We work across the broader health and disability system to do this. The Ministry of Health is responsible for overseeing promotion and implementation of the national immunisation programme and monitoring vaccine-preventable disease burden and risk in communities. We work with the Ministry of Health and district health boards on vaccine responses to local and national outbreaks of disease.

[1] We fund the influenza vaccine for eligible populations but do not distribute it like we do other vaccines. We do not fund or distribute COVID-19 vaccines.

We promote medicines being used in the right way

We promote the responsible use of medicines in New Zealand. This means making sure funded medicines are not under, over, or misused. We do this by providing information and educational material to both health professionals and the public. We are committed to ensuring equitable access to the treatments we fund and to ensuring everyone uses treatments in the best way so they get the health benefits those treatments offer.

Research

Pharmac has a statutory function to engage in research as appropriate. We are involved in supporting and/or initiating research that supports our core functions and aligns with our strategic priorities. Pharmac collaborates with other agencies and organisations to contribute to research projects that are mutually beneficial, including providing funding and sharing data and information.

Our mandate

Pharmac's legislative objective is set out in section 47 of the New Zealand Public Health and Disability Act 2000 – 'to 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'.

Accountability

We are accountable to the Minister of Health, who, on behalf of the Crown, is accountable to Parliament for our performance. The Minister of Health sets out their expectation of us in an annual Letter of Expectations. The Minister also sets the level of the Combined Pharmaceutical Budget (CPB), following the receipt of joint advice from Pharmac and the 20 DHBs. The Ministry of Health acts as the Minister's agent in monitoring our performance.

Governance

The Minister of Health appoints our Board, which has the powers necessary for the governance and management of Pharmac. All decisions about our operation are made by, or are under the authority of, the Board. The Board is responsible for agreeing outputs with the Minister of Health and ensuring we meet the Minister's expectations of us.

In addition to the work undertaken by Pharmac itself, the Board takes objective advice from two statutory advisory committees: the Pharmacology and Therapeutics Advisory Committee (PTAC), and the Consumer Advisory Committee (CAC) – a committee of people experienced in consumer issues.[2]

The Board also has an Audit and Risk Committee and a Health and Safety Committee (both comprising Board members), which assist the Board with relevant issues.

[2] CAC members are appointed by the Pharmac Board. PTAC members are appointed by the Director-General of Health following consultation with the Pharmac Board. PTAC has several specialist subcommittees, whose members are appointed by, or under the authority of, the Pharmac Board.

Ngā uaratanga

Our values

Our values guide us to make decisions that create better health outcomes for New Zealanders. They ground our behaviour and influence our thinking, how we work, and who we work with.

In 2020, we began a journey to refresh our organisational values. With the input of all staff, we are proud to present ngā uaratanga – our five values.

Whakarongo

Listen

Āta whakarongo kia puaki te ngākau aroha.
We listen with intent and empathy to understand.

Whakarongo means listening with more than your ears. It involves perceiving with all senses – listening with intent and empathy, listening to understand. To do this well, we must seek out all voices. We must be ready to change our minds when needed, based on what we hear. With whakarongo shaping the way we communicate, people will trust us and know that we will always engage in a meaningful and empathetic way.

Tūhono

Connect

Kōtuitui kia piri, tūhono kia whakatatū te ara tika.
We connect with people, communities, the health system, and each other.

Tūhono means that everything in the universe is connected. It's a warm word that reminds us that relationships and connections are taonga that must be treasured. We combine tūhono with whakatatū, which means coming to an agreement or decision together. To help us find the best way forward for everyone, tūhono reminds us that we must connect with people, communities, the health system, and each other. We must see each other as people first and value tūhono with sincerity and purpose.

Wānanga

Learn together

Ma te māhirahira ka whāwhāki te māramatanga.
We draw on evidence and people's experiences to improve.

To keep growing and changing for the better, we must share our knowledge and ideas. We must be curious and always feed our appetite to learn. We must balance empirical evidence with the unique experiences people share. This way, we can reveal the best way forward. By combining māhirahira (curiosity), whāwhāki (revelation), and māramatanga (insight), we learn together. We wānanga with an open mind.

Māia

Be courageous

Tū te ihiihi, tū te wanawana, tū te wehiwehi.
We challenge ourselves.

Ihi, wana, and wehi are central to māia because challenging ourselves takes courage. These words are used in many haka as they capture the joy and excitement of life. They describe a wonder and gratitude for the world itself. To be courageous, we must be excited about what we can achieve and driven by a greater purpose. Māia ensures we face change with positivity, don't avoid difficult conversations, and continue to challenge ourselves and each other to do better.

Kaitiakitanga

Preserve, protect, and shelter our future

Hāpaitia te mana tangata hei whāriki mō ngā uri whakatipu.
We safeguard wellbeing for New Zealanders, now and for the future.

Kaitiakitanga is core to who we are. Te Pātaka Whaioranga, our te reo Māori name, means the storehouse of wellbeing. Whaioranga describes recovering to good health, and Te Pātaka symbolises the solid and reliable structure that safeguards supplies. For Pharmac, those are supplies of medicines and medical devices. As kaitiaki of Te Pātaka Whaioranga, we play our part to preserve, protect, and shelter the future wellbeing of everyone in New Zealand. We whakarongo, tūhono and wānanga with māia to strengthen Te Pātaka Whaioranga.

Te tahua pūtea o te tau 2020/21

Our funding for 2020/21

The Minister of Health determined that the level of the Combined Pharmaceutical Budget (CPB) for 2020/21 would be $1,045 million. The Government also provided additional funding in 2020/21 to help manage the impact of COVID-19. The CPB comprises Government expenditure for community medicines, vaccines, haemophilia treatments and related products, some health products provided in the community settings (such as nicotine replacement therapies), and spending on all medicines that are administered in public hospitals.

The CPB is distributed to the 20 DHBs using a population-based funding formula. Pharmac monitors DHBs' spending on medicines via community pharmacy reimbursement claims and DHB hospital spending. Our role in relation to the CPB is to make decisions about which medicines and related products are funded, monitor and forecast pharmaceutical expenditure, and then report the total of all DHB expenditure as the CPB.

We do not hold any funds related to the CPB other than:

1. rebates, which are discounts negotiated by Pharmac, that we collect from pharmaceutical suppliers on behalf of DHBs and then distribute to DHBs, minus any agreed expenses (that is, any medicines that we purchase directly)

2. the Discretionary Pharmaceutical Fund, a small special purpose reserve fund that serves as a budget management tool and allows us to manage unexpected variances in medicines expenditure.

Our operating budget is used to meet the day-to-day costs of running Pharmac. The operating budget is separate to the CPB, and we cannot use CPB funding to meet our operational costs. We also receive a contribution for some of our operating costs directly from DHBs, and this is used to support sector-wide initiatives to promote the responsible use of medicines in New Zealand.

Ō mātou hoamahi

Who we work with

To deliver on our purpose of achieving the best health outcomes for New Zealanders from our investment in medicines and medical devices, we depend significantly on the work of others across the health and disability system.

There are many people and organisations involved in ensuring medicines and medical devices are available and used in New Zealand, and we do our best to connect with, and get the views of, all these groups in the work we do. This includes:

- companies who manufacture and supply medicines and medical devices to make sure we have a good supply of effective products
- health care professionals who prescribe these products so that they have the right information about the types of funded medicines available
- pharmacists who are medicine experts and who manage stocks of medicines and provide advice to people when they are given a medicine
- a range of other health care professionals involved in the administration of medicines and supporting the use of medicines
- DHBs to make sure our national contracts for hospital medical devices are suitable and that we understand and plan for the impacts of our decisions
- the Ministry of Health and our other sector partners
- consumers and consumer advocacy groups.

Contributing to the COVID-19 response

Since the COVID-19 pandemic started, Pharmac has had two priorities – to support the health sector to respond to the pandemic, and to ensure New Zealanders continue to have access to the funded medicines and medical devices they need.

Most medicines used in New Zealand are imported. Despite global disruptions to medicine manufacturing and supply chains, our work has ensured that people who take or need medicines or other related products have not experienced significant clinical impacts during the pandemic. Our role has been:

- ensuring people can get their medicines
- keeping medicines available for all
- being part of and supporting the pandemic response team.

During 2020/21 Pharmac staff, along with staff from Ministry of Foreign Affairs and Trade (MFAT), Ministry of Health, Department of Prime Minister and Cabinet (DPMC), Treasury and Medsafe were members of the all of government COVID-19 Vaccine Strategy Taskforce which was led by Ministry of Business, Innovation and Employment (MBIE).

Pharmac will continue to work with suppliers, the health sector and wider government agencies to ensure New Zealanders can access the medicines and medical devices they need. We will continue to be part of the all-of-Government response to COVID-19, including providing support as required for the roll-out of the COVID-19 vaccination programme being led by the Ministry of Health.

Ngā āhuatanga o te ao mahi

Our operating environment

Health and disability system changes

In April 2021, the Minister of Health announced substantial changes to the way the health and disability system will be structured and operate. Two new agencies, Health NZ and the Māori Health Authority, will be established by July 2022. The Minister announced that all 20 DHBs will be disestablished and Health NZ will take over the planning and commissioning of services and the functions of the DHBs. A Māori Health Authority will work alongside Health NZ to improve services and achieve equitable health outcomes for Māori.

Clearly, Pharmac's role and our relationships with Health NZ and the Māori Health Authority will be part of the implementation of the new health and disability system. We look forward to participating in more detailed systems' development and being part of improving health services for New Zealanders.

Independent external review of Pharmac

In March 2021 the Government announced an independent external review of Pharmac.

The review will focus on:

- how well Pharmac performs against its current objectives and whether and how its performance against these could be improved
- whether Pharmac's current objectives maximise its potential to improve health outcomes for all New Zealanders as part of the wider health system and whether and how these objectives should be changed.

We know many New Zealanders have questions about how we make our decisions, and the independent review is an opportunity to show people what we do and the value we add. In conjunction with wider health reforms taking place, we see this review being about making a good system better and ensuring that we are as responsive as we can be to the challenges facing our health system.

Ngā whakatutukinga matua o te tau

Highlights of our achievements in 2020/21

We continued to ensure New Zealanders could access the medicines and medical devices they needed during the challenges of the global COVID-19 pandemic.

We funded 13 new medicines and widened access to 19 medicines, benefitting an additional 45,346 people during 2020/21 and 90,000 annually from 2021/22.[3]

We embarked on a multi-year project to measure the health outcomes from our funding decisions. Initial work is underway to understand the data available, analytical challenges and outcomes that can be identified from analysis.

We continued implementing our medicine access equity monitoring and outcomes framework, generating and refining baseline data to produce insights on medicines' access.

We redesigned our website, updating content and providing enhanced functionality to increase traffic and improve understanding of our role.

We increased the transparency of our decision-making processes. We released our 'priority' lists in July 2021. The release enabled people to view all the proposals currently ranked for funding, the list they are sitting on (Options for Investment, Cost Neutral/Cost Saving, or Recommended for Decline) sorted in alphabetical order by medicine/proposal name, and details of the indication and therapeutic grouping for each proposal.

The lists are available online on the Pharmac website through our Application Tracker, which allows people to access information on the status and progress of each individual funding application.

We supported the influenza vaccine programme for the 2021 flu season by securing additional stock via a guarantee, with an estimated 1.3 million doses distributed by 30 June 2021. This will continue from 1 July 2021 for the remainder of the 2021 flu season, and we anticipate that it will be the second highest annual distribution on record in this country.

We made significant progress in completing contracts for suppliers of medical devices. We have completed contracting for 62 percent of estimated DHB expenditure on medical devices, with national contracts in place for over $400 million of DHB spending.

We released insights into inequities in access to medicines for the treatment of gout and worked with others in the health sector on actions to address these inequities.

We increased the capability of our Board and staff to work with Māori. While there is still significant work to do, Pharmac has put in place Te Tiriti o Waitangi accountabilities for our Board and is creating a Māori capability development framework for our staff. This work is in line with the principles of Te Tiriti and will be advanced further though our Te Whaioranga strategy.

[3] We benefited an additional 45,346 people during the past financial year, but because some medicines were newly funded part way through the year, the benefit was only counted for a few months. The annual benefit going forward is 90,000.

We completed an initial review of the alignment of our policies, leadership practices, systems, processes, and professional development with Te Tiriti o Waitangi requirements.

We developed an organisation Māori capability framework to meet Te Arawhiti, The Office for Māori Crown Relations (Te Arawhiti) capability guidelines.

We established a new senior leadership team role (Chief Advisor Māori) and made an appointment, who commenced in October 2020.

We increased the number of staff roles specifically to deliver Te Whaioranga, our Māori Responsiveness Strategy, from two to six; including appointing a Kaiwhakahaere (Manager) Te Whaioranga.

We developed a tool to assess our external clinical advisors' equity capability. This tool will help us develop the equity capability of our clinical advisory network – PTAC and our specialist advisory committees – to ensure their advice supports us to make decisions that enhance equity of access to medicines.

We commenced an end-to-end analysis project that will complete an internal quality assurance review of every step within our medicine funding assessment and decision-making process (from the time a funding application is received to when a medicine is listed on the Pharmaceutical Schedule). The aim of the project is to ensure we deliver the best health outcomes from a streamlined, inclusive, and future-focused assessment and decision-making approach.

We developed new organisational values that will support our staff in their work.

We're working with the Ministry of Health to improve how brand-change information is shared across the health sector and to clarify who is responsible for passing on such brand-change information to patients. This is a result of our participation in the Chief Coroner's inquest into the deaths of six people who used Lamotrigine.

He tau anō nō te tau

The year in numbers

Combined Pharmaceutical Budget

3.77 million

Number of New Zealanders receiving funded medicines

45,346

Estimated number of additional patients benefitting from decisions in 2020/21[4]

13

Number of new medicines funded

$1.7095 billion

Total gross spending on medicines

$1.045 billion

DHBs' combined medicines expenditure

$29.5 million

Savings reinvested in more medicines

[4] The decisions implemented in 2020/21 benefit 45,346 people. On an ongoing annual basis, over 90,000 people will benefit from these decisions.

2020/21

Hospital medical devices

17,000

Additional line items on the Pharmaceutical Schedule under national contracts

140,000

Total line items on the Pharmaceutical Schedule under national contracts

$105 million

Value of additional medical devices under contract for 2020/21

$401 million

Total value of medical devices under Pharmac contract

He whakarāpopoto o ngā whakapaunga pūtea ki te rongoā

Summary of medicines spending

Combined Pharmaceutical Budget

The Combined Pharmaceutical Budget (CPB) increased from $1,040 million in 2019/20 to $1,045 million in 2020/21. The Government also provided additional funding to help manage the impact of COVID-19.

Summary of CPB investment decisions to 30 June 2021 for implementation in 2020/21

Medicines spending was on budget...

In 2020/21, DHB's combined medicines spending was on budget at $1,045 million.

Table 1: Medicines spending for the 2020/21 year compared with the 2019/20 year

2019/20 ($)	2020/21 ($)	Component
1,646.9 million	1,709.5 million	Total gross spending on medicines used in community and hospital settings, including cancer treatments, vaccines, and haemophilia treatments
-625.2 million	-651.8 million	Rebates and adjustments (part of our commercial agreements with suppliers)
+18.3 million	-12.7 million	Transfer from DHBs to the CPB Discretionary Pharmaceutical Fund (DPF)[5]
1,040.0 million	1,045.0 million	Total DHB's combined medicines expenditure

This means that, in total, DHBs spent $1,045 million on both maintaining the supply of medicines we currently fund and purchasing new medicines.

...while the number of medicines available for New Zealanders also increased.

In 2020/21, we made decisions to fund 13 new medicines and widen access to a further 19 medicines, meaning that more New Zealanders have access to more treatments. This is on top of continuing to purchase the medicines that are already funded.

[5] This fund is described in more detail on page 9.

This year saw a 3.11 percent increase in the number of prescription items for medicines compared with last year. This means that the total amount of medicines being used in New Zealand is growing.

Although the cost of medicines is increasing, we were able to make savings of $29.5 million during the year, which we reinvested in more medicines.

Table 2: Increase in numbers of medicines available

Decision type	No. of pharmaceuticals	Estimated new patients 2020/21	Gross spending 2020/21
Widened access*	19	1,493	$2,334,000
New listing**	13	43,853	$6,270,000
Total***	32	45,346	$8,604,000

* Changes in access criteria for existing funded medicines, making such medicines more accessible and/or available for a wider patient population(s)

** Any medicine not currently listed on the Pharmaceutical Schedule and any new presentations (that is, tablets, infusions, injections) that represent a significant shift in treatment options for patients

*** Excludes temporary access widenings due to COVID-19

Table 3: Number of medicines Pharmac has funded or widened access to over the 10 years 2011/12–2020/21

Year	New listings	Widened access	Total
2020/21	13	19	32
2019/20	14	32	46
2018/19	10	10	20
2017/18	13	39	52
2016/17	18	8	26
2015/16	15	6	21
2014/15	21	20	41
2013/14	26	35	61
2012/13	20	40	60
2011/12	14	10	24

Highlights of medicines spending

Two new medicines for type 2 diabetes

We funded empagliflozin (Jardiance) and empagliflozin with metformin (Jardiamet) from 1 February 2021.

The new medicines have substantial health benefits for an estimated 53,000 New Zealanders with type 2 diabetes in 2020/21. Evidence suggests these medicines do more than just reduce sugar levels in people with type 2 diabetes. They can also help manage type 2 diabetes-related complications, such as kidney and heart disease in people who are at high risk of these complications.

Both medicines are subject to funding eligibility criteria that, for the first time, specifically name Māori and Pacific ethnicities. This is an intentional move to proactively promote equity of access to these treatments for population groups who are at high risk of complications of type 2 diabetes and for whom there is direct evidence of inequities in access to medicines.

Widened access to funded treatments for multiple sclerosis

Multiple sclerosis is a progressive neurological condition that leads to increasing levels of disability.

We widened access to all funded multiple sclerosis treatments from 1 March 2021. This means 1,800 people with multiple sclerosis can stay on their treatment for longer, and some who had stopped funded treatment may now be eligible to restart.

We made these changes to help more people access funded multiple sclerosis treatments without disadvantaging those already receiving them. We also simplified the application process for multiple sclerosis treatments. Rather than applying to a group of Pharmac-appointed clinical experts, clinicians now use a standard electronic special authority process to apply for funding. This makes it quicker for people with multiple sclerosis to access funding for the medicine they need and less burdensome for clinicians to apply.

Metabolic agents for rare disorders

From 1 April 2021, we included a number of treatments for rare metabolic disorders on the Pharmaceutical Schedule, including:

- carglumic acid for hyperammonaemia arising from severe organic acidaemia
- coenzyme Q10 for coenzyme Q10 deficiency mitochondrial disorders
- levocarnitine for carnitine deficiency due to inborn errors of metabolism
- riboflavin for riboflavin or riboflavin-derived cofactor deficiency due to inborn errors of metabolism
- arginine and taurine for the treatment of metabolic disorders.

A number of these metabolic agents were previously funded for patients via our Named Patient Pharmaceutical Assessment (NPPA) process. Listing them on the Pharmaceutical Schedule has made funding for these treatments faster and easier to access.

A new treatment for severe haemophilia A

People with severe haemophilia A and inhibitors to clotting factor VIII now have access to emicizumab (Hemlibra), subject to certain clinical criteria.

Some people with severe haemophilia A can develop resistance to standard haemophilia treatments. This puts them at risk of permanent damage from bleeding into the joints or death from severe internal bleeding.

Emicizumab is a protein that helps the blood to clot. It is highly effective in preventing bleeding and reduces the frequency of traumatic bleeding episodes in people with haemophilia A who have inhibitors to factor VIII.

Emicizumab is delivered by subcutaneous injection and is considered to be a significant advance on current treatment options. We estimate that 11–15 patients will benefit from this treatment.

Te koronga rautaki

Our strategic direction

Pharmac contributes to the Government's priority of improving the health and wellbeing of New Zealanders and their families. Our strategic direction ensures we deliver the best health outcomes possible from New Zealand's investment in medicines and medical devices.

We set out a new strategic direction in our *Statement of Intent 2020/21–2023/24* that identifies our enduring impact areas, our strategic priority areas, and how we plan to build and strengthen our excellence as an organisation.[6]

Te Tiriti o Waitangi

Te Whaioranga, our Māori Responsiveness Strategy, provides a cross-cutting lens through which we plan and implement our priorities. We recognise that success will only be achieved if we deliver our work for and with Māori as a partner to Te Tiriti o Waitangi.[7]

The purpose of Te Whaioranga is to give effect to our commitment to upholding Te Tiriti o Waitangi and to understand and support whānau Māori to achieve best health and wellbeing through access to, and optimal use of, medicines and medical devices.

Te matakite, the vision, of Te Whaioranga is ka roa ake te oranga o te Māori, ka pai ake hoki tōna hauora. Kua piki ake te kounga o tōna noho me te mana taurite i te ao hauora**.**

Māori are living longer in good health and have improved quality of life and health equity.

Pacific Responsiveness Strategy

Our *Pacific Responsiveness Strategy 2017–2026* provides strategic direction and a framework for Pharmac to improve Pacific peoples' health.[8]

On the whole, Pacific people living in New Zealand experience worse health than other population groups. As part of the health and disability system, we have a role to play to improve this situation – by providing access to new medicines and medical devices and ensuring medicines and medical devices are being used effectively.

The purpose of our Pacific Responsiveness Strategy is to support Pacific people in New Zealand to live healthy lives through improved and timely access to, and use of, medicines and medical devices. The mission of the strategy is for every Pacific person in New Zealand to have access to, and understand the use of, the Pharmac-funded medicines or medical devices they need.

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[6] For the full statement of intent, see the Key reporting documents webpage on the Pharmac website at: https://pharmac.govt.nz/about/what-we-do/accountability-information/annual-reports-statements-of-intent-and-other-planning-and-reporting-documents/

[7] For more information, see Te Whaioranga webpage on the Pharmac website at: https://pharmac.govt.nz/te-tiriti-o-waitangi/te-whaioranga/

[8] For more information, see the Pacific Responsiveness Strategy webpage on the Pharmac website at: https://pharmac.govt.nz/about/pacific/

HEALTH SYSTEM OUTCOMES

- People are living longer in good health
- People have an improved quality of life
- Health equity for Māori and all other people

OUR PURPOSE

- To deliver the best health outcomes from New Zealand's investment in medicines and medical devices
- We uphold the articles of Te Tiriti, advancing Māori health and aspirations, tino Rangatiratanga, partnership, active protection, options, and equity

OUR IMPACT

- Our investment choices enhance wellbeing
- Medicines and medical devices are used appropriately, equitably, and well
- We play a key role in an effective and equitable health system

OUR STRATEGIC PRIORITIES 2020–2024

Enhance key functions
We continuously improve the way we work to deliver maximum value to New Zealanders

Medical devices
We drive better value and more consistent access to hospital medical devices

Equitable access and use
We enable equitable access and use of medicines and related products through influencing availability, affordability, accessibility, acceptability, and appropriateness

Data and analytics
We measure health outcomes and make evidence-informed decisions, using and making available data and insights from a wide range of sources

Public understanding, trust, and confidence
We listen to the views of New Zealanders, and we communicate clearly and simply

Relationships and partnerships
We create strong and enduring partnerships across the health system and beyond

ORGANISATIONAL EXCELLENCE

- Our people are engaged, and supported, and are able to do their work efficiently and effectively
- Our people are enabled with the right ICT tools and capability
- We are future focused and we systematically use performance information to adjust plans and deliver better results

WHAT WE DO

- Make choices and manage expenditure and supply
- Support and inform good decisions about access and use
- Influence through policy, research, and insights

OUR VALUES

- **Whakarongo** Listen
- **Tūhono** Connect
- **Wānanga** Learn together
- **Māia** Be curious
- **Kaitiakitanga** Preserve, protect, and shelter

Ngā whakatutukinga matua o te tau 2020/21

Achievements and performance measures for 2020/21

In Pharmac's *Statement of Intent 2020/21–2023/24*, we introduced a new performance framework. The framework follows the layout of our strategic direction and identifies measures at multiple levels.

- Impact measures, enduring outcome measures that highlight the difference our work is making and the value we bring for New Zealanders
- Te Tiriti measures, relating to meeting our Te Tiriti obligations and how we are delivering for, by, and with Māori
- Strategic priority measures, these are time bound over the life of the strategy – we should be able to see an effect from successfully delivering the strategic priorities on one or more of the impact measures over time
- Output measures, aimed at continuously improving the quality of our core activities and functions and regularly monitoring aspects such as quantity, timeliness, quality, and efficiency
- Measures assessing our organisational excellence and health.

In the following section, we set out our achievements and the results of our performance measures. Many performance measures are being reported against for the first time, and for these new measures, we have established the methodology and a baseline. The baseline will be the data we compare our performance to
in coming years.

We have compared our results to targets set in the SOI and the SPE. Not all measures have stated SPE targets.

Te whakaine i te pānga o ngā mahi

Measuring our impact

In Pharmac's *Statement of Intent 2020/21–2023/24*, we introduced a new performance framework. The framework follows the layout of our strategic direction and identifies measures at multiple levels.

Our investment choices enhance wellbeing

Why this matters

Funding more clinically effective and good-value medicines and medical devices can help New Zealanders live longer and healthier lives. We want to make sure that the choices we make contribute to better health outcomes for individuals and more equitable health outcomes for population groups, particularly for Māori.

Our impact measures help us demonstrate the enduring impacts of our work. In line with the outcome measures, these impact measures help show the extent of our contribution towards people living longer and having an improved quality of life and improved equity.

Health outcomes from our investments (measure 1.1)

SOI target	New measure.
SPE 2020/21 target	Report progress for developing a method for measurement.
Achieved	We have progressed the methodology and a first pilot.
Method	This is a multi-year project aimed at measuring the health outcomes from our funding decisions. Initial work is underway to understand the data available, analytical challenges, and outcomes that can be identified from analysis.
Result	Our first pilot of the methodology is nearing completion, with a further two pilots planned in 2021/22.

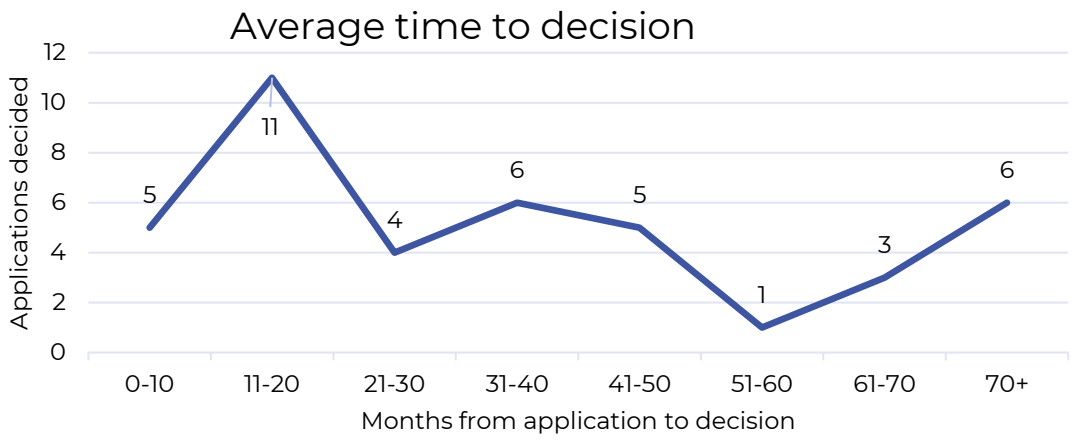
Uptake of medicines following key investments and brand changes (measure 1.2)

SOI target	New measure.
SPE 2020/21 target	Methodology to be developed and tested.
Achieved	We have developed the methodology and tested it.
Method	We have established methodology for key investments. We compare the actual with the expected numbers of patients who will benefit.

Result	We anticipated 2,029 patients would benefit in 2019/20 from new medicines listed for use in the community. A total of 1,569 actual patients received these medicines during 2019/20 – a difference of 460, mainly attributable to the last quarter (1 April 2020–30 June 2020). This variance is highly likely to have been the result of knock-on impacts from the COVID-19 pandemic, which saw all New Zealanders self-isolating at home from 25 March 2020 until 13 May 2020.

Funding decision time (measure 1.3)

SOI target	New measure.
SPE 2020/21 target	Downward trend.
Method	This measure reports on the average time from an application being received to a decision on whether to fund is made. This measure is based on applications that have had a decision made within the 2020/21 financial year (1 July 2020 – 30 June 2021).
Result	This is a new measure. Methodology and baseline have been established. The average time taken from application to decision was 40.95 months for applications decided in the 2020/21 financial year. This is based on 35 unique decisions which approved 41 applications. Application dates are identified from initial receipt. Sometimes applications are incomplete, such that further information may be required before the application can be assessed. This lengthens the time to a decision (the appropriate start time will be reassessed as the methodology develops). In addition, a further 47 unique decisions were made during 2020/21 to decline 48 historic applications. These have not been included in this measure as they were inactive funding applications completed as part of Pharmac's 'close out project'. This aims to give people more clarity about what we may, or may not, fund. This project will continue until all inactive historic applications have been closed or reactivated.



Medicines and medical devices are used appropriately, equitably and well

Why this matters

Patients will have improved health outcomes when medicines and medical devices are prescribed, dispensed, accessed, and used optimally.

We help ensure medicines and medical devices are used in the most responsible way so that they are used when they are needed and not under or over-used. This includes a focus on optimal prescribing, dispensing, access, and the way people use the medicines/medical devices.

Rates of possession of (adherence to) funded medicines (measure 2.1)

Possession was previously referred to as 'adherence'. People can only benefit from medicines if they receive them. We have calculated possession rate over time within a specified patient population, for example, diabetics on preventative medicine.[9]

SOI target 	New measure.
SPE 2020/21 target	Upward trend.
Method	Possession is measured by the percentage of time, over a two-year period, that a person had a medicine dispensed to them to treat a specific long-term condition. This measure compares the amount of medicine required with the amount actually dispensed. We will continue to refine the methodology.
Result	This is a new measure. Methodology and baseline have been established. Data from 2019/20 shows overall possession for all long-term conditions being monitored is approximately 40 percent (not needs adjusted). Type 2 diabetes has the highest level of possession across the long-term conditions being monitored (approximately 68 percent) while asthma has the lowest (at approximately 35 percent). Overall, possession increases with age, with people aged 25–44 years only having approximately 40 percent possession, compared with those aged 45–64 years having 64 percent possession and those aged 65+ years having 76 percent possession.

[9] The wording for this measure differs slightly from the published SOI and SPE wording. 'possession' is the more correct technical term.

Patient experience of medicines (measure 2.2)

Results from two questions from the Primary Care Patient Experience Survey.

SOI target 	
SPE 2020/21 target	Upward trend.
Method	Results from the following two questions were included in the Primary Care Patient Experience Survey: Did you follow the instructions when you took the medicine; Was the purpose of the medication properly explained to you? We rely on data reported by the Health Quality and Safety Commission New Zealand (HQSC) for this information. The most recent reported result is for November 2019.
Result	This is a new measure. Methodology and baseline have been established. In response to the question 'Did you follow the instructions when you took the medication?' 93 percent of respondents answered 'Yes, always'. No recent result has been published for the question 'Was the purpose of the medication properly explained to you?'.[10]

We play a key role in an effective and equitable health system

Why this matters

Pharmac cannot deliver best health outcomes from medicines and medical devices alone – we are part of the wider health and disability system, and our planning and decision making must reflect that. Working with other agencies, health professionals, and a range of other parties in a joined-up way is essential to ensuring the health and disability system as a whole is effective at getting funded medicines and medical devices to those who need them most.

Positive feedback from system stakeholders (measure 3.1)

SOI target 	New measure.
SPE 2020/21 target	Upward trend.
Method	We will undertake an annual stakeholder engagement survey, in approximately October each year. The 2020/21 stakeholder engagement survey took place in October/November 2020.

[10] Last published in 2018 by HQSC in *A Window on the Quality of New Zealand's Health Care: 2018*, available from the HQSC website at: www.hqsc.govt.nz/assets/Health-Quality-Evaluation/Windows_Document/Window-Jun-2018.pdf

Result	This is a new measure. Methodology and baseline established. Our stakeholder engagement survey asked the question 'Overall, how would you rate the impact that Pharmac has on the health system and the health of New Zealanders?' In the responses, 47% rated Pharmac as being 'very good' or 'good'. If you extend responses to 'somewhat good', then our positive feedback score would be 77%.

High levels of medicines supply are maintained (measure 3.2)

We will respond to all low medicine stock reports and actively manage any stock situations where a supply shortage will have a sustained or irreversible impact on patients' health.

SOI target 	New measure.
SPE 2020/21 target	Met. (High levels of medicines supply maintained.)
Achieved	Stocks were successfully managed throughout 2020/21.
Result	There were no out-of-stock situations that had a sustained or irreversible impact on the health of patients in 2020/21. The 2020/21 year saw higher than historic levels of supply disruption globally due to the ongoing impacts of COVID-19. We have been able to manage all actual or potential out-of-stock situations by listing alternative brands of the same medicine or in some cases communicating with clinicians and patients when changing to an alternative chemical or presentation has been required.

Te Whaioranga

Whāinga tōmua: Te whakatinanatanga o te whaioranga

We understand and support whānau Māori to achieve the best health and wellbeing through access to, and optimal use of, medicines and medical devices; and we uphold the principles of Te Tiriti o Waitangi.

Why this matters

Te Whaioranga – E whakatutuki ana i ā mātou whakaaetanga i raro i te Tiriti o Waitangi

Te Whaioranga, our Māori Responsiveness Strategy, provides a framework for ensuring we meet our Te Tiriti o Waitangi responsibilities and achieve best health outcomes for Māori. Successful implementation of Te Whaioranga requires us to focus on changing our internal processes and systems to ensure we are positioned well to deliver for whānau Māori in a sustainable and enduring way.

In 2020, we refreshed *Te Whaioranga 2013–2023* to align and integrate with our new strategic direction and respond to wider system expectations for Crown agents to partner with Māori to meet our Te Tiriti o Waitangi obligations.

The aim of the refresh was to:

- ensure Te Whaioranga guides and supports us to fulfil our responsibilities under Te Tiriti o Waitangi
- provide a strong strategy for ensuring our work delivers equitable health outcomes for Māori from New Zealand's investment in medicines and related products and, in future, medical devices
- ensure we are guided by ongoing strategic advice that supports our aims and our role as a Te Tiriti o Waitangi partner.

The strategy focuses on six areas:

- Te Tiriti o Waitangi
- Māori leadership
- Māori-Crown partnerships
- equity for Māori
- accountability
- building capability and removing bias.

Table 4: Pharmac's Te Whaioranga focus for 2020/21

What we focussed on in 2020/21	Our achievements
Identifying measures for Te Tiriti compliance.	Initial standards have been developed using the Te Tiriti principles in Te Whaioranga.
Completing a review of our policies, leadership practices, systems, processes, and professional development to determine whether these features align with and reflect Te Tiriti.	The initial review and report have been completed and presented to the Board. The report recommendations align with what we set out to do in Te Whaioranga and work is underway to implement these recommendations.
Establishing a Māori Leadership position to advise the Kāhui Rangapū (Senior Leadership Team).	A new Senior Leadership Team role was established (Chief Advisor Māori), and the appointee commenced in October 2020. A new Kaiwhakahaere (Manager) Te Whaioranga role was established and is in place.
Establishing an external Māori Advisory Committee.	Our Board approved the establishment of a Māori Advisory Rōpū, and it is anticipated to be in place early in 2021/22.
Undertaking capability building using Te Arawhiti guidelines.	A Māori capability building framework has been developed, informed by Te Arawhiti guidelines. Delivery in 2021/22 will be focused on Te Tiriti application and institutional racism; alongside existing ongoing te reo Māori lessons offered to all staff.
Working with our current Māori partners to determine a more strategic approach to working together.	Engagement and strategic discussions with partners, including Whānau Ora collectives and Māori health professional bodies, is underway.
Commissioning a review on bias in our systems.	Project development and planning was initiated for a review of bias in our systems in 2021/22.
Assigning Te Tiriti accountabilities to the Board and Kāhui Rangapū (Senior Leadership Team).	Te Tiriti accountabilities have been developed for our Board. Senior Leadership Team accountabilities are in development.
Including Te Tiriti o Waitangi accountabilities in all role descriptions.	Accountabilities for all role descriptions will cascade down from Senior Leadership Team accountabilities.

Te Whaioranga performance measures

Levels of Māori staff (measure 7.1)

Proportion of Māori staff experienced in mātauranga Māori and with strong ties to whānau has increased to match the proportion of Māori in t\he New Zealand population.

SOI target 	
Method	Pharmac recruitment and Pulse survey information are the sources of data.
Result	This is a new measure. Methodology and baseline established. 3 percent of Pharmac staff whakapapa as Māori. Stats NZ estimate that, in 2020, a total of 850,500 or 16.7 percent of the national population was Māori.[11]

Levels of Māori on Pharmac's Board and advisory groups (measure 7.2)

Proportion of Māori experienced in mātauranga Māori and with strong ties to whānau on our Board, PTAC, PTAC subcommittees and advisory committees.

SOI target	New measure.
Method	Board, committee, and advisory group members will be surveyed annually.
Result	This is a new measure. Methodology and baseline established. The information is self reported by the people concerned. Pharmac Board = 17 percent PTAC and subcommittees = 2 percent Consumer Advisory Committee = 40 percent Responsible Use Advisory Group = 44 percent

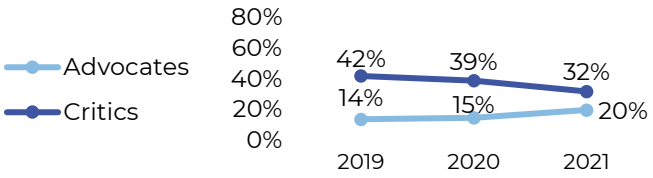
Māori trust and confidence in Pharmac (measure 8.1)

Public Sector Reputation Survey results for Māori sample.

SOI target 	
Achieved	Increase in number of advocates.
Method	We use the results from the annual Public Sector Reputation Index to measure trust in Pharmac. We aim to increase our score each year.
Result	There was an increase in number of advocates and a decline in number of critics.

[11] Stats NZ. Māori population estimates: At 30 June 2020. Information release. 17 November 2020. Available at: www.stats.govt.nz/information-releases/maori-population-estimates-at-30-june-2020?gclid=Cj0KCQjw-NaJBhDsARIsAAja6dPArmZAKaatKATVhJ1lAjtDBXautzAXcgG4yqOFXS4yCUsfFcC-hMEaAknvEALw_wcB

Figure 1: Māori trust in Pharmac, 2019–2021



Improved rates of Māori accessing funded medicines and medical devices (measure 9.1)

See also measures for Strategic priority – Equitable access and use.

SOI target	New measure.
Method	This measure relies on information published by the Ministry of Health concerning the burden of disease.
Result	This is a new measure. We have established the methodology. However, the data we expected to use was not available – the dataset has not been updated by the Ministry of Health for some time.[12]

Pharmac Board, leadership, and staff have clear performance and accountability expectations for meeting Te Tiriti obligations and are meeting these expectations (measure 10.1)

Proportion of conversations about performance plans that specify Te Tiriti accountability expectations.

SOI target	New measure.
Method	Te Tiriti o Waitangi accountabilities will be developed for all staff.
Result	This is a new measure. Te Tiriti o Waitangi accountabilities have been developed for the Board. This will flow down to the Senior Leadership Team and then to all staff.

Organisational Māori capability (measure 11.1)

Assessment against Te Arawhiti cultural capability framework.

SOI target	New measure.
Method	We have developed a capability framework using the Te Arawhiti framework as a guide. Assessment using the framework will be completed in 2021/22.
Result	This is a new measure. Methodology has been developed. Organisational Māori capability will be assessed in 2021/22 using the framework developed in 2020/21.

[12] Data is sourced from the Ministry of Health. The most recent update available from the Global Burden of Disease Study provides important insights into the health of New Zealanders. Available at: www.health.govt.nz/news-media/news-items/global-burden-disease-study-provides-important-insights-health-new-zealanders

Our strategic priorities

Our six strategic priorities represent the areas where we are concentrating our efforts to deliver on our purpose and our enduring impacts. These are:

- enhance key functions
- medical devices
- equitable access and use
- data and analytics
- public understanding, trust, and confidence
- relationships and partnerships.

Strategic priority measures

Our strategic priority measures help us demonstrate the performance of each of our strategic priorities. These represent what we intend to focus on to improve the delivery of our activities and enduring impacts.

Te whakapakari ake i ngā mātou kawenga mātua

Enhancing key functions

We continuously improve the way we work to deliver maximum value to New Zealanders.

Why this matters

The New Zealand public depends on us to manage our core business to a high standard – investing in new medicines and related products, making savings to enable more investments and ongoing funding of medicines, promoting the responsible use of medicines, and reducing the incidence and impact of stock shortages.

The way that we go about this has not undergone substantial change in more than two decades. In this time, the breadth of our responsibility has grown markedly, including growing our role in hospital medical devices, and the sector that we operate in has changed both in terms of expectations and structure. We need to adapt how and what we do to face some new challenges, meet expectations, and take advantage of new opportunities.

We need to evolve how we manage our core business by improving how we decide what to do (that is, which medicines and, in future, hospital medical devices to fund and which to modify usage of). We also need to ensure that we have the right tools (funding mechanisms, commercial techniques, targeting mechanisms, etc) to be able to give effect to our statutory objective in the most efficient, effective, and sustainable way.

Table 5: Pharmac's strategic priority – Enhance key functions focus for 2020/21

What we want to achieve	What we focused on in 2020/21	Our achievements
Revise how we make funding and procurement decisions to ensure they reflect societal preferences the Government's focus on outcomes equity, wellbeing through prevention and our Te Tiriti obligations.	Undertaking work to better understand public preferences for investing in medicines.	Because of the independent external review of Pharmac and proposed health sector reforms, we felt this work should be delayed so that we could consider and incorporate the impacts of these external activities. We have undertaken some preparatory planning work for engaging external expertise to carry out some research and to involve the public in this work.
	Implementing changes to our competitive procurement processes to better accommodate the needs of individuals.	We implemented a change to awarding Principal Supply Status in our annual Invitation to Tender across the community and hospital markets. This change enables us to better accommodate the needs of individuals who are, or are at elevated risk of being, negatively affected by a brand change.
Establish a more systematic approach to ensuring the optimal use of pharmaceuticals.	Planning and scoping this work.	We have developed a programme of work for how we can take a more coordinated and structured approach to minimising the over-, under-, and misuse of funded pharmaceuticals. Work is underway to create a policy we can use to guide our development of funding eligibility criteria in the Pharmaceutical Schedule.
Improve how we plan and execute our commercial activities.	Planning and scoping this work.	We have developed a programme of work for how we can manage commercial products and markets in a more strategic way.
Improve our management of Pharmaceutical Schedule business risks and uncertainties.	Developing and beginning to implement changes to increase our resilience to interruptions to the pharmaceutical supply chain.	During such a busy year in the health sector, it was difficult to progress this initiative as many of our sector partners were not able to prioritise this work. We will pick up this work again when the sector has more capacity.
	Developing emergency management planning to ensure we are better able to respond to consumer and health sector needs during civil defence and public health emergencies.	We have identified initiatives to improve both our resilience and our contingency planning for a range of emergencies that may require a specific response from Pharmac. This work will continue in 2021/22.
Enhance key enabling information systems and funding mechanisms.	Completing planning and business case processes for upgrading key funding and procurement information systems.	We have completed key planning activities and we are developing a business case.

Enhance key functions performance measures

Efficiency of decision making (measure 15.1)

Refer to Our outputs: Output one performance measures, timeliness of funding decisions, timeliness of exceptional circumstances decisions, and timeliness of publishing PTAC and subcommittee records (measures 4.1,4.2, and 4.3).

Perceptions of process efficiency (measure 15.2)

SOI target	New measure.
Method	We will undertake a survey of our staff every six months. We will report on the responses to the statement 'Pharmac's processes are efficient'.
Result	This is a new measure. Methodology and baseline established. The percentage of our staff who 'always' or 'usually' rate our processes as efficient: Dec 2021 – 61 percent June 2021 – 60 percent

Stakeholder experience (measure 15.3)

SOI target	New measure.
Method	We will undertake an annual stakeholder engagement survey. We will report on the responses to the statement 'Pharmac effectively manages changes to funded brands of medicines'.
Result	This is a new measure. Methodology and baseline established. The survey was undertaken in October/November 2020. In their responses, 34 percent of stakeholders rated Pharmac as being 'very good' or 'good'. If you extend responses to 'somewhat good', then the positive feedback score is 53 percent.

Ngā pūrere hauora

Medical devices

We drive better vaue and more consistent access to hospital medical devices.

Why this matters

DHB purchasing of medical devices for use in hospitals or in the community covers a wide range of products and equipment and includes consumable products, implants, and complex equipment. Currently this purchasing is managed at a local DHB, or sometimes regional level. This means that patients may have variable access to different medical devices, depending on where they live. It also means that limited consistent information is available nationally about what medical devices are being purchased.

The Government decided that we should apply our management approach to hospital medical devices, based on our track record in managing medicines. This will provide nationally consistent access to medical devices, help DHBs to manage spending on medical devices in a sustainable way, free up funding for new technology or other health initiatives, and increased transparency. To give effect to the Government's decision, we will eventually manage a national medical devices list that DHBs will make choices from.

Table 6: Pharmac's strategic priority – Medical devices focus for 2020/21

What we want to achieve	What we focussed on in 2020/21	Our achievements
Progress our work to build a national list of medical devices used in DHB hospitals. Develop a high level of transparency around our contracting decisions.	Issuing requests for proposals (RFPs) for hospital medical device categories, aiming to get at least $400 million of DHB spend under the national contracts by the end of the financial year.	We met our target, with $401 million of annual DHB expenditure on medical devices under national contracts by 30 June 2021.
A clear pathway to necessary sector-wide information technology (IT) solutions.	Participating in health sector work on the Health Finance, Procurement, and Information Management System (FPIM) and other associated systems.	Our Board Chair and two members of the Senior Leadership Team serve on the FPIM Governance Board and steering committees respectively. We are working closely with New Zealand Health Partnerships[13] to ensure that FPIM and the Health Sector Catalogue address our business requirements for managing hospital medical devices.
Improve value for money from hospital medical devices spend in terms of patient benefit per dollar.	Monitoring current market share procurement contracts.	There was one market share procurement contract in force during 2020/21, for drug eluting stents. We have sent quarterly reports to DHBs on drug eluting stent usage.

[13] For more information about this collaborative organisation, see the New Zealand Health Partnerships website at: www.nzhealthpartnerships.co.nz

What we want to achieve	What we focussed on in 2020/21	Our achievements
Support DHBs to manage growing expenditure on medical devices in a more sustainable way, with a greater focus on health benefits for patients.	In consultation with the health sector, developing processes and supporting capabilities for our assessment and decision making about which new medical devices DHBs may use. Planning for the transition to a nationally managed list of hospital medical devices. Developing the approach and transition plan for investment management.	We have developed operational guidelines for investment management. We engaged with the Medical Technology Association of New Zealand[14] about medical device decision and investment approaches. We conducted a focussed engagement with a range of DHB staff on our proposed approach to clinical equipment (devices that are treated as capital). We established and held an inugural meeting with our DHB Strategic Medical Devices Advisory Group to help ensure our engagement with DHBs is appropriately targeted and effective.

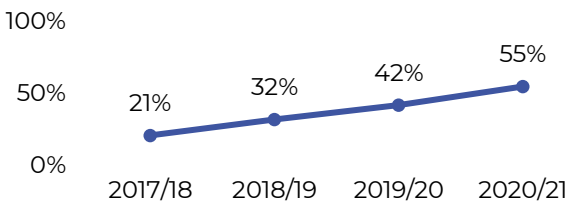
Medical devices performance measures

Completion of initial national contracting (measure 16.1)

Percentage of national contracts complete – upward trend.

SOI target ↑	Upward trend.
Achieved	There was an increase in the proportion of supplier categories that are now contracted with Pharmac.
Method	We measure the increase in the proportion of medical devices purchased by DHBs under national agreement with Pharmac. We count groups of devices received from a supplier that has been contracted by Pharmac for the first time compared with how many groups of devices we think we still have left to contract.
Result	There was an increase in the proportion of supplier categories that are now contracted with Pharmac, with completed contracts increasing from 21 percent in 2017/18 to 55 percent in 2020/21.[15].

Figure 2: Proportion of supplier categories contracted with Pharmac, 2017/18–2020/21



[14] For more information about this industry body, see the Medical Technology Association of New Zealand website at: https://mtanz.org.nz.
[15] Performance measure 16.1 measures the estimated number of contracting events against the number completed (55%). In 2020/21 we measured our spend under agreement against the estimated total spend (62%). This is reported in our Highlights section on page 12

Kia rite tahi te whai wāhi atu

Equitable access and use

We enable equitable access to medicines and related products by influencing availability, affordability, accessibility, acceptability, and appropriateness.

Why this matters

Research shows large and ongoing inequities in access to medicines. Māori, Pacific peoples, and some other groups experience significant barriers in accessing and using the funded medicines that are available.

Our research shows Māori and Pacific peoples are continuing to receive funded medicines in the community at a lower rate than non-Māori and non-Pacific peoples. Deprivation and rurality are also important factors. This means Māori and Pacific peoples are not able to benefit from medicines in the same way as non-Māori, non-Pacific peoples.

Inequitable access to medicines is a subset of inequitable access to health care generally. People experiencing health inequities also tend to experience inequitable access to health care – both are often a result of broader inequities that exist in the social determinants of health, which in turn have arisen as a result of structural inequities (for example, colonisation).

The focus of this strategic priority is on closing the equity gaps for medicines and related products we already fund. The strategic priority also supports work around improving equity within the medical devices strategic priority. Delivery of equitable access to medicines is linked to Te Whaioranga.

Table 7: Pharmac's strategic priority – Equitable access and use focus for 2020/21

What we focussed on in 2020/21	Our achievements
Building equity capability among our clinical advisory committees.	We have developed an equity capability self-assessment tool for our clinical advisory committees. This tool has been introduced to and used by the PTAC. The tool uses a kaupapa Māori framework to describe three capability ratings (Mauri oho, Mauri tū, and Mauri ora) against five domains of equity capability.
Monitoring equity gaps in medicines use and other contributing factors to identify trends and gaps across the health and disability system.	We continued the implementation of our medicine access equity monitoring and outcomes framework, generating and refining baseline data to produce insights on medicine access. We have produced baseline data for Māori and Pacific peoples for the five priority conditions – gout, type 2 diabetes, cardiovascular risk, asthma, and chronic obstructive pulmonary disorder (COPD).
Disseminating the report of baseline measures against the equity monitoring and outcomes framework. Engaging with the health sector on the findings from the report.	We have shared our gout and cardiovascular data reports with selected audiences. We have worked with health sector experts to develop an action plan for addressing inequities in access to medicines for gout.

What we focussed on in 2020/21	Our achievements
Using research and data effectively to inform and shape policy and practice.	We have produced baseline data and insights through the implementation of our medicine access equity monitoring and outcomes framework. We have used our baseline medicine access equity data for gout to inform a 2021/22 gout action plan and the equity-focussed clinical education programme – He Ako Hiringa, delivered by our responsible use provider. We have supported research proposals that will fill our knowledge gaps for medicine access and refocussed our research partnership with the Health Research Council of New Zealand[16] to support our equitable access and use strategic priority.
Sharing evaluation findings from the medicine access equity projects supported in 2019/20.	In partnership with HQSC,[17] we supported three medicine access equity projects. In 2020/21 we supported HQSC to share the findings from these projects through several forums.
Disseminating the Arthritis New Zealand / Pharmac Gout Management Programme evaluation.	The evaluation, completed in March 2020, was undertaken in partnership with Arthritis New Zealand and the HQSC. The outputs of the evaluation included an overview, a summary, and full report. We shared the evaluation through a webinar, through the communication channels of Pharmac, Arthritis New Zealand, and HQSC, and to the Ministry of Health and some DHBs. DHBs have used the information to inform their gout management programmes. We have used the findings of the evaluation to identify system-level enablers for eliminating inequities in access to medicines for gout and as a basis for our 2021/22 gout action plan.
Planning and implementing the phase 2 action plan of Pharmac's Pacific Responsiveness Strategy.	As part of our ongoing commitment to phase 2 of the Pacific Responsiveness Strategy, we signed a three-year memorandum of agreement with the Pacific Pharmacists' Association, which sees us continuing to support a critical workforce for medicine access to Pacific peoples. We also sponsored the Pacific Service Excellence award at the SunPix 2020 Pacific Peoples Awards, which recognised the leadership of Talanoa Ako[18] and the Pasifika Medical Association shown to Pacific communities during the COVID-19 pandemic.
Evaluating existing partnerships with HQSC and Arthritis New Zealand and planning for next stage of partnerships.	We have signed a memorandum of understanding (MoU) with HQSC. This is intended to capture the spirit of partnership and collaboration between HQSC and Pharmac.

[16] For more information on the Health Research Council of New Zealand, see their website at: https://hrc.govt.nz
[17] See the Pharmac's commitment to medicines equity webpage on the HQSC website at: www.hqsc.govt.nz/our-programmes/primary-care/whakakotahi/whakakotahi-2019/medicines-equity
[18] A radio programme and digital app education programme developed by the Ministry of Education to support Pacific parents with distance learning.

Equitable access and use performance measures

Equity capability of clinical advisory network (measure 17.1)

Proportion of clinical advice network who rate their equity capability as high or very high.

SOI target ↑

Method

An equity capability assessment tool has been developed. The tool enables consideration of five key domains of equity capability:

- Advocacy for health equity
- Knowledge and application of Te Tiriti o Waitangi
- Knowledge and application of hauora Māori, Māori world views, tikanga, and reo Māori
- Structural determinants of inequity experienced by priority population groups
- Ongoing development of a critical consciousness.

The following descriptors of equity capability have been used:

- **Mauri oho:** This signifies an awakening or raising of awareness and understanding and early stages of the development of (primarily theoretical) knowledge.
- **Mauri tū:** This indicates that advisors are actively putting into practice behaviours and actions that support and promote equity.
- **Mauri ora**: This signifies that advisors are normalising and habitualising equity-promoting practices and that these have become embedded. It does not signal an 'end point' but indicates that advisors are continuing to pursue advancement and growth.

Result

This is a new measure. Methodology and baseline developed. Across all five domains, the average capability rating sits above mauri oho, signifying that, on average, advisors have a developing awareness, understanding, and knowledge across all domains. The measure will be reworded in future to reflect the tool that has been developed.

Possession rates – non-Māori/Māori (measure 17.2)

Possession (previously called adherence) is measured by the percentage of time over a two-year period that a person had long-term medicine for a specific condition. An upward trend is desirable.

SOI target

Trend – gap closing.

Method

This measure compares the amount of medicines required by population groups with the amount actually dispensed.

We have measured the total amount of medicines dispensed annually to treat type 2 diabetes, comparing Māori and Pacific peoples with non-Māori, non-Pacific peoples. Some people will have been dispensed enough medicine to treat their condition, while others may not have

had enough to take regularly. Therefore, we have averaged the amounts across the entire group.

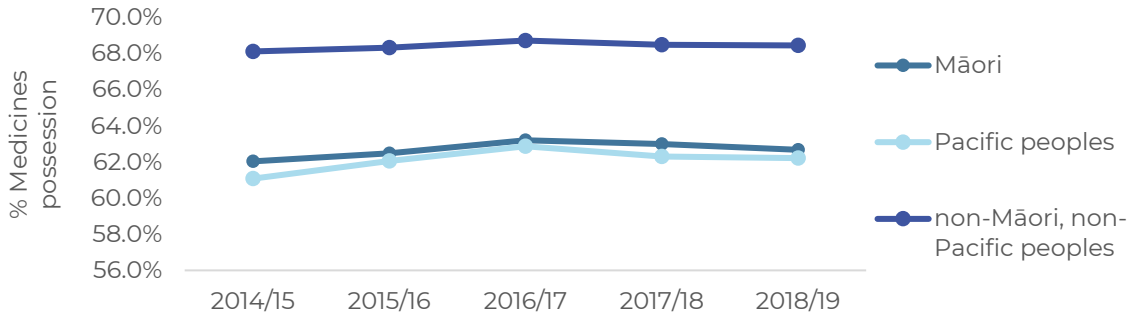
This is the first report on possession of long-term medicines to treat type 2 diabetes. The data source is the Pharmaceutical Collection as analysed by Pharmac.[19] Other conditions will be considered as data is available.

Result

This is a new measure. Methodology and baseline established. This data, for people living with type 2 diabetes shows that, in 2018/19, Māori and Pacific peoples were on average dispensed 63 percent of the amount of long-term medicine they would have needed to manage their condition. Non-Māori, non-Pacific peoples were dispensed 68 percent.

The equity gap between rates for non-Māori, non-Pacific peoples and Māori and Pacific peoples has remained static from 2014/15 to 2018/19.

Figure 3: Equity gap in long-term medicine dispensing for type 2 diabetes, Māori, Pacific peoples and non-Māori non-Pacific peoples



Access rates – non-Māori/Māori (measure 17.3)

Comparing the relative ratios between Māori and the comparison population for the need adjuster compared with dispensed medications.

SOI target

Trend – gap closing.

Method

This measure looks at the number of Māori starting medicines to treat type 2 diabetes, adjusted according to the level of need (from hospitalisations primarily for type 2 diabetes) compared with non-Māori, non-Pacific peoples for these treatments. We have age-standardised our estimates, which means that any differences in age profiles are adjusted so populations can be directly compared.

Result

This is a new measure. Methodology and baseline established. In 2017/18, there were 30,000 Māori taking diabetes medicine to treat type 2 diabetes. In that year, a total of 2,700 Māori started treatment for type 2

[19] Available from the Pharmaceutical Collection webpage on the Ministry of Health website at: www.health.govt.nz/nz-health-statistics/national-collections-and-surveys/collections/pharmaceutical-collection. We also access diabetes data from the Virtual Diabetes Register (VDR) webpage on the Ministry of Health website at www.health.govt.nz/our-work/diseases-and-conditions/diabetes/about-diabetes/virtual-diabetes-register-vdr. Since this is only updated from March to April each year for the previous calendar year, it impacts on our reporting period for diabetes.

diabetes for the first time, but based on need, we would expect another 3,700 Māori to have started in that year.

So, an estimated 3,700 Māori people living with type 2 diabetes did not have the medicines they needed to treat their condition. This equates to an extra 12 percent of the individuals currently treated for type 2 diabetes in 2017/18.[20]

Persistence rates – non-Māori/Māori (measure 17.4)

SOI target	Trend – gap closing.
Method	Treatment for type 2 diabetes is usually long-term and once started should be taken for the remainder of a person's life. Our persistence measure looks at the proportion of people who start on long-term medicine to treat type 2 diabetes and who are still being dispensed at least one of those medicines five years after starting. Note: The data is collected but not analysed to understand the reasons behind the differences. Other conditions will be considered as data becomes available.
Result	This is a new measure. Methodology and baseline established. This data, for people with type 2 diabetes, shows that no population is fully persistent but that there is a significant difference between Māori and Pacific peoples and non-Māori, non-Pacific peoples.[21]

Figure 4: Percentage of Māori individuals estimated to not be accessing diabetes medicines, 2014/15–2017/18

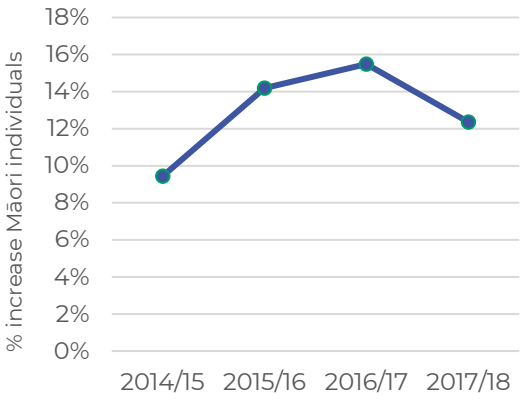
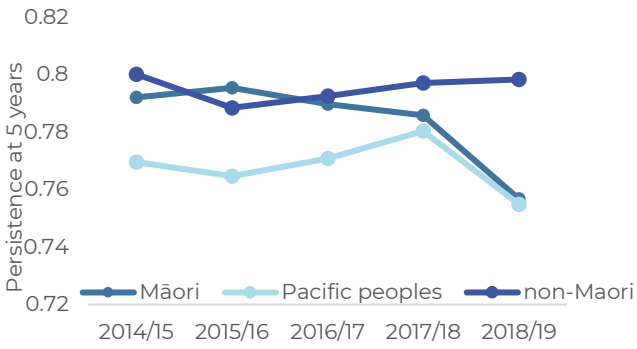


Figure 5: Persistence rates for people on long-term medicine for type 2 diabetes, Māori, Pacific peoples, non-Māori non-Pacific peoples, 2014/15–2018/19



[20] This result was produced in June 2021. At that time the latest version of the Virtual Diabetes Register ran to the end of the 2018 calendar year. We use the Virtual Diabetes Register to determine the number of people with type 2 diabetes. We have therefore been unable to produce results beyond the 2017/18 financial year. We expect to be able to produce additional years as more data becomes available. The most recent version of the Virtual Diabetes Register (VDR) can be found from the Ministry of Health website at: www.health.govt.nz/our-work/diseases-and-conditions/diabetes/about-diabetes/virtual-diabetes-register-vdr.

[21] This is the most recent data available. Source: the Pharmaceutical Collection available from the Ministry of Health website at: www.health.govt.nz/nz-health-statistics/national-collections-and-surveys/collections/pharmaceutical-collection, the Virtual Diabetes Register available from the Ministry of Health website at: www.health.govt.nz/our-work/diseases-and-conditions/diabetes/about-diabetes/virtual-diabetes-register-vdr, and the National Minimum dataset (hospital events) available from the Ministry of Health website at: https://www.health.govt.nz/nz-health-statistics/national-collections-and-surveys/collections/national-minimum-dataset-hospital-events.

Ngā Raraunga me Ngā Tātaringa

Data and analytics

We measure health outcomes and make evidence-informed decisions, using and making available data and insights from a wide range of sources.

Why this matters

Evolving the way in which we use data is an important enabler for supporting both operational work and delivering on strategic priorities. We use data to support and communicate the contribution Pharmac makes to New Zealanders' wellbeing. We will build on our existing foundations to support reliable, insightful, data-driven decision making and the measurement of the health outcomes from our decisions.

By accessing data from across the wider health sector, working in partnership with others and, where necessary, bringing together disparate sets of data, we will grow the data and insights we need. We will have more information to assess the way our decisions impact patients, providers, and the broader health sector.

Data and analytics performance measures

Use of visual analytics tool (measure 18.1)

Implementation of new IT capability, which will enable Pharmac to interactively and dynamically present data visually.

SOI target	New measure.
Method	We will report on progress of integrating Qlik Sense® into our processes.
Result	This is a new measure. Methodology and baseline established. Thirty-four Qlik Sense® users are trained and roll out to more staff is ongoing. A number of data products have been developed and additional products are undergoing testing.

Efficiency in producing Combined Pharmaceutical Budget forecast (measure 18.2)

Number of person days to complete per month.

SOI target	New measure.
Method	Methodology and baseline established. We measure efficiencies gained as a result of system and process improvements. These are measured in person days and are expected to decline as the system is enhanced.
Result	The CPB covers a large number of chemicals and formulations. Forecasting throughout the year involves both qualitative and quantitative analysis. It currently takes, on average, 46 person days to complete.

Table 8: Pharmac's strategic priority – Data and analytics focus for 2020/21

What we want to achieve	What we focussed on in 2020/21	Our achievements
Make our data and analytics systems the best fit, enterprise-strengthened, trusted, and secure. Develop our capability in the data space to be better positioned for the future.	Assessing how we can measure our contribution to achieving better health outcomes for New Zealanders.	We have longstanding processes to ensure our funding decisions are based on maximising expected health gains. We are currently progressing work to determine the level of actual health outcomes achieved. During 2020/21, we considered a range of approaches and methodologies to measure actual health outcomes and then moved on to completing an assessment for one medicine of outcomes achieved compared with what had been expected to test our approach. We expect to release the results of that work in 2021/22, revise our approach based on our learnings, and progress two more test pharmaceuticals. This is a complex piece of work that involves multiple stakeholders and disparate data sets to assess the overall health outcomes achieved. In addition, there are issues of availability of data at the patient level to determine whether expected results were achieved, the extent to which a health gain or loss is attributable to a medicine, and a range of health sector considerations, such as the alignment of prescribing with other health interventions, such as primary or surgical services. Nevertheless, we are making good progress on developing the data sources, technologies, and methodologies to progress this important work.
Have and use data that will be well governed and managed as a shared asset across the organisation. Provide timely, high-quality, and accurate data and information products.	Rolling out a new visual analytics tool across the organisation.	Qlik Sense® is a tool to enable staff across the organisation to access 'big data' sets directly. This tool has been installed and rolled out to nearly one-quarter of all staff from across the organisation. Additional staff members will be onboarded as the volume of data products increases.
Move from monitoring transactional outputs to focusing on outcomes and equipping staff with the skills, tools, and data to enable this. In particular, we will make available better information about outcomes of medicines usage and equitable access.	Developing a set of data products for internal use. Progressing the rebuild of our system for calculating pharmaceutical expenditure forecasts.	Dashboards are being developed to enable managers to access data from a variety of sources and improve decision making. A number of data products have been developed for different teams across the organisation. We run the Pharmac forecast three times a year to determine current and out-year anticipated expenditure. The tool helps us to determine the amount of funds available for investment or the amount required to reduce spending to fully expend the budget. Work is continuing as we rebuild our CPB forecasting system to ensure long-term sustainability and reliability. Initial phases have been completed that included migrating existing business logic and rules into a single program and enhancing data-load processes.

Kia mārama, kia whakapono, kia tū māia te iwi whānui

Public understanding, trust, and confidence

We listen to the views of New Zealanders, and we communicate clearly and simply.

Why this matters

We make decisions that affect the wellbeing of all New Zealanders, and we use complex information to do so. New Zealanders need to have confidence that we are making the best investment decisions we can with the funds available and that we are responsive to their views about health needs and what they value. If New Zealanders understand what we do and how we do it and feel like we are listening, then their trust and confidence is strengthened – trust and confidence in Pharmac, in medicines and medical devices, and in the whole health and disability system.

Table 9: Pharmac's strategic priority – Public understanding, trust, and confidence focus for 2020/21

What we want to achieve	What we focussed on in 2020/21	Our achievements
Communicate well and understand the information people need and when they need it.	Redesigning our website, with enhanced functionality and updated content.	The look and feel of our website has been updated. Content updating, rewriting, and functionality enhancements are well underway.
Share the contribution Pharmac is making to the health sector and everyday New Zealanders – the Pharmac model is well understood and receives a high level of external endorsement and support.	Developing a social media strategy to increase our social media presence.	We have developed a two-year social-media strategy. Implementation of the strategy will be completed by the end of 2022. Our focus in this year has been on content and audiences.
Hold ourselves to account and publicly front issues.	Implementing a new style and writing guide.	Our new style and writing guide was rolled out on 1 July 2021. This, alongside our updated website, will improve how effectively we publicly communicate.
Listen, understand, and respond to the needs of New Zealanders.	Developing and implementing guidelines for translating Pharmac publications and other information.	Translation guidelines were completed and published internally in September 2020.
	Developing plain English training for all staff.	All staff have attended workshops on the use of plain English and writing for an audience. We have established a group of writing champions to support this work. Training for new staff and ongoing focused workshops are under development.

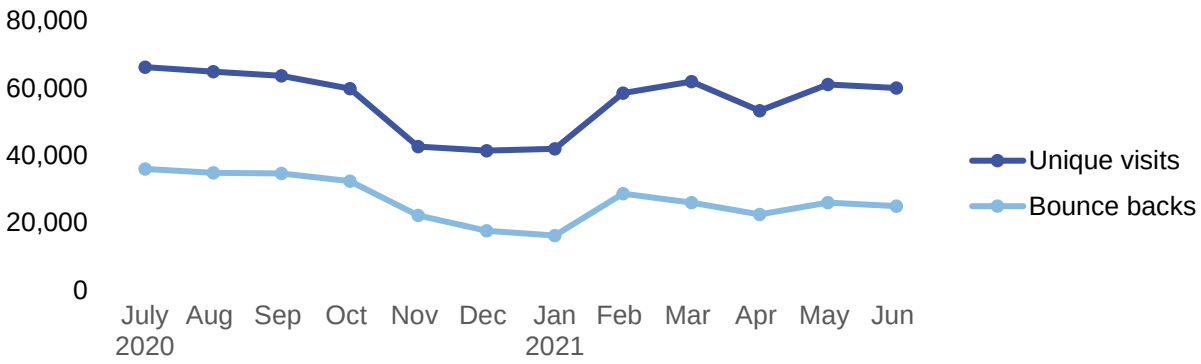
What we want to achieve	What we focussed on in 2020/21	Our achievements
Make better informed decisions by incorporating consumer voices. Demonstrate a better understanding of the needs of the community, whānau, and individuals.	Strengthening the role of our Consumer Advisory Committee (CAC).	The terms of reference for the CAC have been updated. Membership of the CAC has increased to 10 members.

Public understanding, trust, and confidence performance measures

Increase website traffic and engagement (measure 19.1)

SOI target	Unique visits trending up. Bounce backs trending down.[22]
Method	Website analytics.
Result	This is a new measure. Methodology and baseline established. Unique visits remained relatively stable throughout the year. Bounce backs trended down slightly.

Figure 6: Unique visits and bounce backs to Pharmac's website, July 2020–June 2021



Increased public trust in Pharmac (measure 19.2)

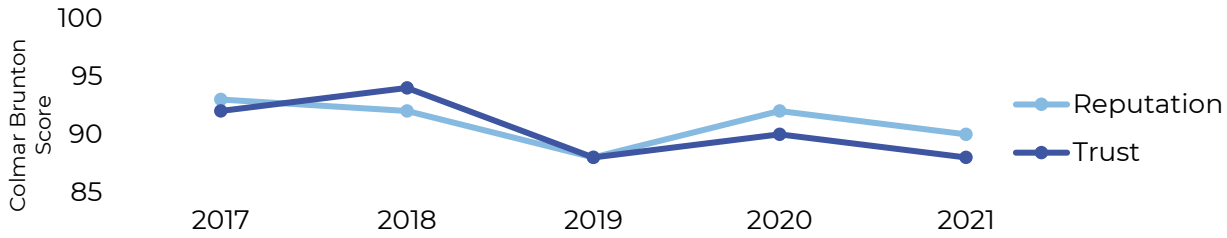
Improving on last year's total index score and trust domain score in Colmar Brunton's Public Sector Reputation Survey.

SOI target	Improvement on last year's score.
Not achieved	Did not improve on last year's score.

[22] Bounce backs refers to the percentage of visitors that leave the website after viewing only one page.

Method	We use the results from the annual Public Sector Reputation Index to measure trust in Pharmac. We aim to increase our score each year. In 2020, our score was 90, in 2021, it was 88.
Result	The 2021 survey was carried out during a period of intense media coverage for Pharmac, including the announcement of the independent review of Pharmac and the inquest into the deaths of people who were taking the anticonvulsant drug Lamotrigine, used to treat epilepsy and prevent seizures and control some mood disorders. Considering this, the 2021 result is reasonable, however it is a decline from the previous year.

Figure 7: Public trust in Pharmac based on Colmar Brunton's Public Sector Reputation Survey, 2017–2021

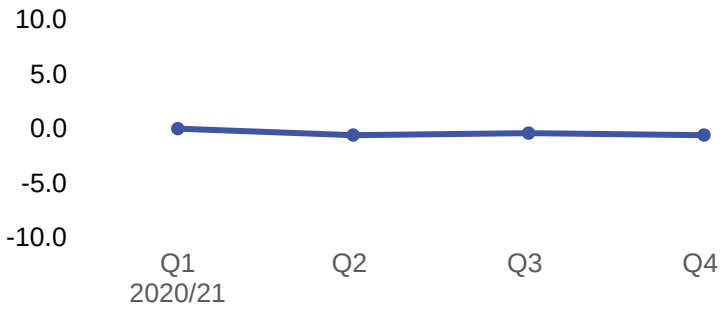


Improve media sentiment (measure 19.3)

Net positive media monitoring scores.

SOI target ↑	
Method	We have engaged a media monitoring agency to undertake a quarterly survey of media sentiment towards Pharmac.
Result	This is a new measure. Methodology and baseline established. Our media impact score of -0.2 is considered balanced or neutral. Scores for this first year of data for each quarter are displayed in figure 8 below. Possible scores range from -10 (very negative), 0 (balanced or neutral) to +10 (very positive).

Figure 8: Pharmac's media impact scores, quarters 1–4 2020/21



Ngā hononga me ngā pātuitanga

Relationships and partnerships

We create strong and enduring partnerships across the health system and beyond.

Why this matters

We need to have strong, enduring relationships and partnerships with other health agencies to achieve our strategic outcomes and statutory responsibilities. We're a small agency with a clearly defined scope, and we know that the scope of our work can have a big impact on the delivery of health services in New Zealand.

We make decisions on which medicines and related products are publicly funded, and we negotiate national contracts for hospital medical devices. Getting those decisions to land well requires the health and disability system to be working well together. We must be clear when a relationship or a partnership is needed and on the purposes of those relationships and partnerships.

There will be significant change within the health and disability system as the health reforms are progressed over the next few years. Our relationships and partnerships will change, and we need to be flexible and adaptable to this change to remain effective.

This priority area underpins all our priority areas. It is closely linked with Te Whaioranga and contributes to the goal of developing strong working relationships with Māori.

Table 10: Pharmac's strategic priority – Relationships and partnerships focus for 2020/21

What we want to achieve	What we focussed on in 2020/21	Our achievements
Build our organisational capability and capacity to support and develop our relationships and partnerships. Strengthen our external relationships and partnerships to help us achieve our strategic priorities and expand our influence.	Undertaking stakeholder mapping and developing a stakeholder engagement strategy.	We have completed stakeholder mapping. This has helped us to prioritise stakeholder groups. We are developing action plans for those stakeholder groups. Action plans will help us identify key activities to improve our relationships and engagement with our key stakeholders.
Develop a joined-up approach across the health sector for investing in medicines and medical devices and implementing funding decisions. Uphold the partnership article of Te Tiriti o Waitangi.	Implementing a regular stakeholder engagement survey and reporting on results.	We implemented a stakeholder engagement survey, which will be undertaken annually. This survey helps to identify areas where we are doing well in our engagement to help make improvements in other areas and with other stakeholders.

Relationships and partnerships performance measure

Proportion of stakeholders that highly rate their relationship with Pharmac (measure 20.1)

SOI target 	
Method	We have established an annual stakeholder engagement survey. Our survey asked the question 'How would you rate the quality of the overall relationship that you or your organisation has with Pharmac?'
Result	This is a new measure. Methodology and baseline established. Of the respondents, 38 percent rated the quality of relationship as being ‘very good’ or ‘good’. Including responses of ‘somewhat good’ increases the result to 68 percent.

He rautaki hei hāpai i te tangata me āna mahi

People and capability strategy

Our people are engaged, supported and have the capabilities they need.

Why this matters

To succeed in our strategic priorities, we need to develop different capabilities and get better at projecting our future capability needs. To support this, we have developed a people and capability strategy.

Table 11: Pharmac's People and capability strategy focus for 2020/21

What we want to achieve	What we focussed on in 2020/21	Our achievements
Our people are engaged, supported and have the capabilities to do their work.	Strengthening our Leadership.	The expanded scope for our activities and the pending health reforms call for revised approaches to leadership. We developed a Leadership and Learning and Development framework to enhance our internal capability.
	Enhancing diversity and inclusion.	We aspire to reflect the broader New Zealand population from a diversity perspective. Our Leadership and Learning and Development framework covers inclusivity with an initial focus on awareness and understanding of unconscious bias. All staff completed training on unconscious bias.
	Developing organisational capability.	As the Pharmac environment evolves, different operational capabilities are required. We developed the Leadership and Learning and Development and Māori Capability frameworks to ensure agility and resourcefulness as the context changes.
	Building employee engagement.	Our new organisational values were developed in 2020 and adopted in February 2021 in order to better align with our new strategic direction. The new values are included in our strategic framework diagram. Our expectation is that the new values and greater inclusivity and leadership capability will all enhance employee engagement.
	Supporting health and wellbeing.	To ensure early identification and timely reporting of potential hazards in the workplace we have developed a Risk Management framework, including the management of issues, incidents, emergency preparedness, and business continuity planning. To ensure our staff have a safe and healthy working environment, we have reviewed and updated our flexible working policy, which covers working from home and remote workers after COVID-19. A wellness committee has developed a programme based on Te Whare Tapa Whā[23] to support wellbeing and align with our revised values.

[23] Te Whare Tapa Whā is one model for understanding Māori health needs. It involves four dimensions (understood as the four cornerstones of Māori health – taha tinana (physical health), taha wairua (spiritual health), taha whānau (family health), and taha hinengaro (mental health).

People and capability performance measures

Employee engagement (measure 12.1)

Average scores from employee Pulse survey.

SOI target ↑	
Not achieved	Trend is slightly down.
Method	We measure the average employee engagement in a six-monthly employee survey.
Result	An upward trend was not achieved. We note however, that there was actually a very small decline from 75 percent in October 2020 to 72 percent in April 2021. At the time of the October 2020 survey, we had 130 employees. At the time of the April 2021 survey, we had 147 employees.

Health, safety, and wellbeing (measure 12.2)

Number of safety incidents and near misses.

SOI target	Incidents down, near misses reported up (we want to encourage near miss reporting).
Achieved	Incidents are down or stable, near misses reported are up.
Method	Potential hazards, incidents and near misses are reported to the Manager Information, Knowledge and Business Services, and recorded in a central Health & Safety Register.
Result	2020/21 there were 11 incidents, and 8 near misses reported.

Figure 9: Safety incidents and near misses at work, 2018/19–2020/21

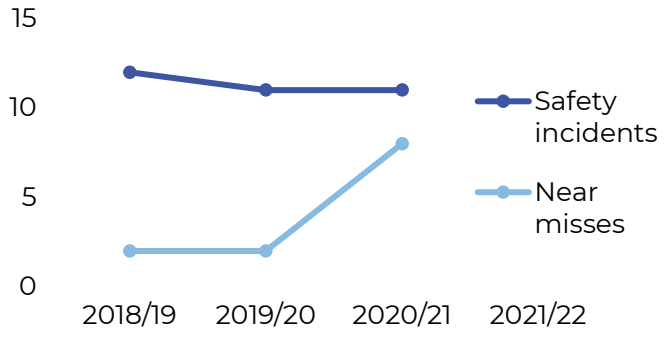
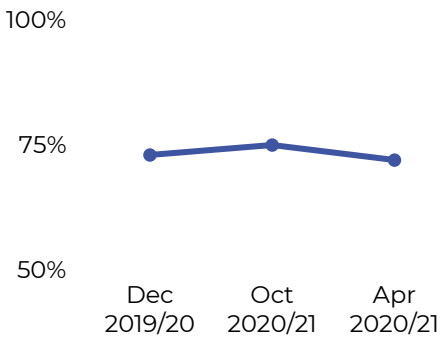


Figure 10: Average employee engagement, December 2019/20–April 2020/21



Our outputs

Outputs are the services Pharmac provides that are directly funded by the Crown. Performing our output activities well contributes to achieving our impacts.

We have three output classes:

- Output one – making choices and managing expenditure and supply
- Output two – supporting and informing good decisions and access and use
- Output three – influencing through policy, research, and insights.

Output measures

Our output measures help to demonstrate the performance of the activities that we are funded to deliver. As a Crown Entity, we are required to assess our performance against our reportable outputs on an annual basis.

Output one

Making choices and managing expenditure and supply

Why this matters

Making robust and fair pharmaceutical funding decisions, and related activities is key to achieving our statutory objectives.

We achieve this by:

- managing the CPB decided by the Minister of Health, in consultation with DHBs, for all medicines use (whether in public hospitals or the community). This includes using our Factors for Consideration (FFC) to make funding investment decisions for new medicines and widening access to existing funded medicines and to make savings on existing medicines for reinvestment
- making decisions about DHB hospital medical devices
- managing funded access to a small range of treatments through panels of expert clinicians
- managing a process to assess funding applications for individual patients for medicines that are not otherwise funded through the Pharmaceutical Schedule (exceptional circumstances)
- contracting with pharmaceutical suppliers and taking action to mitigate medicines' and medical devices' supply issues.

Output one performance measures

Timeliness of funding decisions (measure 4.1)

Average time to rank new applications.

SOI target 	
SPE 2020/21 target 	
Method	We identified over 266 applications received during the previous five financial years and determined the average time taken for those applications to be placed (ranked) on one of our priority lists for funding. The average time to rank reflects the time required for applications to be considered by our expert clinical advisors, any additional information outstanding to be collected and submitted by applicants, all material and advice to be analysed (including health economic analysis) by Pharmac, and the application to be placed on one of our priority lists for funding.[24]

[24] Measure 4.1 concerns the time taken to rank applications. Measure 1.3 concerns the time taken to make a decision on applications. Time to decision is the average time from an application being received to a decision on whether to fund is made, including the time to rank. Time to rank is the time taken to rank or place an application on one of

Result	This is a new measure. Methodology and baseline established. In 2020/21, we have established a baseline of 16.05 months.

For the first time we have identified a baseline for these timeliness measures. This was one of the first steps taken in our current process improvement project.

This project will undertake an internal quality assurance review of every step within our medicine funding assessment and decision-making process (from the time a funding application is received to when a medicine is listed on the Pharmaceutical Schedule).

We will ensure that our medicines' funding processes are fit for purpose and appropriately balance the needs for efficiency and timeliness with the other factors Pharmac needs to achieve (such as operating within a fixed budget).

We expect that improving our processes will result in a downward trend in all these timelines.

Timeliness of exceptional circumstances decisions (measure 4.2)

Percentage of decisions made within target of 10 working days.

SOI target 	
SPE 2020/21 target 	
Method	We measure the business days that we have taken to assess an application for exceptional circumstances funding, from time of receipt to when an outcome is decided (approved, declined, withdrawn, or principles of the policy not met). Business days waiting for additional information from the applicant are not included in the calculation.
Result	New measure. Methodology and baseline established. Our average result for 2020/21 is 54 percent of decisions made within 10 working days.

Timeliness of publishing PTAC and subcommittee records (measure 4.3)

Average time to publish the record.

SOI target 	
SPE 2020/21 target 	

our priority lists for funding. In other words, time to rank is a measure of the speed of our assessment process. Time to decision includes the time to rank, the impact of a fixed budget and the decision-making process (negotiation, contracting, consultation, decision, notification).

Achieved	PTAC record publication: downward trend maintained. Subcommittee record publication: downward trend maintained.
Method	Meeting dates and publication of records are recorded.
Result	During 2020/21, the average length of time taken to publish the records of PTAC meetings was less than our target of 12 weeks. During 2020/21, the average length of time taken to publish the records of subcommittee meetings met our target of 15 weeks. These results maintained the reduced lengths of time achieved in the previous two years.

Figure 11: PTAC record publication duration in weeks

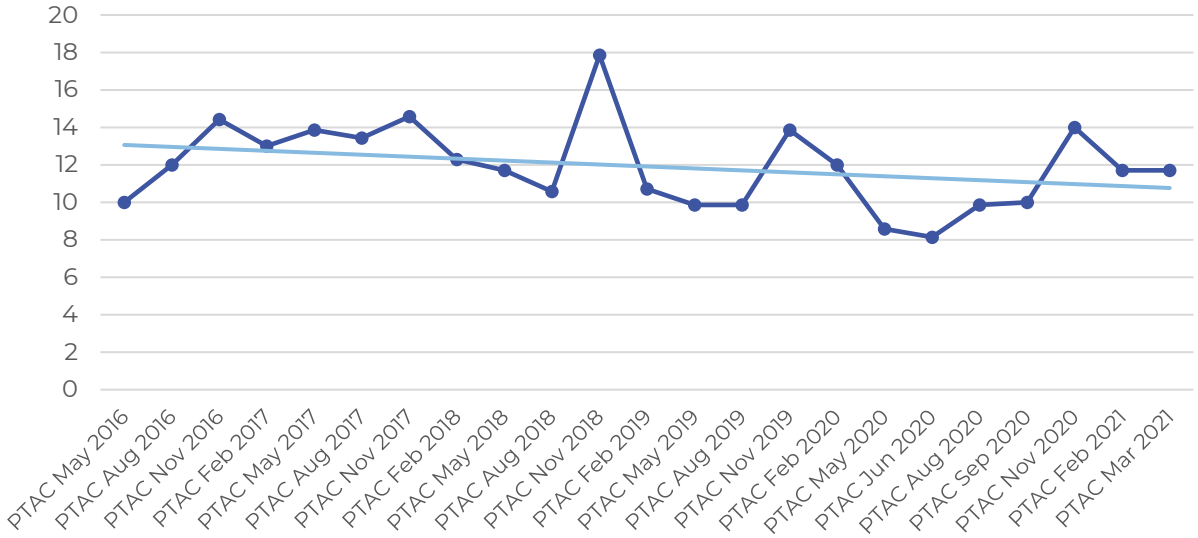
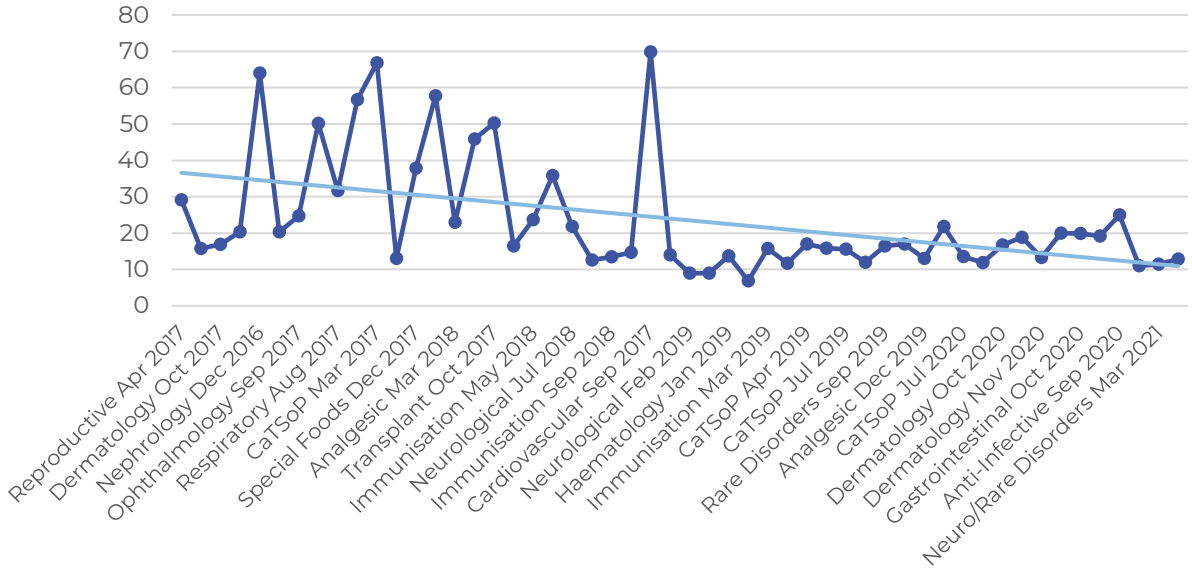


Figure 12: Subcommittee record publication duration in weeks



CPB expenditure meets expectations (measure 4.4)

Meeting the CPB budget. [25]

SOI target	Yes/No.
SPE 2020/21 target	Yes/No.
Achieved	Budget met.
Method	Expenditure records are kept by Pharmac.
Result	Yes. The year-end reported expenditure for the CPB was $1,045.0 million, equal to budget.

Anticipated value of our funding decisions (measure 4.5)

The average projected quality-adjusted-life-years (QALYs) per $1 million for funding decisions we made during the year is higher than the average projected QALY per $1 million for all available investment options.

SOI target	Yes/No.
SPE 2020/21 target	Yes/No.
Achieved	Yes. Funding decision QALYs were higher than projected QALYs per $1 million.
Method	The QALYs per $m metric represents the average number of quality adjusted life years (QALYs) expected per annum from the proposals funded in the reporting period. This is compared with the average number of QALYs we would have expected should the entire options for investment list have been funded (including those proposals we did in fact fund) in the reporting period.
Result	Yes. Funding decision QALYs were higher than projected QALYs per $1 million.

[25] CPB is explained under Our Funding for 2020/21, on page 9

Table 12: Pharmac's anticipated value of funding decisions

	2016/17	2017/18	2018/19	2019/20
Number of QALYs achieved per $1 million spent for funded proposals	36.8	238	118	31
Which is higher than…				
Number of QALYs that would have been achieved per $1 million spent for all available investment options	29.9	42	12	13

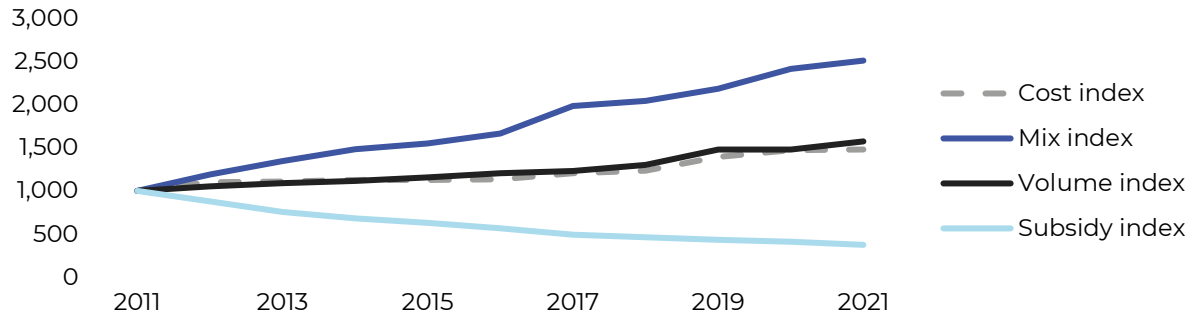
The numbers change from year to year for a number of reasons:

- The value of the proposals we receive are not static, they change from month to month and year to year
- Available funds – all things being equal, the more funds we have the lesser will be our average return on investment, in terms of QALYs per $M. This is because the things at the top of the Options for Investment list tend to have high returns in terms of QALYs per million, and the things further down the list tend to have lower returns
- Bundles – in some years we get exceptional, and very large deals, where pharmaceutical companies offer us packages of drugs and very competitive prices, which can give us very good, outlier, returns on investment.

Access to medicines compared with subsidy (measure 4.6)

SOI target	Volume and mix go up relative to the cost, while subsidies paid decline.
SPE 2020/21 target	Volume and mix go up relative to the cost, while subsidies paid decline.
Achieved	Volume and mix went up relative to the cost, while subsidies paid declined.
Method	The data comes from the raw data in Pharmac's forecasting system, from which the "Price Volume Mix" (PVM) model is created. The result is calculated manually at year end.
Result	From 2011, the 'volume' (number of medicines) and 'mix' (variety of medicines) have increased over time, meaning we are seeing more and varied medicines in New Zealand. Over the same period, subsidies paid ('subsidy') have gone down, signalling that Pharmac is achieving savings in the face of increasing medicines' volume and access, therefore limiting the medicines' costs.

Figure 13: Price, volume, mix, and subsidy for medicines in New Zealand, 2011–2021

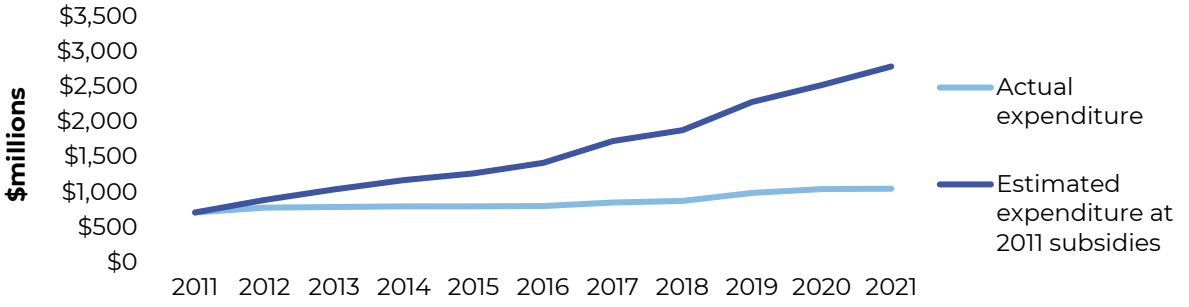


Savings over time (measure 4.7)

Estimated savings on medicines spending (last 10 years' prices as baseline).

SOI target ⬆	
SPE 2020/21 target ⬆	
Achieved	Upward trend achieved.
Method	The data comes from the raw data in Pharmac's forecasting system, from which the "Price Volume Mix" (PVM) model is created. The result is calculated manually at year end, in conjunction with financial accounting.
Result	Figure 14 below shows estimated savings on medicines' spending, using 2011 prices as a baseline. Over the last 10 years, we have saved $8.2 billion on net medicine costs, with the gap between the two lines highlighting how much money it is estimated we have saved DHBs through our work. The impact of changes over the last 10 years applied in the financial year 2020/2021 accounted for $1.7 billion.

Figure 14: CPB drug expenditure, 2011–2021



Environmental sustainability of pharmaceutical contracting approaches (measure 4.8)

SOI target	New measure.
SPE 2020/21 target	New measure.
Method	During 2020/21, we have collected information from suppliers about their environmental sustainability policies and practices through our procurement processes. As we undertake more procurement processes, this information will become more complete. Over time, it will allow us to consider ways to incorporate sustainability outcomes in our discussions with suppliers.
Result	This is a new measure. Methodology and baseline established. We now have information for approximately 25 percent of our total contracted medicine and medical device supplier base. This information includes sustainability initiatives and policy guidance for both New Zealand and global businesses.

Output two

Supporting and informing good decisions and access and use

Why this matters

We have a legislative function to promote the responsible use of medicines – this is an essential part of achieving best health outcomes from the pharmaceuticals we invest in. We help to ensure that medicines are used when they are needed and are not under- or overused. To do this, we:

- consult on, communicate, and explain our funding decisions
- implement our funding decisions in a way that supports health professionals and patients to thoroughly understand the patient pathway
- implement population health programmes to improve equitable access and responsible use of medicines.

Output two performance measures

Consultations undertaken (measure 5.1)

Proportion of key pharmaceutical decisions consulted on for new proposals: 100 percent.

SOI target	100 percent.
SPE 2020/21 target	100 percent.
Achieved	100 percent.
Method	Consultation records are kept.
Result	All key pharmaceutical decisions were publicly consulted on.

Reach and use of responsible-use products (measure 5.2)

Specific metrics to be developed during contract negotiation process with new responsible-use provider: new measure.

SOI target	New measure.
SPE 2020/21 target	New measure.
Method	We have agreed with our new responsible-use provider that they will track the following metrics from 2021/22: • sign-ups to our responsible-use service provider's updates • unique website views of our service provider's responsible-use materials.
Result	We have agreed new metrics, and we will aim for an upward trend.

Output three

Influence through policy, research, and insights

Why this matters

We provide specialist operational policy advice to Ministers and officials from a range of government agencies as well as advice to our Board and its delegates. We provide data on pharmaceutical use and expenditure to a range of parties, including DHBs, and we are working towards implementing reporting on equitable access to medicines. We are involved in supporting and undertaking research that supports our core functions and aligns with our strategic priorities.

Output three performance measures

Quality of policy advice (measure 6.1)

Quality score from an independent policy quality benchmark.

SOI target	New measure.
SPE 2020/21 target	New measure.
Method	We engaged the New Zealand Institute of Economic Research (NZIER) to undertake an external review and score papers. A sample of Board, Senior Leadership Team, delegated authority, and briefing papers were assessed and scored. NZIER focus their assessments on three key criteria that are the hallmarks of high-quality advice: • Customer focus • Credible analysis • Clear and concise.
Result	This is a new measure. Methodology and baseline established. Our overall score from NZIER is 3.55 out of 5, with 19 out of 20 papers meeting the 'acceptable quality' standard. This compares with an average score of 3.72 out of 5 across the 17 government agencies assessed by NZIER in 2020. NZIER describes our score as 'creditable' and 'a sound beginning', being our first review, with 'many areas of strength'.

Contribution to research activities that support Pharmac's core activities and strategic priorities (measure 6.2)

Number and description of research projects funded and/or published (external and internal.

SOI target	No target as descriptive measure.
SPE 2020/21 target	At least one research project.
Achieved	Two research projects published.
Result	Two research publications that we funded (jointly with the Health Research Council) were published between 1 July 2020 and 30 June 2021. These were: • Horsburgh S et al. PLoS One. Patterns of metformin monotherapy discontinuation and reinitiation in people with type 2 diabetes mellitus in New Zealand. 2021:16(4): e0250289. • Parkin L et al. NZMJ. What helps and hinders metformin adherence and persistence? A qualitative study exploring the views of people with type 2 diabetes. 2021:134, 1536: 25–40.

Te hiranga tara ā-whare

Organisational excellence

Why this matters

We have focussed on organisational excellence in order to ensure we will continue to improve and enhance what we do. We are growing our capability and better aligning our resources towards our priorities. This includes making sure we can respond to both anticipated and unforeseen changes in our operating environment.

Our focus areas are:

- people and capability strategy
- information and communications technology (ICT)
- strategic planning and performance.

Organisational excellence measures

Our organisational excellence measures help us demonstrate the performance of our capability and resources to ensure we are well placed to achieve our strategic priorities.

Ō mātou tāngata

Our people

During 2020/21, we continued to develop a comprehensive people and capability strategy, following substantial engagement with Pharmac staff. The strategy is focused around five priorities:

- engaged staff
- strengthening our leadership
- diversity and inclusion
- organisational capability
- health and wellbeing.

Enhancing Pharmac as a good employer

Our success relies on us having the right people in the right roles at the right time, so we attach high importance to recruiting and retaining high-performing employees. We have several initiatives in place, guided by sound principles of being a good employer. We regularly review our programmes and policies to ensure they meet the changing demographics and needs of the workplace.

Leadership, accountability and culture

We focus on developing effective individual and organisational leadership. All staff members are expected to act with respect, integrity, and accountability. We invest in programmes and activities that support leadership development, and staff advancement. We encourage openness in the workplace and provide regular opportunities for staff to contribute to, and be actively involved, in our organisational decisions. We regularly review our policies and procedures to ensure they are fit for purpose.

Recruitment, selection, and induction

We are an equal opportunity employer (EEO) and aim to recruit the best person for each role. We advertise any vacancies to attract a range of candidates, with the approach we follow varying depending on circumstances and role type. We have a strong and diverse employer brand in the health industry, and our work to extend this brand has been supported through social media channels, such as Facebook, Twitter, and LinkedIn. We have an induction programme to help new staff members familiarise themselves with our operations as quickly as possible.

We consider equity and diversity in all our recruitment decisions. We formed a partnership with Diversity Works in 2020/21 and are undertaking a planned approach to enhance our understanding of, and to create, a more inclusive and welcoming work environment at Pharmac. As a Crown entity, we take our commitments to Te Tiriti o Waitangi seriously.

Employee development, promotion, and exit

We provide and encourage development opportunities for staff to grow their skills, abilities, and careers. These opportunities include taking on senior roles, undertaking external training and development, receiving support (including opportunities for scholarships) for

formal study, and taking up secondment opportunities. We also offer regular training to directly support Te Tiriti o Waitangi, including te reo Māori classes and Te Tiriti o Waitangi training, as well as a range of other activities.

The Pacific Responsiveness Strategy's purpose is to support Pacific People in New Zealand to live healthy lives through improved and timely access to, and the use of, medicines and medical devices. We held cultural awareness sessions designed to support our Pacific Responsiveness Strategy and educate staff.

Our internal staff development plans provide clear links to the Pharmac business plan and our overall strategic direction.

Online exit surveys and face-to-face interviews are offered to all departing employees. The data collected from these is analysed to monitor, manage, and communicate reasons for people leaving the organisation.

Flexibility and work design

We recognise that supporting employees to balance their work and family commitments will, over time, have a positive impact on work quality, productivity, and employee wellbeing.

Our flexible working arrangements ensure staff who work remotely are provided with appropriate technology and communication solutions to enable seamless working arrangements. This was demonstrated during COVID-19 alert levels 3 and 4 in 2020, when all staff had access to the necessary resources to be able to work productively and efficiently from home. We have continued to allow flexible working arrangements for staff after the initial lockdown period.

We offer generous parental leave entitlements in addition to those required under law.

Remuneration, recognition, and conditions

We use independent job evaluation and market remuneration information to set salary ranges for positions. We aim to achieve fairness and equity by reviewing and eliminating inappropriate pay disparities. We review our remuneration options annually against market changes and Government expectations. We create work conditions that enable staff to feel comfortable and supported, including those who identify as LGBTQI+ and those with disabilities.

Harassment, discrimination, and bullying prevention

We do not tolerate bullying, discrimination, or harassment. Conduct and behaviour expectations are clearly communicated through our Bullying, Harassment and Discrimination Policy, which is provided to staff at the induction stage. Existing staff are regularly reminded about policies and expectations, including through specific workshops for managers on this topic.

Safe and healthy environment

We provide a working environment and management process that is, so far as is reasonably practical, free of risks to health and safety. Our health and safety systems ensure that hazards are identified, and risks are controlled and managed accordingly.

We are committed to doing everything possible to prevent injury. This includes establishing early reporting and detection procedures, training, and education and providing guidelines on safe working conditions. All accidents, injuries, and near misses and hazards are reported to our Health and Safety Committee for analysis, and necessary actions are taken to eliminate recurrence, using a hierarchy of controls.

Maintaining a safe and healthy workplace, free from injury, is our aim. In the 2020/21 financial year, we had zero lost time injuries.

Our health and safety approach aims to enable staff to operate and work in a safe and healthy environment. This is achieved through our Health and Safety Governance programme.

- Pharmac Board Health and Safety Committee – meets several times a year to help the Board provide leadership in discharging its health and safety management responsibilities within the organisation.
- Staff Health and Safety Committee – meets monthly to deliver key priorities, address risks, and minimise risks of incidents from occurring, as well as audit the systems of work.
- Well Working Group, – a subgroup of the Pharmac Board Health and Safety Committee, exists to support a work culture of wellness. The working group's role is to identify and implement wellness practices in the following areas: stress management, mental health, physical health, healthy environment, and organisational engagement.
- Health and safety training and safety culture – we provide regular training and engagement in health and safety with the aim of encouraging individual responsibility for health and safety in the workplace. Staff are provided with regular updates on health and safety matters via staff meetings and the Pharmac intranet, as well as access to simplified near-miss reporting tools, which aim to encourage individuals to report potential hazards.

To manage and monitor health and safety in the organisation, we have developed key performance measures. Our Risk Management System provides reporting on incidents, emergency preparedness, and business continuity planning.

Staffing

As at 30 June 2021, we had a total of 146 staff – 128 permanent employees, plus 18 fixed-term employees. We also had 17 vacancies. We anticipate overall staff numbers to grow but at a slower rate than previous years. Permanent staff turnover for the 2020/21 year was 17 percent, which is lower than last year and driven by a variety of factors. Four employees were on parental leave during the year. The main factor that led to staff turnover in 2020/21 was taking up opportunities for career progression (this was not possible in-house due to Pharmac's small
size).

We have a relatively high number of part-time staff – 12 percent as at 30 June 2021. This helps us to retain valuable skills and competencies and provide for work-life balance.

Gender	Part time	Full time	Total
Permanent employees			
Male	5	45	50
Female	7	71	78
Non-specified	0	0	0
Fixed-term employees			
Male	1	2	3
Female	3	11	14
Non-specified	0	1	1
Totals	**16**	**130**	**146**

Staff numbers by age (years)	
20–29	28
30–39	41
40–49	33
50–59	24
60–69	8
70–79	1
Undeclared	11
Total	**146**

Staff numbers by ethnicity		
European	**112**	77%
New Zealand European / Pākehā	99	
Australian	1	
British/Irish	8	
Dutch	2	
Other European	2	
Māori	**4**	3%
Pacific peoples	**2**	1%
Samoan	1	
Fijian	1	
Asian	**10**	7%
Chinese	5	
Indian	2	
Japanese	1	
Other Asian	2	
Middle Eastern/Latin American/African (MELAA)	**0**	0%
Other ethnicity	**6**	4%
Not disclosed	**12**	8%
Total	**146**	**100%**

Managing risk

Table 13: Pharmac's approach to manging risk

What we want to achieve	What we focussed on in 2020/21	Our achievements
A comprehensive organisational risk management framework ensures that all significant risks for our organisation are effectively identified, assessed, managed, and monitored. Our approach to risk management is based on and consistent with the Risk Management – Principles and Guidelines. The Pharmac Board receives regular reports on any major incidents and reviews the risk register on a quarterly basis. The Audit and Risk Committee receives updates at each meeting on the status and effectiveness of measures taken to reduce risk. We work closely with the Protective Security Requirements team and the Government Chief Digital Officer (GCDO) team to ensure we are operating at the most effective level. Our short- to medium-term priorities include: continuing to mature our risk management capability and continuously testing, refining, and enhancing our business continuity and incident management capability.	Continuing to mature our risk managment capability. Continuously testing, refining, and enhancing our business continuity and incident management capability.	We revised our risk management policy and procedures and implemented a new reporting format for risks. In addition, the Board adopted risk tolerance levels for 18 different categories of risk. We heightened our focus on incident management practices and reporting.

Financial management

Financial management performance measure

Operating budgets are well managed (measure 13.1)

Actual expenditure variance to budget.

SOI target	Within 5 percent.
Not achieved	Our operating budget was more than 5 percent underspent.
Method	Budget and expenditure analysis.
Result	Our operating budget was more than 5 percent underspent. There are a number of reasons for this, including the impact of COVID-19.

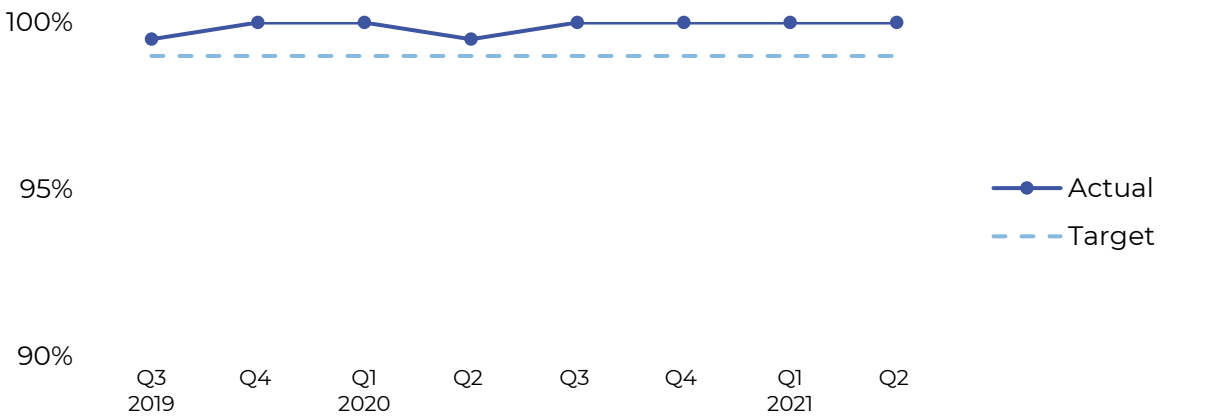
ICT performance measure

Key operating systems are available (measure 14.1)

Percentage of up time

SOI target	99 percent.
Achieved	99 percent.
Method	Downtime is recorded as it occurs.
Result	Operating systems were available above target.

Figure 15: Operating systems' performance against target, 2019 quarter 3 to 2020 quarter 4



Summary of performance measures

Table 14: Performance measures and results for 2020/21 provides a snapshot of all our performance measures and results for the 2020/21 year.

Impacts	Measure	SOI target
1. Our investment choices enhance wellbeing	1.1 Health outcomes from our investments	New measure
	1.2 Uptake of medicines following key investments and brand changes	New measure
	1.3 Funding decision time (time to decision)	New measure ↑
2. Medicines and medical devices are used appropriately, equitably, and well	2.1 Rates of possession of funded medicines	New measure ↑
	2.2 Patient experience of medicines	↑
3. We play a key role in an effective and equitable health system	3.1 Positive feedback from system stakeholders	New measure
	3.2 High levels of medicines supply are maintained	Yes/No
4. Making choices and managing expenditure and supply	4.1 Timeliness of funding decisions (time to rank)	↓
	4.2 Timeliness of exceptional circumstances decisions	↓

[26] Data was last published in 2018 by HQSC in *A Window on the Quality of New Zealand's Health Care: 2018*, available from the HQSC website at: www.hqsc.govt.nz/assets/Health-Quality-Evaluation/Windows_Document/Window-Jun-2018.pdf

	Result	Data
	Methodology established	
	Methodology and baseline established	We anticipated 2,029 patients would benefit in 2019/20 from new medicines listed for use in the community. Actual patients dispensed these medicines during 2019/20 were 1,569 – a variance of 460 patients.
	Methodology and baseline established	The average time taken from application to decision was 40.9 months.
	Methodology and baseline established	Overall possession rate is 40%.
	Methodology and baseline established	a. 93% of respondents answered 'yes, always'. b. No data published.[26]
	Methodology and baseline established	47% rated Pharmac as being 'very good' or 'good'.
		There have been no out-of-stock situations that have had a sustained or irreversible impact on the health of patients in 2020/21.
	Methodology and baseline established	Average time of 16.05 months to rank new applications.
	Methodology and baseline established	54% of decisions made within 10 working days.

Impacts (cont.)	Measure	SOI target
4. Making choices and managing expenditure and supply (cont.)	4.3 Timeliness of publishing PTAC and subcommittee records	↓
	4.4 CPB expenditure meets expectations	Yes/No
	4.5 Anticipated value of our funding decisions	Yes/No
	4.6 Access of medicines compared with subsidy	Volume and mix go up relative to the cost, while subsidies paid decline
	4.7 Savings over time	↑
	4.8 Environmental sustainability of pharmaceutical contracting approaches	New measure
5. Support and inform good decisions and access and use	5.1 Consultations undertaken	100%
	5.2 Reach and use of responsible-use activities products	New measure
6. Influence through policy, research, and insights	6.1 Quality of policy advice	New measure
	6.2 Contribution to research activities that support Pharmac's core activities and strategic priorities	No target as descriptive measure

	Result	Data
	Methodology established	Downward trend maintained.
	Yes	Expenditure was equal to budget.
	Yes	Funding QALY (31) is higher than total opportunities QALY (13).
	Yes	From 2011, the 'volume' (number of medicines) and 'mix' (variety of medicines) has increased, meaning we are seeing more, and more varied, medicines in New Zealand. Over the same period, subsidies paid ('subsidy') have gone down.
		Over the last 10 years, we have saved $8.2 billion on net medicine costs. The impact of changes over the last 10 years applied in the financial year 2020/2021 accounted for $1.7 billion.
	Methodology established	During 2020/21, we have begun to collect information from suppliers about their environmental sustainability policies and practices through our procurement processes. Information for approximately 25 percent of suppliers has been collected.
	100%	100% of key pharmaceutical decisions were publicly consulted on.
	Methodology established	Metrics were agreed with our new responsible-use provider.
	Methodology and baseline established	Following a review of papers, our overall score from NZIER is 3.55 out of 5, with 19 out of 20 papers meeting the acceptable quality standard.
	Methodology and baseline established	Two research papers published.

Te Whaioranga	Measure	SOI target
7. Māori leadership and advice	7.1 Levels of Māori staff	New measure
	7.2 Levels of Māori on Pharmac's Board and advisory groups	New measure
8. Māori-Crown partnership	8.1 Māori trust and confidence in Pharmac	
9. Equity for Māori	9.1 Improved rates of Māori accessing funded medicines and medical devices	New measure
10. Accountability	10.1 Pharmac Board, leadership, and staff have clear performance and accountability expectations for meeting Te Tiriti obligations and are meeting these expectations	New measure
11. Cultural intelligence	11.1 Organisational Māori capability	New measure

	Result	Data
	Methodology and baseline established	4% of staff are Māori.
	Methodology and baseline established	Board = 17% PTAC and Subcommittees = 2% Consumer Advisory Committee = 40% Responsible Use Advisory Group = 44%
	Number of advocates increased Number of critics decreased.	
	Methodology established	Data not available from the Ministry of Health so unable to measure access rates.
	Te Tiriti o Waitangi accountabilities have been developed for the Board	
	Methodology established	A capability framework has been developed.

Organisational Excellence	Measure	SOI target
12. People and capability	12.1 Employee engagement	↑
	12.2 Health, safety, and wellbeing	Incidents down, near misses reported up.
13. Finance	13.1 Operating budgets are well managed	Within 5%
14. ICT	14.1 Key operating systems are available	99%

		Data
	↓	The upward trend was not achieved. We achieved a slight downward trend from 75% in October 2020 to 72% in April 2021.
	Incidents are down, and near misses reported are up.	
	The operating budget was more than 5% underspent	
	Operating systems were available above target	99%

Strategic Priorities	Measure	SOI target
15. Enhance key functions	15.1 Efficiency of decision making	↓
	15.2 Perceptions of process efficiency	New measure
	15.3 Stakeholder experience	New measure
16. Medical devices	16.1 Completion of initial national contracting	↑
17. Equitable access	17.1 Equity capability of clinical advisory network	↑
	17.2 Possession rates – non-Māori/Māori	Trend – gap closing.
	17.3 Access rates – non-Māori/Māori	Trend – gap closing.
	17.4 Persistence rates – non-Māori/Māori	Trend – gap closing.
18. Data and analytics	18.1 Use of visual analytics tool	New measure
	18.2 Efficiency in producing CPB forecast	New measure
19. Public understanding, trust, and confidence in Pharmac	19.1 Increase website traffic and engagement	Unique visits trending up Bounce backs trending down

	Result	Data
		See timeliness outputs measures 4.1, 4.2, and 4.3.
	Methodology and baseline established	Dec 2020 = 61%. Jan 2021 = 60%.
	Methodology and baseline established	34% of stakeholders rated Pharmac as being 'very good' or 'good'.
	21% in 2017/18. 55% in 2020/21	
	Methodology and baseline established	On average, advisors have a developing awareness, understanding, and knowledge.
	Methodology and baseline established	For people living with type 2 diabetes in 2018/19, Māori and Pacific peoples were dispensed 63% of the amount of long-term medicine needed to manage their condition. Non-Māori, non-Pacific peoples were dispensed 68%.
	Methodology and baseline established	An estimated 3,700 Māori living with type 2 diabetes did not have the medicines they needed to treat their condition.
	Methodology and baseline established	Data for people with type 2 diabetes shows that no population is fully persistent but that there is a significant difference between Māori and Pacific peoples and non-Māori, non-Pacific peoples.
	Methodology and baseline established	34 Qlik Sense® users are trained.
	Methodology and baseline established	46 person days required to forecast the CPB.
	Methodology and baseline established	Unique visits are up/stable. Bounce backs are down.

Strategic Priorities (cont.)	Measure	SOI target
19. Public understanding, trust, and confidence in Pharmac (cont.)	19.2 Increased public trust in Pharmac	Improvement on last year's score
	19.3 Improve media sentiment	↑
20. Relationships and partnerships	20.1 Proportion of stakeholders that highly rate their relationship with Pharmac	↑

	Result	Data
	The annual Public Sector Reputation Index	In 2020, our score was 90, in 2021 it was 88.
	Methodology and baseline established	Our score of -0.2 is considered balanced or neutral.
	Methodology and baseline established	38% of stakeholders rated the quality of their relationship as being ‘very good’ or ‘good’.

Te pūrongo motuhake o te kaiarotake

Independent auditor's report

To the readers of Pharmaceutical Management Agency – Te Pātaka Whaioranga (Pharmac) financial statements and performance information for the year ended 30 June 2021.

The Auditor-General is the auditor of Pharmac. The Auditor-General has appointed me, Kelly Rushton, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of Pharmac on his behalf.

Opinion

We have audited:

- the financial statements of Pharmac on pages 82 to 101, that comprise the statement of financial position as at 30 June 2021, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- the performance information of Pharmac on pages 23 to 59 and 65 to 77.

In our opinion:

- the financial statements of Pharmac on pages 82 to 101:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2021; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards; and
- the performance information on pages 23 to 59 and 65 to 77:
  - presents fairly, in all material respects, Pharmac's performance for the year ended 30 June 2021, including:
    - for each class of reportable outputs:
      - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
      - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
  - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 3 December 2021. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Board for the financial statements and the performance Information

The Board is responsible on behalf of Pharmac for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board is responsible on behalf of Pharmac for assessing Pharmac's ability to continue as a going concern. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of Pharmac, or there is no realistic alternative but to do so.

The Board's responsibilities arise from the Crown Entities Act 2004.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to Pharmac's statement of performance expectations.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Pharmac's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.

- We evaluate the appropriateness of the reported performance information within Pharmac's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Pharmac's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Pharmac to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board is responsible for the other information. The other information comprises the information included on pages 1 to 22 and 60 to 64, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of Pharmac in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit, we have carried out an assurance engagement in the area of Rebates, which was compatible with those independence requirements. Other than the audit and this engagement, we have no relationship with or interests in Pharmac.

Kelly Rushton
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Ngā tauaki pūtea

Financial statements

Statement of comprehensive revenue and expense

For the year ended 30 June 2021

	Note	Actual 2021 $000	SPE Budget 2021 $000	Actual 2020 $000
Non exchange revenue				
Crown funding		25,262	25,262	23,488
DHB - Operating funding		1,990	1,990	1,490
Combined Pharmaceutical Budget Discretionary Pharmaceutical Fund (CPBDPF)	5	-	-	18,332
Exchange revenue; other				
Interest received - Operating		319	363	501
- Legal Risk Fund		161	206	238
Other revenue - Operating		466	130	367
Total revenue		28,198	27,951	44,416
Expenditure				
Operating costs		7,889	10,175	6,455
Personnel costs	2	17,238	16,080	15,666
Audit Fees		75	65	63
CPBDPF	5	12,729	-	-
Depreciation and amortisation costs	10,11	411	348	321
Director Fees		153	168	142
Finance Costs	3	-	-	-
Hospital Discretionary Pharmaceutical Fund (HDPF)	4	-	-	135
Implementation projects		1,501	1,186	1,446
Legal Risk Fund payments for litigation		141	250	-
Occupancy costs		759	784	695
Total expense		40,896	29,056	24,923
Net surplus/(deficit) for the period		(12,698)	(1,105)	19,493
Other comprehensive revenue		-	-	-
Total comprehensive revenue and expense		**(12,698)**	**(1,105)**	**19,493**

Explanations of significant variances against budget are detailed in note 24.
The accompanying accounting policies and notes form part of these financial statements.

Statement of changes in equity

For the year ended 30 June 2021

	Note	Actual 2021 $000	SPE Budget 2021 $000	Actual 2020 $000
Balance at 1 July		61,236	41,436	41,743
Medical Devices Reserve funding		5,000	-	-
Total comprehensive revenue and expense		(12,698)	(1,105)	19,493
Balance at 30 June	4	**53,538**	**40,331**	**61,236**

Explanations of significant variances against budget are detailed in note 24.
The accompanying accounting policies and notes form part of these financial statements.

Statement of financial position

As at 30 June 2021

	Note	Actual 2021 $000	SPE Budget 2021 $000	Actual 2020 $000
PUBLIC EQUITY				
Contribution capital	4	1,856	1,856	1,856
Retained earnings and reserves	4	11,224	7,891	9,353
Restricted reserves				
CPBDPF	4	5,603	19,492	18,332
HDPF	4	22,193	2,700	23,258
Legal Risk Fund	4	8,457	8,392	8,437
Medical Devices Reserve	4	4,205	-	-
TOTAL PUBLIC EQUITY		**53,538**	**40,331**	**61,236**
Represented by:				
Current assets				
Cash and cash equivalents	6	8,710	1,047	2,283
Investments	7	9,600	10,200	11,100
Debtors and other receivables	8	183	170	21,590
Prepayments		224	300	621
GST Receivable		1,786	-	-
Current assets associated with Restricted reserves				
Cash and cash equivalents - Legal Risk Fund/HDPF	6	679	242	194
Investments - Legal Risk Fund/HDPF	7	11,700	10,850	12,065
CPBDPF monies deposited into rebates account	9	23,186	19,492	19,493
Total current assets		56,068	42,301	67,346
Non-current assets				
Property, plant and equipment	10	1,077	648	721
Intangible Assets	11	8	60	91
Total non-current assets		1,085	708	812
Total assets		57,153	43,009	68,158
Current liabilities				
Creditors and other payables	12	1,811	1,200	2,441
Employee entitlements	13	1,476	980	1,269
GST Payable		-	170	2,884
Total current liabilities		3,287	2,350	6,594
Non-current liabilities				
Make Good Provision	14	328	328	328
Total liabilities		3,615	2,678	6,922
NET ASSETS		**53,538**	**40,331**	**61,236**

Explanations of significant variances against budget are detailed in note 24.

The accompanying accounting policies and notes form part of these financial statements.

Statement of cash flows

For the year ended 30 June 2021

	Note	Actual 2021 $000	SPE Budget 2021 $000	Actual 2020 $000
CASH FLOWS – OPERATING ACTIVITIES				
Cash was provided from:				
- Receipts from the Crown		25,262	25,262	23,488
- DHBs Operating		1,990	1,990	1,490
- Interest Operating		319	363	636
- Interest Legal Risk Fund		161	206	311
- Other Operating		466	130	367
- CPBDPF top up		18,332	-	9,780
- Medical Devices Reserve funding		5,000	-	-
- Goods and services tax (net)		-	-	1,255
		51,530	27,951	37,327
Cash was disbursed to:				
- Legal Risk Fund expenses		(141)	(250)	-
- CPBDPF expenses		(12,729)	-	-
- CPBDPF deposited in rebates bank account		(3,693)	-	(9,780)
- HDPF expenses		-	(1,200)	(135)
- Payments to suppliers and employees		(24,566)	(28,458)	(25,168)
- Goods and services tax (net)		(4,670)	-	-
		(45,799)	(29,908)	(35,083)
Net cash flows from operating activities	15	5,731	(1,957)	2,244
CASH FLOWS – INVESTING ACTIVITIES				
- Purchase of property, plant and equipment		(747)	(215)	(196)
- Purchase of intangible assets		-	(40)	(63)
- Disposal of intangible assets		63	-	-
- Proceeds from the redemption of investments		27,165	2,354	39,733
- Purchase of investments		(25,300)	-	(40,339)
Net cash flows from investing activities		1,181	2,099	(865)
Net increase/(decrease) in cash		6,912	142	1,379
Cash at the beginning of the year		2,477	1,147	1,098
Cash at the end of the year		9,389	1,289	2,477

The GST (net) component of operating activities reflects the net GST paid and received.

The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes and to be consistent with the presentation basis of the other primary financial statements.

Statement of comprehensive revenue and expense by output class

For the year ended 30 June 2021

	$000	$000	$000	$000	$000
Output Actual 2020/21	**Funding MOH**	**Funding DHB**	**Funding Other**	**Output expenditure**	**Net surplus/ (deficit)**
Making choices and managing expenditure and supply	12,631	-	218	(25,797)	(12,948)
Support and inform good decisions and access and use	8,842	1,990	654	(11,149)	337
Influence through policy, research and insights	3,789	-	74	(3,950)	(87)
Total	**25,262**	**1,990**	**946**	**(40,896)**	**(12,698)**

Output SPE Budget 2020/21	**Funding MOH**	**Funding DHB**	**Funding Other**	**Output expenditure**	**Net surplus/ (deficit)**
Making choices and managing expenditure and supply	12,631	-	262	(12,211)	682
Support and inform good decisions and access and use	8,842	1,990	225	(11,050)	7
Influence through policy, research and insights	3,789	-	212	(5,795)	(1,794)
Total	**25,262**	**1,990**	**699**	**(29,056)**	**(1,105)**

Output Actual 2019/20	**Funding MOH**	**Funding DHB**	**Funding Other**	**Output expenditure**	**Net surplus/ (deficit)**
Making choices and managing expenditure and supply	11,744	18,332	-	(10,756)	19,320
Support and inform good decisions and access and use	8,221	1,490	-	(10,032)	(321)
Influence through policy, research and insights	3,523	-	1,106	(4,135)	494
Total	**23,488**	**19,822**	**1,106**	**(24,923)**	**19,493**

Statement of commitments

As at 30 June 2021

Non-cancellable operating lease commitments

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

	Actual 2021 $000	Actual 2020 $000
Operating commitments approved and contracted		
Rental lease		
Not later than one year	847	695
Later than one year and not later than five years	2,118	2,432
Balance at 30 June	**2,965**	**3,127**

Pharmac's rental lease dates back to 2002/03 financial year, and has been the subject of regular variation. The current lease expiry is 31 December 2024. During 2020/21, variations were executed to occupy another floor taking total floors to five (four of which are contiguous space). Pharmac has recognised a make good provision of $327,825 (2020: $327,825).

Statement of contingent assets and liabilities

As at 30 June 2021

Pharmac has no contingent assets as at 30 June 2021 (2020: $nil).

Pharmac has no contingent liabilities as at 30 June 2021 (2020: $nil).

Explanations of significant variances against budget are detailed in note 24.

The accompanying accounting policies and notes form part of these financial statements.

Notes

Note 1: Statement of accounting policies

Reporting entity

Pharmaceutical Management Agency (Pharmac) is a Crown entity as defined in the Crown Entities Act 2004 and is domiciled and operates in New Zealand. Pharmac acts as an agent of the Crown for the purpose of meeting its obligations in relation to the development and operation of a national Pharmaceutical Schedule. Pharmac has designated itself as a public benefit entity (PBE) for financial reporting purposes.

Pharmac's financial statements are for the year ended 30 June 2021. The financial statements were approved by the Board of Pharmac on 3 December 2021.

Basis of preparation

Pharmac's financial statements have been prepared on a going-concern basis and the accounting policies have been applied consistently throughout the period.

Statement of compliance

Pharmac's financial statements have been prepared in accordance with the requirements of the Crown Entities Act 2004 and the New Zealand Public Health and Disability Act 2000, which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP). The financial statements have been prepared in accordance with Tier 1 PBE standards.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars, and all values are rounded to the nearest thousand dollars ($000).

Summary of Significant Accounting Policies

Significant accounting policies are included in the notes to which they relate. Significant accounting policies that do not relate to a specific note are outlined below.

Revenue

Funding from the Crown

Pharmac is primarily funded from the Crown. This funding is restricted in its use for the purpose of Pharmac meeting the objectives specified in its founding legislation and the relevant appropriations of the funder.

Pharmac considers there are no conditions attached to the funding, and it is recognised as revenue at the point of entitlement. This is considered to be the start of the appropriation period to which the funding relates.

The fair value of revenue from the Crown has been determined to be equivalent to the amounts due in the funding arrangements.

Funding from DHBs

Operating funding includes agreed expenses to be provided by Pharmac for 20 DHBs, the Discretionary Pharmaceutical Fund payments reflect expenses incurred under the Discretionary Pharmaceutical Fund Policy, and additional contributions are made to support implementation of Pharmac's hospital medical devices activity.

Funding is recognised as revenue when it becomes receivable.

Interest revenue

Interest revenue is recognised using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term, highly liquid investments with original maturities of three months or less.

Receivables

Short-term receivables are recorded at their fair value, less any provision for impairment.
A receivable is considered impaired when there is evidence that Pharmac will not be able to collect the amount due. The amount of the impairment is the difference between the carrying amount of the receivable and the present value of the amounts expected to be collected.

Investments

Bank term deposits

Investments in bank term deposits are initially measured at the amount invested. After initial

recognition, investments in bank deposits are measured at amortised cost using the effective interest method, less any provision for impairment.

Property, plant, and equipment
Property, plant, and equipment consist of leasehold improvements, electronic data processing (EDP) equipment, and furniture and office equipment and are shown at cost less accumulated depreciation and impairment losses.

Any write-down of an item to its recoverable amount is recognised in the statement of comprehensive revenue and expense.

Additions
The cost of an item of property, plant, or equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to Pharmac and the cost of the item can be measured reliably. Work in progress is recognised at cost less impairment and is not depreciated.

Disposals
Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposal are reported net in the surplus or deficit.

Subsequent costs
Costs incurred after initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to Pharmac and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

Depreciation
Depreciation is provided on a straight-line basis on all property, plant, and equipment, at rates that will write-off the cost of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows.

Item	Estimated useful life	Depreciation rate
Leasehold improvements	5 years	20%
Office equipment	2.5–5 years	20–40%
EDP equipment	2.5–5 years	20–40%
Furniture and fittings	5 years	20%

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is shorter.

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

Intangible assets
Software acquisition and development
Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the development of software for internal use by Pharmac are recognised as an intangible asset. Direct costs include the software development, employee costs, and an appropriate portion of relevant overheads. Staff training costs are recognised as an expense when incurred. Costs associated with maintaining computer software are recognised as an expense when incurred. Costs associated with the development and maintenance of Pharmac's website are recognised as an expense when incurred.

Amortisation
The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each financial year is recognised in the surplus or deficit.

For computer software (the only identified intangible asset), the useful life is estimated as two to five years with a corresponding depreciation rate of 20–50 percent.

Payables
Short-term payables are recorded at their fair value.

Employee entitlements
Employee entitlements that are due to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued to balance date and annual leave earned to date but not yet taken at balance date. Pharmac

recognises a liability and an expense for at-risk provisions where it is contractually bound to pay them.

Superannuation schemes

Defined contribution schemes

Obligations for contributions to KiwiSaver and the State Sector Retirement Savings Scheme are accounted for as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit as incurred.

Provisions

A provision is recognised for future expenditure of uncertain amount or timing where there is a present obligation (either legal or constructive) as a result of a past event. It is probable that an outflow of future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time, value of money, and risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in 'finance costs'.

Equity

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- Contribution capital
- Retained earnings and reserves
- CPB Discretionary Pharmaceutical Fund
- Hospital Discretionary Pharmaceutical Fund
- Legal Risk Fund
- Medical Devices Reserve.

Goods and Services Tax (GST)

All items in the financial statements are exclusive of GST, except for receivables and payables, which are stated on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, Inland Revenue (IR) is included as part of the receivables or payables in the statement of financial position.

The net GST paid to or received from IR, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows. Commitments and contingencies are disclosed exclusive of GST.

Income tax

Pharmac is a public authority and consequently is exempt from paying income tax. Accordingly, no provision has been made for income tax.

Budget figures

The budget figures are derived from the Statement of Performance expectations as approved by the Board at the beginning of the financial year. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Board in preparing these financial statements.

Cost allocation

Pharmac has determined the cost of outputs using the cost allocation system outlined below.

Direct costs are those costs directly attributed to an output. Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific output.

Direct costs are charged directly to outputs. Indirect costs are charged to outputs based on cost drivers and related activity or usage information.

Critical accounting estimates and assumptions

In preparing these financial statements, Pharmac has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The value of Pharmac's CPB Discretionary Pharmaceutical Fund is dependent on the value of the final estimate of the DHBs' expenditure against the CPB.

Critical judgements in applying Pharmac's accounting policies

Management has not exercised any critical judgements in applying accounting policies for the period ended 30 June 2021.

Note 2: Personnel costs

	Actual 2021 $000	Actual 2020 $000
Salaries and related costs	16,329	14,863
Employer contributions to defined contribution plans	371	318
Other personnel costs	538	485
Total personnel costs	**17,238**	**15,666**

Employer contributions to defined contribution plans include contributions to the State Sector Retirement Savings Scheme and KiwiSaver.

Note 3: Finance costs

	Actual 2021 $000	Actual 2020 $000
Expense of current discounted value (refer note 14)	-	-
Total finance costs	**-**	**-**

Note 4: Public equity

	Actual 2021 $000	Actual 2020 $000
CONTRIBUTION CAPITAL		
Balance at 1 July	1,856	1,856
Balance at 30 June	**1,856**	**1,856**
RETAINED EARNINGS AND RESERVES		
Balance at 1 July	9,353	8,295
Net surplus/(deficit)	(12,698)	19,493
Net transfer from/(to) CPBDPF	12,729	(18,332)
Net transfer from/(to) HDPF	1,200	135
Net transfer from/(to) Legal Risk fund	(20)	(238)
Net transfer from/(to) Medical Devices reserve	660	-
Balance at 30 June	**11,224**	**9,353**
CPBDPF		
Balance at 1 July	18,332	19,493
Add: Revenue received transferred from/(to) retained earnings	-	18,332
Less: Transfer to HDPF	-	(19,493)
Less: Pharmaceutical expenses transferred from/(to) retained earnings	(12,729)	-
Balance at 30 June	**5,603**	**18,332**
HDPF		
Balance at 1 July	23,258	3,900
Add: Transfer to Medical Devices Reserve	135	-
Add: Transfer from CPBDPF	-	19,493
Less: Expenses transferred from/(to) retained earnings	(1,200)	(135)
Balance at 30 June	**22,193**	**23,258**
LEGAL RISK FUND		
Balance at 1 July	8,437	8,199
Add: Interest received transferred from/(to) retained earnings	161	238
Less: Litigation expenses transferred from/(to) retained earnings	(141)	-
Balance at 30 June	**8,457**	**8,437**
MEDICAL DEVICES RESERVE		
Balance at 1 July	-	-
Add: Funding provided by the Crown	5,000	-
Less: Devices expenses transferred from/(to) HDPF	(135)	-
Less: Devices expenses transferred from/(to) retained earnings	(660)	-
Balance at 30 June	**4,205**	**-**
TOTAL PUBLIC EQUITY	**53,538**	**61,236**

Note 5: CPBDPF

The revenue in 2020/21 of $nil (2019/20: $18.332 million) relates to the purpose of the DPF, which is to manage unexpected expenditure and enable Pharmac to take advantage of investment opportunities that might not otherwise be funded in that year. The expenditure in 2020/21 of $12.729 million (2019/20: $nil) relates to disbursements to DHBs so that the CPB expenditure does not exceed the CPB budget of $1,045 million.

Note 6: Cash and cash equivalents

	Actual 2021 $000	Actual 2020 $000
Pharmac funds	8,710	2,283
Legal Risk Fund/HDPF (Restricted)	679	194
Total Cash and cash equivalents	**9,389**	**2,477**

Note 7: Investments

	Actual 2021 $000	Actual 2020 $000
Term deposits - Pharmac	9,600	11,100
Term deposits - Legal Risk Fund	7,800	8,165
Term deposits - HDPF	3,900	3,900
Total Investments	**21,300**	**23,165**

There is no impairment provision for investments.
The carrying amounts of term deposits with maturities of less than 12 months approximates their fair value.

Note 8: Debtors and other receivables

The carrying value of receivables approximates their fair value. Receivables are non-interest bearing and generally on 30 day terms.

	2021			2020		
	Gross	Impairment	Net	Gross	Impairment	Net
	$000	$000	$000	$000	$000	$000
Not past due	183	-	183	21,590	-	21,590
Past due 30-60 days	-	-	-	-	-	-
Past due 31-90 days	-	-	-	-	-	-
Past due > 90 days	-	-	-	-	-	-
Total	**183**	**-**	**183**	**21,590**	**-**	**21,590**

All receivables greater than 30 days in age are considered to be past due.

Note 9: CPBDPF Monies

During the year, Pharmac advances CPBDPF monies to DHBs via the Pharmac-managed Combied Rebates Bank Account to enable earlier pay out of accrued rebates to DHBs. The CPBDPF is utilised at year end should DHB pharmaceutical expenditure exceed the CPB value. Where this is forecast, Pharmac ensures it recovers any advanced DPF cash prior to year end.

Note 10: Property, plant and equipment

	Cost at beginning of the year $000	Additions during the year $000	Disposals during the year $000	Accumulated depreciation beginning of the year $000	Depreciation for the year $000	Elimination on disposals $000	Net Carrying Amount as at 30 June $000
2020							
Furniture and fittings	333	54	-	273	21	-	93
EDP equipment	904	111	-	723	121	-	171
Office equipment	94	7	-	85	9	-	7
Leasehold improvements	1,450	24	-	883	141	-	450
Total PPE	**2,781**	**196**	**-**	**1,964**	**292**	**-**	**721**
2021							
Furniture and fittings	387	228	-	294	52	-	269
EDP equipment	1,015	381	-	844	203	-	349
Office equipment	101	10	-	94	2	-	15
Leasehold improvements	1,474	128	-	1,024	134	-	444
Total PPE	**2,977**	**747**	**-**	**2,256**	**391**	**-**	**1,077**

Note 11: Intangible assets

	Cost at beginning of the year $000	Additions during the year $000	Disposals during the year $000	Accumulated amortisation beginning of the year $000	Amortisation for the year $000	Elimination on disposals $000	Net Carrying Amount as at 30 June $000
2020							
Total Intangible assets	**557**	**63**	**-**	**500**	**29**	**-**	**91**
2021							
Total Intangible assets	**620**	**-**	**(63)**	**529**	**20**	**-**	**8**

Note 12: Creditors and other payables

	Actual 2021 $000	Actual 2020 $000
Creditors	544	1,086
Accrued expenses	1,267	1,355
Total creditors and other payables	**1,811**	**2,441**

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms. The carrying value of creditors and other payables approximates their fair value.

Note 13: Employee entitlements

	Actual 2021 $000	Actual 2020 $000
Annual leave entitlement	943	869
Accrued salaries and wages	533	400
Total employee entitlements	**1,476**	**1,269**

Note 14: Provisions

	Actual 2021 $000	Actual 2020 $000
Non-current provisions are represented by:		
Lease make good	328	328
Total non-current provisions	**328**	**328**

The make good provision relates to a rental lease that expires 31 December 2024. Pharmac leases five floors of an office building.

Note 15: Reconciliation of the net surplus from operations with the net cash flows from operating activities

	Actual 2021 $000	Actual 2020 $000
Net surplus/(deficit)	(12,698)	19,493
Add non-cash items:		
Depreciation and amortisation	411	321
Total non-cash items	411	321
Add/(less) movements in working capital items:		
Decrease/(increase) in debtors and other receivables	21,407	(9,884)
Decrease/(increase) in prepayments	397	(248)
Increase/(decrease) in creditors and other payables	(630)	784
Increase/(decrease) in employee entitlements	207	303
Increase/(decrease) in make good provision	-	-
Decrease/(increase) in net GST	(4,670)	1,255
Net movements in working capital	16,711	(7,790)
Other movements		
CPBDPF monies released from/(deposited in) rebates bank account	(3,693)	(9,780)
Medical Devices Reserve funding	5,000	-
Total other movements	1,307	(9,780)
Net cash flows from operating activities	**5,731**	**2,244**

Note 16: Related party transactions

Pharmac is a wholly owned entity of the Crown. Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect Pharmac would have adopted in dealing with the party at arm's length in the same circumstances. Further, transactions with other government agencies (for example, government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

Key management personnel compensation	Actual 2021	Actual 2020
Board members		
Remuneration	$ 153,000	$ 142,000
Full-time equivalent members	5.75	5.00
Leadership team		
Remuneration	$1,664,435	$1,460,309
Full-time equivalent members	5.93	5.00
Total key management personnel compensation	**$1,817,435**	**$1,602,309**
Total full-time equivalent members	**11.68**	**10.00**

The full-time equivalent for Board members has been determined based on the number of Board members appointed for this financial year.

Note 17: Board members' remuneration

The total value of remuneration paid or payable to each Board and committee member during the year was:

Member	Fees	
	2021 $000	2020 $000
Hon Steve Maharey (Chair)	48	48
Dr Jan White (Deputy Chair)	24	24
Nicole Anderson	24	24
Prof Ross Lawrenson	24	24
Dr Claudia Wyss	24	16
Dr Elizabeth Zhu	9	-
Prof Jens Mueller	-	6
Total Board member remuneration	**153**	**142**

There have been payments of $593,900 (2020: $426,000) made to committee members appointed by the Director-General of Health or the Board who are not Board members during the financial year.

Pharmac has provided a deed of indemnity to Directors for certain activities undertaken in the performance of Pharmac's functions.

Pharmac has taken out Directors' and Officers' Liability and Professional Indemnity insurance cover during the financial year in respect of the liability or costs of Board members and employees.

No Board members or committee members received compensation or other benefits in relation to cessation (2020: $nil).

Note 18: Employee remuneration

Total remuneration paid or payable	Actual	
$000	2021	2020
100 - 110	9	6
110 - 120	9	7
120 - 130	7	10
130 - 140	10	7
140 - 150	8	9
150 - 160	1	1
160 - 170	3	2
170 - 180	2	2
180 - 190	1	1
190 - 200	1	1
210 - 220	1	1
240 - 250	2	2
260 - 270	1	1
270 - 280	1	1
420 - 430	1	1

Note 19: Events after the balance date

There have been no significant events after the balance date.

Note 20: Financial instrument risks

Pharmac's activities expose it to a variety of financial instrument risks, including market risk, credit risk, and liquid risk. Pharmac has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

Credit risk
Credit risk is the risk that a third party will default on its obligations to Pharmac, causing Pharmac to incur such a loss. Due to the timing of its cash inflows and outflows, Pharmac invests surplus cash with registered banks.

Pharmac does not have significant concentration of credit risk.

Note 20: Financial instrument risks (continued)

Liquidity risk
Liquidity risk is the risk that Pharmac will encounter difficulty raising liquid funds to meet commitments as they fall due.

In meeting its liquidity requirements, Pharmac closely monitors its forecast cash requirements. The table below analyses Pharmac's financial liabilities that will be settled based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	2021 Less than 6 months $000	2020 Less than 6 months $000
Creditors and other payables	**1,811**	**2,441**

Fair value
The carrying amounts of financial instruments as disclosed in the financial statements at 30 June 2021 and 30 June 2020 approximate their fair values as shown in note 12.

Note 21: Categories of financial instruments

Credit quality of financial assets
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit rating.

Counterparties with credit ratings	Actual 2021 $000	Actual 2020 $000
Cash at bank and term deposits		
AA-	44,875	37,135
A	9,000	8,000
Total cash at bank and term deposits	**53,875**	**45,135**
Receivables		
Debtors and other receivables	183	21,590
Total receivables	**183**	**21,590**

Note 22: Capital management

Pharmac's capital is its equity, which comprises accumulated funds and other reserves. Equity is represented by net assets.

Pharmac is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which imposes restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities, and the use of derivatives.

Pharmac manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities, investments and general financial dealings to ensure Pharmac effectively achieves its objectives and purpose, while remaining a going concern.

Pharmac is currently exempt from the imposition of the Crown's capital charge.

Note 23: Cessation payments

This information is presented in accordance with section 152(1)(d) of the Crown Entities Act 2004. Cessation payments include payments that the person is entitled to under contract on cessation such as retirement payment, redundancy, and gratuities. Pharmac made no cessation payments to former employees during the financial year (2020: $nil).

Note 24: Explanation of major variances against budget

Explanations of major variances from Pharmac's estimated figures in the Statement of Performance Expectations (SPE) are as follows:

Statement of comprehensive income and expense
The net surplus (deficit) for the year ended 30 June 2021 of $12,698,000 is $11,593,000 more than the SPE budgeted surplus of $1,105,000.

Total expense was $40,896,000, WHICH WAS $11,840,000 higher than budget. The main differences in expenses include CPBDPF payments to DHBs of $12,729,000 (net of GST) and an overspend of $1,158,000 on personnel costs owing to an increase in staffing across the year. Operating costs were $2,286,000 lower than budget from lower activity particularly in Information Technology, Travel, and Committees and Panels. Other routine variances were not material.

As a result of increased staffing, additional office space was leased as noted in the Statement of Commitments. This also resulted in increased assets for EDP equipment, leasehold improvements, and furniture (note 10).

Statement of financial position
There are no material changes to the statement of financial position other than the change in position resulting from the CPBDPF payment, associated GST movements, and the additional funding for COVID-19 related transportation costs.

The decrease in public equity of $7.698,000 reflects the movements described above.

Note 25: Impact of COVID-19

As a consequence of the COVID-19 global pandemic, in late March 2020 the New Zealand Government declared a State of National Emergency. This resulted in New Zealand entering a
4-week national lockdown. Restrictions were then gradually relaxed and from early June 2020, New Zealand moved to alert level 1. At alert level 1, there are no significant restrictions within New Zealand however there continue to be significant border controls severely limiting
access into New Zealand.

We have assessed the impact of the pandemic on Pharmac. We have also reviewed our financial statements on a line by line basis and considered whether any adjustments where necessary in accordance with NZ GAAP. No adjustments were identified or required. The main factors contributing to this conclusion are:

- Pharmac operations continued without interruption during the pandemic.
- Pharmac revenue was not materially impacted.
- Pharmac unrestricted balance sheet accounts, including equity, were not materially impacted.

Management will continue to monitor the impact of the pandemic on the results of the entity
and manage the business accordingly to best ensure Pharmac continues to meet its financial and other objectives.

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