Pharmaceutical Management Agency
Te Pātaka Whaioranga

ANNUAL REPORT

for the year ended 30 June 2023

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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Te pūrongo a te heamana

Chair's report

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 2022/23, I want to acknowledge my sector colleagues, leaders and Board members who have come before me and the skilled and committed staff of Pharmac, Te Pātaka Whaioranga.

This year we saw new legislation introduced for the health and disability system with the Pae Ora (Healthy Futures) Act 2022 which came into effect on 1 July 2022. We also saw the establishment of new national health entities Te Whatu Ora – Health New Zealand, Te Aka Whai Ora – Māori Health Authority, Whaikaha – Ministry of Disabled People, and a refined role for Manatū Hauora – Ministry of Health.

We have built strong working relationships with the new agencies, collaborating on projects, contributing our advice and expertise and seeking theirs, and assisting progress with major initiatives including building strategies for the future of the New Zealand health system.

We are committed to playing our part to improve health equity for all New Zealanders. While there is still significant work to do, we will continue to strengthen our work upholding the principles of te Tiriti o Waitangi and integrating Pae Ora through the work that we do.

New Zealanders are at the heart of everything we do. We estimate 364,954 additional New Zealanders benefited from medicines funding decisions in 2022/23. We have invested in 20 new medicines and 22 access widenings for implementation in 2022/23. We also made savings of $48.9 million which we were able to invest in new medicines and to offset cost pressures of existing medicines.

We were also able to add 8,600 additional medical devices line items to the Pharmaceutical Schedule.

We now have $530 million total value of medical devices under contract. We are pleased that the list of contracted devices continues to grow. We are working closely with Te Whatu Ora to maximise health benefits for New Zealanders from hospital medical devices, drive better value, and more consistent and equitable access.

During 2022/23 we continued to progress our response to the independent review of Pharmac. Our annual report sets out, at a high level, the activities, and achievements we have made during the year as we work towards making improvements across our work.

There is further work to do. We must continue to get better at working for and with Māori, Pacific peoples, disabled people, and people experiencing poverty. Our approach must complement work that is taking place across the health and disability system. We must continue to respond to emerging needs, ensuring New Zealanders can continue to get access to medicines, vaccines, medical devices, and related products that they need.

The Board and I thank the kaimahi 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

Our mandate and purpose

Te Pātaka Whaioranga | Pharmac's objective is set out in section 68 of the Pae Ora (Healthy Futures) Act 2022 (the Pae Ora Act), with effect from 1 July 2022. It is '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'.

We manage the Pharmaceutical Schedule

Pharmac's identity in te reo Māori, Te Pātaka Whaioranga ('the storehouse of wellbeing'), sums up the part we play in managing and safeguarding health products that are valuable to all New Zealanders.

Pharmac helps people live better, healthier lives by deciding which medicines, and related products, should be funded for New Zealanders in a way that is affordable and easy to access. We manage medicines funding in the community and public hospitals. Managing the pharmaceutical schedule includes managing continuity of supply of medicines and related products.

We also manage hospital medical devices through negotiating national contracts for hospital medical devices – at 30 June 2023 the Pharmaceutical Schedule includes approximately 163,000 contracted line items from over 100 suppliers. These contracts cover approximately $530 million of annual Te Whatu Ora hospital expenditure on medical devices.

We manage vaccines in New Zealand

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. Te Whatu Ora is responsible for overseeing the promotion and implementation of the national immunisation programme and monitoring vaccine-preventable disease burden and risk in communities. This includes responses to local and national outbreaks of disease.

We manage funding, purchasing and distribution of most Government-funded vaccines in New Zealand. This includes all vaccines on the National Immunisation Schedule, which includes the childhood immunisation programme.

For the annual influenza vaccine, which is free for eligible people, Pharmac manages the funding and monitors distribution but does not directly purchase vaccine stock. For the COVID-19 vaccine Pharmac manages the purchasing and works closely with other government agencies, including Te Whatu Ora, who manage distribution.

In the year to 30 June 2023 Pharmac:

- widened funded access to the meningococcal B vaccine for all children up to 12 months of age. The vaccine is administered as part of the childhood immunisation programme. We also funded access for people aged 13 to 25 years who are entering into or in their first year of specified close-living situations.
- widened access for the funded influenza vaccine. Access for the flu vaccine was widened to include tamariki aged 6 months to 12 years, and to Māori and Pacific peoples who are 55 to 64 years of age for the 2023 flu season. The flu vaccine is also free for people over 65, people with long-term conditions (like asthma and diabetes), those who are pregnant, and people with specific mental health conditions or addiction issues.
- listed the Shingrix brand of shingles vaccines for those aged 65 years and over.

From 1 July 2023 Pharmac will manage the funding for the COVID-19 vaccines as part of the Combined Pharmaceutical (CPB) budget. (RR)[1]

We fund treatments for people with exceptional circumstances

Pharmac may approve funding of a medicine, device, or related product for an individual with exceptional clinical circumstances. For example, a prescriber may want to use a treatment that is not funded at all or that is funded for other uses but not for their patient's particular health condition.

The main way we make decisions about 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 promote funded treatments being used in the right way

We promote the responsible use of medicines, devices and related products in New Zealand. This means making sure funded treatments 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.

[1] 'RR' refers to initiatives that Pharmac indicated it would progress in 2022/23 in response to the Pharmac Review.

Our Board of Directors

Steve Maharey	(MA (Hons), CNZM)	Chair
Claudia Wyss	(BHB, MBChB, MBA Harvard)	Deputy Chair To April 2023
Peter Bramley	(BSc (Hon), LL.B, PhD)	Deputy Chair from April 2023
Anthony Jordan	(BHB, MBChB, FRACP) (Ngāti Wai)	
Talia Anderson-Town	(BBS, PG Dip Professional Accounting, CA, CPP) (Ngā Wairiki, Ngāti Apa, Ngā Rauru, Ngāti Tūwharetoa, Te Āti Haunui-a-Pāpārangi, Ngāti Kahungungu, Ngāti Maru, Te iwi Mōrehu)	
Diana Siew	(PhD)	

Elizabeth Zhu (MD) participated in our Board meetings as part of the Institute of Directors future director programme until September 2022.

Our Chief Executive is Sarah Fitt.

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.

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.

Ā mātou whakahaere

Our operating context

The past few years have stretched and tested the health systems of every country. New Zealand has not been immune to the impact of the global COVID-19 pandemic, the growing demands and expectations on the health and disability sector, and the need for fiscal restraint in the wake of likely economic pressures across our public services.

A changing landscape also provides opportunity. The introduction of the Pae Ora Act sets the scene for once-in-a-generation changes to the health and disability system in New Zealand. We started in 2022/23 to embed and deliver on the expectations of the Pae Ora Act and will continue to do so across all our work.

Giving effect to Pae Ora (Healthy Futures) Act

The Pae Ora Act aims to ensure all health entities work together to protect, promote and improve the health of all New Zealanders and achieve equity in health outcomes across all population groups.

The Act provides a new structure and new accountability arrangements for the publicly funded health and disability system. It is intended to bring about a step-change in how health entities work collectively to eliminate health disparities, in particular for Māori, and to build towards pae ora (healthy futures) for all New Zealanders.

The Act provides for a series of policy statements, strategies and plans to be developed by the Manatū Hauora - Ministry of Health, Te Whatu Ora - Health New Zealand and Te Aka Whai Ora - Māori Health Authority which give effect to the priorities of the health and disability system. We have been pleased to contribute to the development of these.

Pharmac also acknowledges and seeks to align with Pae Tū- Hauora Māori Health Strategy He Korowai Oranga, the overarching Māori Health Strategy,[2] and the Government's vision for Māori health and Pae Ora.

The new health and disability system arrangements address many of the directional changes recommended by the Pharmac review. Our work for 2022/23 has been guided by these including the health sector principles; by the priority areas in the interim Government Policy Statement; and by other key strategies and plans.

Health outcomes are improving but equity is still an issue

For most people, the health and disability system delivers outcomes that compare well with health outcomes in other countries around the world. We have a dedicated and highly skilled workforce, and our communities are engaged and focused.

[2] https://www.health.govt.nz/new-zealand-health-system/pae-ora-healthy-futures-all-new-zealanders/pae-ora-strategies/pae-tu-hauora-maori-strategy

However, the system remains under pressure and does not cater well for all. Health outcomes are not equitable across populations and life course, particularly for Māori, Pacific peoples, disabled people, those residing in rural areas, and people experiencing poverty. Access to health services is variable and rural New Zealanders face further issues. The distribution of our health resources and workforce is not always well matched to the needs of our diverse populations. There remains a need to address racism in all its forms, the long-term effects of colonisation and to develop a workforce that more closely reflects the people and communities it serves.

The health and disability system reforms provide the foundation for improving health outcomes, tackling inequity, and honouring our obligations to te Tiriti o Waitangi. Creating a new system based on collaboration and partnership, and establishing clear and consistent roles and responsibilities, sets up our organisations for success.

Te Tiriti o Waitangi

Pharmac will rightly be judged by Māori for how effective we are in giving effect to te Tiriti, including working in partnership and contributing to improved health outcomes. Te Tiriti also embodies equity for Māori as tangata whenua and for all people as tangata Tiriti. (RR)

Pacific peoples and priority populations

Alongside Māori, the Pae Ora Act directs a stronger focus on health equity for priority populations, including Pacific and disabled people. This requires strong contributions from multiple agencies, including connection to overarching frameworks like the All-of-Government Pacific Wellbeing Strategy (and related work like the Pacific Wellbeing Outcomes Framework) and New Zealand Disability Strategy. These connections are also important to recognise and address multiple disadvantages that some people experience within priority populations.

Pharmac Review – Te Arotake i Te Pātaka Whaioranga

During 2021/22 an independent review of Pharmac was completed.[3] The final review report was publicly released on 1 June 2022 alongside the Government response to the review findings.[4]

The main outcome of the review was that Pharmac is doing an important job and performs well against its objectives but there are improvements to be made, including:

- securing equitable outcomes, especially for Māori, Pacific peoples, and disabled people
- engaging with and promoting participation and sharing decision making with Māori, and upholding the principles and articles of te Tiriti o Waitangi
- making our processes, decisions, and information more open and accessible to the public, consumer groups, and interest groups
- incorporating consumer advice and lived experience into many aspects of our work and decision making, including for people with rare disorders

[3] Available at https://www.health.govt.nz/publication/pharmac-review-final-report
[4] Available at: https://www.beehive.govt.nz/release/government-response-independent-pharmac-review.

- strengthening collaboration with other health agencies to achieve more equitable health outcomes explaining the highly technical work we do and the impacts on people's health and doing this with equity of health outcomes clearly visible.

The review highlighted that we need a stronger Māori voice in our work and better ways to incorporate mātauranga Māori. We responded with a specific set of initiatives. Many of them have relevance to our role in striving for hauora Māori and are reported on in this Annual Report.

The Government response to the Pharmac Review was released on 1 June 2022. The Government accepted most of the 33 recommendations made by the review panel, noting that the Pae Ora Act addressed many of the directional changes recommended by the review. These changes help reset how Pharmac will work and partner within a wider system to support the health of all New Zealanders.

The former Minister of Health, Hon Andrew Little, wrote to Pharmac on 16 June 2022 and asked Pharmac to set out in our interim response where we will work to make improvements in 2022/23. We provided our interim response to the Minister at the end of July 2022 and our final response in mid-November 2022. Our Statement of Performance Expectations 2022/23[5] identified 30 review response initiatives for 2022/23, which we identified with RR (for review response) throughout this Annual Report.

[5] Available at: https://pharmac.govt.nz/news-and-resources/order-publications/corporate-publications/statement-of-performance-expectations/.

Te tahua pūtea o te tau 2022/23

Our funding for 2022/23

Combined Pharmaceutical Budget

As part of the health reforms from 1 July 2022 the Government established a new Vote Health appropriation structure.[6] This saw the establishment of a National Pharmaceuticals Purchasing appropriation. Pharmac now directly manages this.

For 2022/23 the appropriation is $1,186 million. We refer to this fund as the Combined Pharmaceutical Budget (CPB).

The CPB is used to fund 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. We collect rebates which are discounts negotiated by Pharmac from pharmaceutical suppliers.

COVID-19 funding

Treatments

On 25 November 2021, the Government announced funding of $300 million over two financial years (2021/22 and 2022/23) through the COVID-19 Response and Recovery Fund (CRRF) to support the purchase of new COVID-19 treatments.[7] We had funding of around $160 million remaining in 2022/23 to enable Pharmac to continue to secure access to a range of COVID-19 treatments. The funding for COVID-19 treatments was managed separately from the CPB in 2022/23. (RR)

We also had separate funding of $50 million in 2022/23 dedicated to covering additional CPB cost pressures for existing funded medicines due to the COVID-19 pandemic.

Six treatments were available in New Zealand for distribution and use by June 2022. We widened access to COVID-19 antiviral treatments on several occasions in 2022/23 and worked with Te Whatu Ora to support direct supply of oral antiviral treatments from pharmacists without the need for a prescription. A seventh treatment was made available in late 2022.

Since the pandemic began, we have had to make decisions to purchase treatments with limited amounts of evidence. To make sure New Zealanders could get treatments to protect against severe illness, we purchased a range of options, with the aim of having treatments available that are effective against all COVID-19 variants and illness severities.

Due to the changing nature of COVID-19, some of the treatments that have been developed to treat the virus over the past few years may no longer be as effective as when they were first available. When we first secured treatments we knew that the virus would evolve and

[6] Available at: https://www.treasury.govt.nz/sites/default/files/2022-06/est22-v5-health.pdf.
[7] Press release available at: https://www.beehive.govt.nz/release/supporting-new-zealanders-recover-covid-19-community.

treatments could become less effective. Taking a portfolio approach to purchasing COVID-19 treatments helps us manage this risk.

Our COVID-19 Treatments Advisory Group of clinical experts helps us assess the efficacy of treatments using the information that is available to us at the time and considering the current environment. We continue to monitor and review the treatments that are available for COVID-19 and evidence for their efficacy. This helps ensure COVID-19 treatments reach our most vulnerable populations.

The number of COVID-19 therapeutics purchased by Pharmac and available for treatment of COVID-19 in 2022/23 in accordance with guidelines issued by the Manatū Hauora – Ministry of Health was 145,664.

Vaccines

During 2022/23 Pharmac took responsibility for purchasing COVID-19 vaccines, previously managed by Manatū Hauora (the Ministry of Health). Pharmac manages the purchasing and works closely with other government agencies, including Te Whatu Ora, who manage distribution.

Between 1 July 2022 and 30 June 2023 Pharmac purchased* 2,839,560 doses of COVID-19 vaccine.

(*Purchased means stock paid for by Pharmac following the novation of agreements from the Ministry of Health to Pharmac in November 2022. Other stock was purchased by Ministry of Health prior to the novations.)

Further information about COVID-19 related expenditure is available in the finance section of this report.

Vote Health performance measures related to COVID-19 are on page 34.

Our operating budget

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.

Ō mātou hoamahi

Who we work with

We are here for all New Zealanders

Pharmac helps people live better, healthier lives by determining which medicines, vaccines, medical devices, and related products should be funded for New Zealanders in a way that is affordable and easy to access. Approximately 3.97 million New Zealanders accessed funded medicines and medical devices in 2022/23.

We play a key role in the health and disability system

The health and disability system established by the Pae Ora Act gives Pharmac a clear position retaining our role managing medicines, vaccines, medical devices, and related products. This was reinforced by the Government response to the Pharmac Review in 2022.

We work to form relationships and partnerships with all health agencies to find ways in which we can use their expertise to inform our assessment and decision making and ensure that we work in partnership to achieve the best health outcomes from medicines, vaccines, medical devices, and related products.

During 2022/23 we have built strong working relationships with the new health agencies, collaborating on projects, contributing our advice and expertise and seeking theirs, and assisting progress with major initiatives including building strategies for the future of the New Zealand health system. (RR)

As well as the health agencies we depend significantly on the work of others across the health and disability system. There are many people and organisations involved in ensuring medicines, vaccines, medical devices, and related products are available and used in New Zealand – and we connect with and get the views of all these groups in the work that we do. During 2022/23 this has included:

- companies who manufacture and supply medicines and medical devices to make sure we have good supply of effective products
- the people who prescribe these products so that they have the right information about the types of funded medicines, vaccines, medical devices, and related products available
- pharmacists who are medicine experts and who manage stockholding of medicines and provide advice to people when they are given a medicine
- consumer advocacy groups who have a strong understanding of the particular issues and concerns that their members have around access to and use of medicines, vaccines, medical devices, and related products
- Māori health agencies
- a range of other healthcare professionals involved in the administration and use of medicines, vaccines, medical devices, and related products.

We also work closely with other government agencies not in the health and disability system such as the Ministry for Pacific Peoples, and the Ministry of Foreign Affairs and Trade.

He tau anō nō te tau

The year in numbers

Combined Pharmaceutical Budget

3.97 million

Number of New Zealanders receiving funded medicines, medical devices and related products

364,954

Estimated number of additional patients benefitting from Pharmac's decisions implemented in 2022/23[8]

20

Number of new treatments funded

22

Number of treatments with access criteria widened

$1.920 billion[9]

Total gross CPB spending

$1.177 billion

Total net CPB expenditure

$48.9 million

Savings reinvested in medicines, medical devices and related products

[8] Non-COVID-19 related.

[9] This includes gross direct expenses expenditure less COVID-19 spending. It is slightly different to our financial reporting, which includes all transactions.

2022/23

Hospital medical devices

8,600

Line items added to the Pharmaceutical Schedule under national contracts

163,000

Total line items on the Pharmaceutical Schedule under national contracts

$30 million

Value of additional hospital medical devices secured under contract

$530 million

Total value of hospital medical devices under Pharmac contracts

He whakarāpopoto o ngā whakapaunga pūtea ki te rongoā

Summary of spending

Combined Pharmaceutical Budget

From 1 July 2022 the Combined Pharmaceutical Budget (CPB) is directly managed by Pharmac via the National Pharmaceutical Purchasing appropriation within Vote Health. The CPB increased from $1.085 billion in 2021/22 to $1.186 billion in 2022/23. The Government also provided additional funding to help manage the impact of COVID-19. Costs for COVID-19 treatments and vaccines are excluded.[10]

Spending for the 2022/23 year compared with the previous two years.

2020/21 ($)	2021/22 ($)	2022/23 ($)	Component
1,709.5 million	1,837.6 million	$1,920.5 million	Total gross CPB spending on medicines, devices and related products, including cancer treatments, vaccines, and haemophilia treatments.[11]
-651.8 million	-737.6 million	-$743.3 million	Rebates (through our commercial agreements with suppliers) and adjustments
-12.7 million	-15.0 million	-	Transfers from/to the CPB Discretionary Pharmaceutical Fund (DPF)
		$8.9 million	Under/(Over) Spend
1,045.0 million	$1,085.0 million	$1,186.0 million	CPB expenditure. In previous years, this was referred to as total DHB combined expenditure.

This year saw a 6.33% percent increase in the number of prescription items for medicines, medical devices, and related products compared with last year (2021/22). This means that the total use of funded medicines, vaccines and related products in New Zealand is growing.

[10] Further information about our funding is on p13.

[11] This includes gross direct expenses expenditure less COVID-19 spending. It is slightly different to our financial reporting, which includes all transactions.

Although the volume (and cost) of these products increased, we were able to make savings of $48.9 million during 2022/23, which we reinvested in more treatments for more people.

Increase in number of treatments available

As shown in the following table, to 30 June 2023 we have invested in 20 new medicines and 22 access widenings for implementation in the 2022/23 financial year, benefitting an estimated 364,954 people in Aotearoa New Zealand.

Decision type	No. of pharmaceuticals	Estimated new patients 2022/23
Widened access[12]	22	290,335
New listing[13]	20	74,619
Total	**42**	**364,954**

Number of treatments Pharmac has funded or widened access to over the 10 years 2013/14 – 2022/23

Year	CPB ($ million)	New listings	Widened access	Total
2022/23	1,186	20	22	42
2021/22	1,085	6	16	22
2020/21	1,045	13	19	32
2019/20	1,040	14	32	46
2018/19	985	10	10	20
2017/18	870.8	13	39	52
2016/17	849.6	18	8	26
2015/16	800	15	6	21
2014/15	795	21	20	41
2013/14	795	26	35	61

[12] Changes in access criteria for existing funded medicines, making them more accessible and/or available for a wider patient population(s).
[13] Any medicine not currently listed on the Pharmaceutical Schedule and any new presentations (eg tablet, infusion, injection) that represent a significant shift in treatment options for patients.

Factors determining CPB expenditure

The total gross expenditure on medicines, vaccines and medical devices funded from the CPB this year was $ 1,920.46 million. This excludes expenditure on COVID-19 vaccines and treatments.

In addition to incurring costs from volume growth ($53.93 million)[14] and subsidy increases ($37.74million),[15] Pharmac made new investment decisions during the year to widen access to medicines that are already funded ($54.4 million) and to fund new medicines ($55.1 million).

With continuing cost pressures from prescription growth, price increases and new investments, Pharmac has generated significant savings ($109.55 million) through commercial negotiations and processes, to enable us to fund new medicines and stay on budget.

Summary of factors determining CPB Expenditure 2022/23 ($Millions)	
Year End 2021/22 Gross Expenditure	**$1,837.56 M**
Volume changes in 2022/23	$53.93 M
Widened access in 2022/23	$54.40 M
New listings in 2022/23	$55.12 M
Impact of Volume changes	**$163.45 M**
Subsidy increases	$37.74 M
Subsidy decreases	-$109.55 M
Impact of Subsidy changes	**-$71.80 M**
Changes to direct costs[16] & Other	-$8.74 M
Year End 2022/23 Gross Expenditure[17]	**$1,920.46 M**

[14] Volume refers to the amount of medicines required to be purchased which changes over time.
[15] Subsidy refers to the portion of the cost of pharmaceuticals that is paid by Pharmac.
[16] Direct costs include Vaccines, Nicotine Replacement Therapies, Hepatitis C treatments, and expenses.
[17] The gross expenditure includes pharmaceutical expenditure and direct costs. This includes gross direct expenses expenditure less COVID-19 spending. It is slightly different to our financial reporting, which includes all transactions.

Medicines spending highlights

In 2022/23 we widened access to 22 treatments and added 20 new treatments to the Pharmaceutical Schedule benefitting 364,954 New Zealanders. Our funding of medicines is increasingly targeting Māori and Pacific populations.

Highlights include:

Pembrolizumab, atezolizumab and durvalumab

Two immunotherapies - pembrolizumab (branded as Keytruda) as first-line treatment and atezolizumab (branded as Tecentriq) as second, or later line, treatment were funded for people with advanced non-small cell lung cancer.

Another immunotherapy – durvalumab (branded as Imfinzi) was funded for people with locally advanced (stage III) non-small cell lung cancer. These treatments will improve the longevity and quality of life of people with non-small cell lung cancer, particularly for Māori who are over-represented in rates of lung cancer.

Trikafta

Elexacaftor with tezacaftor and ivacaftor (branded as Trikafta) was funded for people with cystic fibrosis, aged 6 years and above, who meet certain eligibility criteria. We estimate that Trikafta could give people with cystic fibrosis up to 27 more years at full health, compared to supportive care.

Nusinersen and risdiplam

Funding was announced for nusinersen (branded as Spinraza) and risdiplam (branded as Evrysdi) for people with spinal muscular atrophy (SMA). These treatments we expect would improve the motor function, need for ventilation and survival of people with SMA.

Paliperidone

Paliperidone palmitate three-monthly depot injection (brand name Invega Trinza) was funded for people with schizophrenia. We understand that both Māori and Pacific peoples are more likely to experience schizophrenia than non-Māori, non-Pacific peoples. We anticipate that many Māori and Pacific peoples will directly benefit from the funding of three-monthly paliperidone.

Ustekinumab and vedolizumab

Funding was announced for ustekinumab (branded as Stelara) and vedolizumab (branded as Entyvio) for people with inflammatory bowel disease (IBD). We expect that these treatments would improve the response and remission in people with IBD.

Adrenaline auto-injectors

The EpiPen brand of adrenaline auto injectors was funded for anyone who has previously experienced or who is at significant risk of a severe allergic reaction, known as anaphylaxis.

Meningococcal B vaccine

Access for the meningococcal B vaccine (branded as Bexsero) for the prevention of invasive meningococcal disease caused by meningococcal group B strains was widened to include tamariki up to 12 months of age, and people aged 13 to 25 years in close-living situations.

Progesterone

Funded progesterone without restriction (open-listed). Progesterone is a hormone replacement therapy with fewer side effects. We understand that Māori and Pacific people experiencing menopause have a high unmet health need which could be addressed with the more readily accessible progesterone . We expect this will mean more people will access treatment. We estimate that over 7,000 people will benefit from this wider access in the first year, increasing to over 28,000 people per year in the next five years. Open-listing progesterone will remove some of the barriers for people to be prescribed treatment and provide a more suitable treatment option. This will help work towards more equitable access of medicines for New Zealanders.

Olaparib

Access was widened to a targeted cancer treatment, olaparib (branded as Lynparza), for people with a specific type of ovarian cancer.

Ibrutinib

Ibrutinib (brand name Imbruvica) was funded for people with relapsed or refractory chronic lymphocytic leukaemia (CLL).

Trastuzumab emtansine

Access was widened to trastuzumab emtansine (branded as Kadcyla), for people early stage breast cancer.

Te koronga rautaki

Our strategic direction

We set out our strategic direction in our *Statement of Intent 2020/21–2023/24*. We identified our enduring impact areas, our strategic priority areas, and our plans to build and strengthen our excellence as an organisation.[18] This is the third and final Annual Report under these strategic priorities.

Our new *Statement of Intent 2023/24–2026/27*[19] was published in July 2023. Our new strategic framework in this Statement of Intent sets out our vision, our strategic priorities, and our values for the next three years, and outlines our contribution to the principles and outcomes of the health and disability system. The Pae Ora Act is the foundation for our vision and strategy and underpins all our work.

Aligning our direction with Pae Ora

Our medium-term strategy is shaped by our response to the review recommendations[20] and the Pae Ora Act. Our strategy is built around shaping improvements in the way that we manage and invest in medicines and medical devices. These improvements will be centred in three key areas.

- Strategic management of the CPB – We will act on opportunities to better plan and manage the CPB to ensure the best health outcomes for all New Zealanders. We are committed to continuous improvement and we have made significant improvements during 2022/23 which we will build on in future years. Pharmac strives to make the best possible use of the CPB.
- Enhanced assessment and decision making – We will continue to build on improvements achieved in 2022/23 to ensure we make high-quality, evidence-based, and timely funding decisions that achieve equitable health outcomes. We are focussed on continuous improvement, to ensure we have clear and consistent processes for assessment and decision making that include expert advice and the voices of people with lived experience. In these processes we have our best opportunity to address health inequities, and to honour te Tiriti.
- Strategic management of medical devices - We have built strong foundations for medical device contracting and procurement. We are well positioned to continue to bring value and consistent and equitable access to the provision of hospital medical devices.

Te Tiriti o Waitangi, health equity, and collaboration and engagement are key components of Pharmac's activities and initiatives. Underpinned by organisational excellence, they are at the centre of everything that we do.

We will continue to collaborate and contribute to the rapidly changing health and disability system.

[18] Available at: https://pharmac.govt.nz/assets/2020-Statement-of-Intent.pdf.
[19] Available at: https://pharmac.govt.nz/assets/Uploads/SOI-2023-v1.0.pdf.
[20] Our SOI 2023/24 – 2025/26 is available at https://pharmac.govt.nz/assets/Uploads/SOI-2023-v1.0.pdf.

Strategic Framework

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

Te Tiriti o Waitangi

Te Pātaka Whaioranga Te Tono | Our Pledge

Te Pātaka Whaioranga acknowledges Te Mana o te Tiriti o Waitangi and the ongoing partnership it instils between the Crown and Māori. Through our work on behalf of Aotearoa, we strive to improve equitable health outcomes for Māori.

The text of te Tiriti o Waitangi, including the preamble and the three articles, along with the Ritenga Māori declaration ("te Tiriti"), is the enduring foundation of Pharmac's commitment to achieving best health outcomes for Māori in its work.[21] Pharmac works to uphold the articles of te Tiriti.

[21] The Ritenga Māori declaration (often referred to as the 'fourth article') was drafted in te reo Māori and read out during discussions with rangatira concerning te Tiriti o Waitangi. The Ritenga Māori declaration provides for the protection of religious freedom and the protection of traditional spirituality and knowledge. Te Puni Kōkiri (2001), A Guide to the Principles of the Treaty of Waitangi as expressed by the Courts and the Waitangi Tribunal. Wellington: Te Puni Kōkiri. pp.40-41.

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 (page 28 to page 79) 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 2023 fairly reflect the financial position and operations of Pharmac.

Hon Steve Maharey
Chair
31 October 2023

Talia Anderson-Town
Chair, Audit and Risk Committee
31 October 2023

Service performance reporting standard

About the standard for service performance reporting

The External Reporting Board (XRB) released PBE FRS 48 Service Performance Reporting ('the standard') in 2017. The standard applies to reporting periods beginning on or after 1 January 2022 and is part of generally accepted accounting practices (GAAP).

The standard sets new requirements or increased expectations for:

- identifying and selecting appropriate and meaningful performance information
- disclosing judgements made in selecting, aggregating and presenting performance information
- providing comparative performance information
- ensuring consistency of reporting.

The standard establishes requirements for the reporting of service performance information so that it meets the needs of users from an accountability and decision-making perspective. The standard provides high-level principles to recognise that service performance reporting continues to evolve, and that flexibility enables entities to report performance in the most appropriate and meaningful way.

Application of the Standard

Pharmac's performance measures framework was developed in conjunction with the Statement of Intent (SOI) 2020/21 to 2023/24. We have reported on these performance measures in the 2020/21, 2021/22, and 2022/23 annual reports. It was considered sensible to keep these measures until a new SOI was developed in 2023/24, along with a new Statement of Performance Expectations 2022/23 (SPE 2022/23).

Targets for performance measures for 2022/23 were published in our SPE 2022/23. They were based on the results reported in the Annual Report 2020/21. These were the most recent results available when the SPE 2022/23 was being developed.

The standard has been applied in the development of this annual report.

Our performance reporting is included in this annual report from page 30 to page 79, and also includes the statement of comprehensive revenue and expense by output class on page 99.

Selection of measures

The performance measures were selected to cover a range of qualitative and quantitative measures across the functions intended to be delivered by Pharmac and aligned to our SPE 2022/23.

Pharmac undertook a review of the appropriateness of the performance measures as part of developing the SPE 2022/23. Each measure was reviewed to confirm it accurately reflects the performance of Pharmac, was meaningful and was able to be measured. We consider

that performance measures selected provide a complete picture of Pharmac's performance over the reporting period, and in alignment with previous years.

Measurement, aggregation and presentation

For each measure the measurement basis has been disclosed as part of the reporting against individual measure.

No significant aggregation judgements have been made due to the nature of Pharmac's performance measures. The performance measures have been presented on a consistent basis with comparators against the prior year actual and the target established in the SPE 2022/23.

Disclosures

The standard states that entities shall disclose those judgements that have the most significant effect on the selection, measurement, aggregation and presentation of service performance reporting.

Disclosures related to appropriation measures can be found from pages 31 to 35.

In developing our SPE 2022/23 we decided to keep the performance measures developed for our SOI 202/21 – 2023/24 in the interests of providing comparative information, and to complete the reporting against that SOI.

Ngā whakatutukinga matua o te tau 2021/22

Achievements and performance measures for 2022/23

In Pharmac's Statement of Intent 2020/21–2023/24, we introduced our performance framework. The framework identifies measures at multiple levels:

- impact measures
- te Tiriti measures, relating to meeting our te Tiriti obligations and how we are delivering for, by, and with Māori
- strategic priority measures
- output measures, aimed at continuously improving the quality of our core activities and functions
- measures assessing our organisational excellence.

In the following section, we set out our achievements and the results for our performance measures.

We have compared our results to targets set in our Statement of Intent 2020/21–2023/24 and our Statement of Performance Expectations for 2022/23 comparing this year's results with previous years where-ever possible.

Vote Health non-departmental expenditure

Pharmac is required under the Public Finance Act 1989 to report against a Vote Health appropriation for the National Management of Pharmaceuticals. This appropriation is intended to provide for the operating costs of Pharmac.

To comply with the obligations under the Public Finance Act 1989, activities undertaken by Pharmac that are funded through Vote Health non-departmental expenditure, we have provided a summary of this appropriation in the table below.

National management of pharmaceuticals[22]

This appropriation is intended to provide for the operating costs of Pharmac to deliver health-related services that align with Government priorities for the strategic direction for health services (see the Ministry of Health's Statement of Strategic Intentions) but are out of scope for other national services appropriations in Vote Health.

Actual 2021/22 ($000)	Appropriation Estimates 2022/23 ($000)	Supplementary Estimates 2022/23 ($000)	Actual 2022/23 ($000)
25,512	28,872	29,347	29,347

End of year reporting requirements

Performance measure	2021/22 Actual	2022/23 Target	2022/23 Actual	Comments
Timeliness of funding decisions is improved through a reduction in the average time to assess and rank new applications.	New measure	Achieved	Achieved	Measure and 4.1 can be found on page 70.
Timeliness of the Pharmacology and Therapeutics Advisory Committee (PTAC) and sub-committee records is improved through a reduction in the average time to publish records.	New measure	Achieved	Not achieved	Measure 4.3 can be found on page 72.
Proportion of key pharmaceutical decisions consulted on for new proposals.	New measure	Achieved	Achieved	Measure 5.1 can be found on page 77.

[22] Vote Health available at: https://www.treasury.govt.nz/sites/default/files/2022-06/est22-v5-health.pdf.

National Pharmaceuticals Purchasing

This appropriation is limited to purchasing pharmaceuticals on the national pharmaceutical schedule and subsidising the supply of pharmaceuticals not on the national pharmaceutical schedule. This appropriation is intended to secure for eligible people in need of pharmaceuticals, the best health outcomes that are reasonably achievable from pharmaceutical treatment from within the amount.

Actual 2021/22 ($000)	Appropriation Estimates 2022/23 ($000)	Supplementary Estimates 2022/23 ($000)	Actual 2022/23 ($000)
Nil	**1,186,000**	**1,186,000**	1,186,000

End of year reporting requirements

Performance measure	2021/22 Actual	2022/23 Target	2022/23 Actual	Comments
Increase in the number of New Zealanders receiving funded medicines.	New measure	Achieved	Achieved	See below
Increase in the number of new medicines funded.	New measure	Achieved	Achieved	See below
Access is widened to an increased number of medicines that are already funded.	New measure	Achieved	Achieved	See below
Increase in the estimated number of people benefitting from new medicines funded.	New measure	Achieved	Achieved	See below

Increase in the number of New Zealanders receiving funded medicines

2022/23 target	Increase in the number of New Zealanders receiving funded medicines.
Method	The total number is accumulated during the year as decisions come into effect.
2022/23 result	Achieved. In 2022/23 3,974,429 New Zealanders received funded medicines. In 2021/22 3,808,078 New Zealanders received funded medicines. The increase is 166,351 (4.4%).

	This information reports on community medicines, excluding haemophilia and cancer treatments from Pharmhouse, and excluding supplier information for condoms and nicotine replacement therapy.

Increase in the number of new medicines funded

2022/23 target	Increase in the number of new medicines funded.
Method	The total number is accumulated during the year as decisions come into effect.
2022/23 result	Achieved. We have invested in 20 new medicines for implementation in the 2022/23 financial year.

Access is widened to an increased number of medicines that are already funded

2022/23 target	Access is widened to an increased number of medicines that are already funded.
Method	The total number is accumulated during the year as decisions come into effect.
2022/23 result	Achieved. We have invested in 22 access widenings for implementation in the 2022/23 financial year.

Increase in the estimated number of people benefitting from new medicines funded

2022/23 target	Increase in the estimated number of people benefitting from new medicines funded.
Method	The total number is accumulated during the year as decisions come into effect.
2022/23 result	Achieved. In the 2022/23 financial year, we estimate 364,954 additional people benefitted from new medicines. (2021/22 = 118,747 additional people)

Implementing the COVID-19 vaccine strategy

The single overarching purpose of this appropriation is to implement the COVID-19 vaccine strategy to minimise the health impacts of COVID-19.

Pharmac received funding for the two non-departmental output expenses *Implementing The COVID-19 Immunisation Programme* and *Purchasing Potential and Proven COVID-19 Vaccines and Other Therapeutics*. Pharmac received funding in relation to both these

appropriations. The below tables record expenditure related to Pharmac against these appropriations.

Implementing The COVID-19 Immunisation Programme

This category is limited to delivering approved vaccines through an immunisation programme as part of minimising the health impacts of COVID-19.

Actual 2021/22 ($000)	Appropriation Estimates 2022/23 ($000)	Supplementary Estimates 2022/23 ($000)	Actual 2022/23 ($000)
-	284,349	301,794	122,000

Purchasing Potential and Proven COVID-19 Vaccines and Other Therapeutics

This category is limited to obtaining potential and proven vaccines and therapeutics as part of minimising the health impacts of COVID-19.

Actual 2021/22 ($000)	Appropriation Estimates 2022/23 ($000)	Supplementary Estimates 2022/23 ($000)	Actual 2022/23 ($000)
139,000	191,115	886,917	223,250

End of year reporting requirements[23]

Performance measure	2021/22 Actual	2022/23 Target	2022/23 Actual	Comments
Number of COVID-19 vaccine doses purchased by Pharmac.	New measure	Achieved	Achieved	See below
Number of COVID-19 therapeutics purchased by Pharmac and available for treatment of COVID-19.	New measure	Achieved	Achieved	See below

[23] Note we have reported on the number of COVID-19 vaccines doses purchased on page 35.

Number of COVID-19 vaccine doses purchased by Pharmac

2022/23 target	Number of COVID-19 therapeutics purchased by Pharmac and available for treatment of COVID-19.
Method	We provide a total of purchases made through the year.
2022/23 result	Achieved. During 2022/23 Pharmac took responsibility for purchasing COVID-19 vaccines, previously managed by Manatū Hauora (the Ministry of Health). Pharmac manages the purchasing and works closely with other government agencies, including Te Whatu Ora, who manage distribution. Between 1 July 2022 and 30 June 2023 Pharmac purchased* 2,839,560 doses of COVID-19 vaccine. *Purchased means stock paid for by Pharmac following the novation of agreements from the Ministry of Health to Pharmac in November 2022. Other stock was purchased by the Ministry of Health prior to the novations.

Number of COVID-19 therapeutics purchased by Pharmac and available for treatment of COVID-19

2022/23 target	Number of COVID-19 therapeutics purchased by PHARMAC and available for treatment of COVID-19.
Method	We provide a total of therapeutics purchased during the year.
2022/23 result	Achieved. Six treatments were available in New Zealand for distribution and use by June 2022. We widened access to COVID-19 antiviral treatments on several occasions in 2022/23 and worked with Te Whatu Ora to support direct supply of oral antiviral treatments from pharmacists without the need for a prescription. A seventh treatment was made available in late 2022. Due to the changing nature of COVID-19, some of the treatments that have been developed to treat the virus over the past few years may no longer be as effective as when they were first available. When we first secured treatments we knew that the virus would evolve and treatments could become less effective. Taking a portfolio approach to purchasing COVID-19 treatments helps us manage this risk.

Te whakaine i te pānga o ngā mahi

Measuring our impact

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)

2022/23 target	Roadmap developed and agreed.
Method	Qualitative assessment of health outcomes from our funding decisions.
2022/23 result	Achieved. Pharmac undertook a multi-year project aimed at measuring the health outcomes from our funding decisions. Work was taken to understand the data available, analytical challenges, and outcomes that can be identified from analysis. Pilot one considered a chronic hepatitis C treatment. A report was completed for pilot two in 2021/22, concerning levonorgestrel intrauterine systems. Pilot three has been deferred.

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

2022/23 target	We will report on the number of patients anticipated to benefit and the number of actual patients who received these medicines.
Method	We compare the actual with the expected numbers of patients who will benefit. Our result includes new medicines only.
Results	Achieved. Details and comparative information are in the table below.

2022/23	2021/22	2020/21
18,613 patients benefitted from treatments (74,315 patients were anticipated to benefit).	27,517 patients benefitted from treatments (50,112 patients were anticipated to benefit).	46,079 patients benefitted from treatments (35,752 patients were anticipated to benefit).

The 2022/23 variance is mainly attributable to lower-than-expected uptake of ramipril. Ramipril uptake was mainly expected for patients transitioning from cilazapril which is to be delisted, but this was impacted by no definitive delist date for cilazapril, a lack of awareness of ramipril, and by the introduction of an alternative high-dose perindopril (a medication that was already listed) for those patients requiring a high dose medication.

Funding decision time (measure 1.3)

Measure

Time from funding application received date to first decision date.

Target

As we work to improve the efficiency of our decision-making functions, our target is a downward trend over time.

Method

This measure reports on the time from a funding application being received to a decision on whether to fund is made. A single application is converted to one or more proposal(s), because a proposal may be related to more than one application, and vice versa. The time to decision is calculated for each individual proposal. Proposals decided on during the current reporting financial year are included and reported in months to decision.

This measure reflects the time required for applications and their corresponding proposals to go through the complete assessment and decision-making process. This includes consideration by our expert clinical advisors, economic analysis, assessment against our decision-making framework (the Factors for Consideration), commercial / procurement processes, public consultation, and final decision.

We have reviewed our methodology for 2022/23, refining our application inclusion criteria and ensuring alignment across our time to rank and time to decision measures, and to ensure statistical rigour.

We are reporting all proposals and those received within the last 5 years, to ensure we have comparative data, and the changes to methodology are transparent.

	Previous	**Revised**	
	Average (5 years) (per proposal, approved decisions, received within 5 years only)	**Average (all)** (per proposal, all decisions, all received)	**Average (5 years)** (per proposal, all decisions, received within 5 years only)
2020/21	40.95 months	79.9 months	27.2 months
2021/22	27.95 months	86.7 months	31.9 months
2022/23	36.28 months	73.2 months	27.7 months

In 2022/23, decisions (to approve or decline funding) were made for 48 in-scope proposals,[24] taking an average of 73.2 months (median 67.7 months). This includes decisions for 31 proposals with applications received prior to 2018/19 (>5 years).

[24] Proposals with a first application received date within the previous five financial years (inclusive of current reporting year). These are in scope proposals. The median is provided for proposals decided within reporting year regardless of first application received date.

It is important to note that the timeframe for making a funding decision is impacted by multiple factors, including the relative ranking of a proposal and the amount of funding available.

We are also actively working on making decisions to close inactive funding proposals, ie proposals that Pharmac is not intending to progress for funding. As we work through these proposals, many of which are comparatively older, we can expect our overall average time to decision to increase. Because of this, the average of our most recent applications (<5 years) better reflects our current time to decision.

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 funded treatments (measure 2.1)

Possession was previously referred to as 'adherence'. People can only benefit from treatments if they receive and use them. We have calculated possession rate over time within a specified patient population, for example, diabetics on preventative medicine.[25],[26]

2022/23 target	Overall possession for the long-term conditions being monitored is equal to or greather than approximately 40 percent (not needs adjusted).
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.

[25] The wording for this measure differs slightly from the published SOI wording. 'Possession' is the more correct technical term.
[26] The scope of this work focuses on medicines that are already publicly funded. Unfunded medicines are out of scope. However, Pharmac will be examining its decision-making processes and systems for investing in medicines ensuring that future funding decisions do not contribute to inequities for priority populations. We will focus on conditions that are significantly amenable to medicines as a treatment mode. This includes medicines for either the prevention, treatment and/or management of: asthma, diabetes, gout, hypertension (high blood pressure), primary and secondary prevention of a cardiovascular event. Further information is available at: https://pharmac.govt.nz/assets/achieving-medicine-access-equity-in-aotearoa-new-zealand-towards-a-theory-of-change.pdf and https://pharmac.govt.nz/assets/Methodology-Medicines-Access-Equity-insights-2021.pdf.

2022/23 result	Achieved. Overall possession rate for gout, cardiovascular disease and type 2 diabetes medicines is approximately 89 percent (excluding asthma and COPD as they impact different age groups).[27] This compares with 86 percent in 2021/22.

Patient experience of medicines (measure 2.2)

Results from two questions from the Primary Care Patient Experience Survey

When the measure was developed for the SOI 2020/21 to 2023/24 two specific questions from the survey conducted annually by HQSC were included. Those questions have not been repeated regularly. We have provided adjacent questions and results along similar themes which we believe to be of interest.

2022/23 target	Establish and report baseline of data.
Method	Data is sourced from the Primary Care Patient Experience Survey, by the Health Quality and Safety Commission New Zealand (HQSC).
Results	Achieved. We note a year-on-year results are not comparable, and we have reported similar results here for interest.

2022/23	2021/22	2020/21
In 2023 patients were asked "In the last 12 months, were you involved as much as you wanted to be in decisions about the best medicine(s) for you?". 83.3 percent of all patients answered 'yes, always'. In answer to the question "in the last 12 months, did you follow the instructions when you took the medicine(s)?" 94.4 percent said 'yes, always'.	In response to the question 'Did you follow the instructions when you took the medication?' 93 percent of respondents answered 'Yes, always'. Patients were asked "Did the health care professional explain things in a way you could understand?". 92.5 percent answered yes, definitely.[28]	Patients were asked "Did the health care professional explain things in a way you could understand?". 92.5 percent answered yes, definitely.[29] No recent result had been published for the question 'Was the purpose of the medication properly explained to you?

[27] Asthma is only measured for people less than 35 and COPD is measured for people 65+. This is quite different to the age ranges for people on gout, diabetes, and cardiovascular medicine so we have not presented an overall result combining these.
[28] Available at: https://reports.hqsc.govt.nz/APC-explorer/_w_26ff423c/#!/questions.
[29] Available at: https://reports.hqsc.govt.nz/APC-explorer/_w_26ff423c/#!/questions.

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. 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.

Cyclone Gabrielle impacted the supply chain for medicines and medical devices. Working with our sector partners, we made changes to the Pharmaceutical Schedule as part of the emergency response. This made it easier for healthcare professionals to prescribe and supply medicines to New Zealanders.

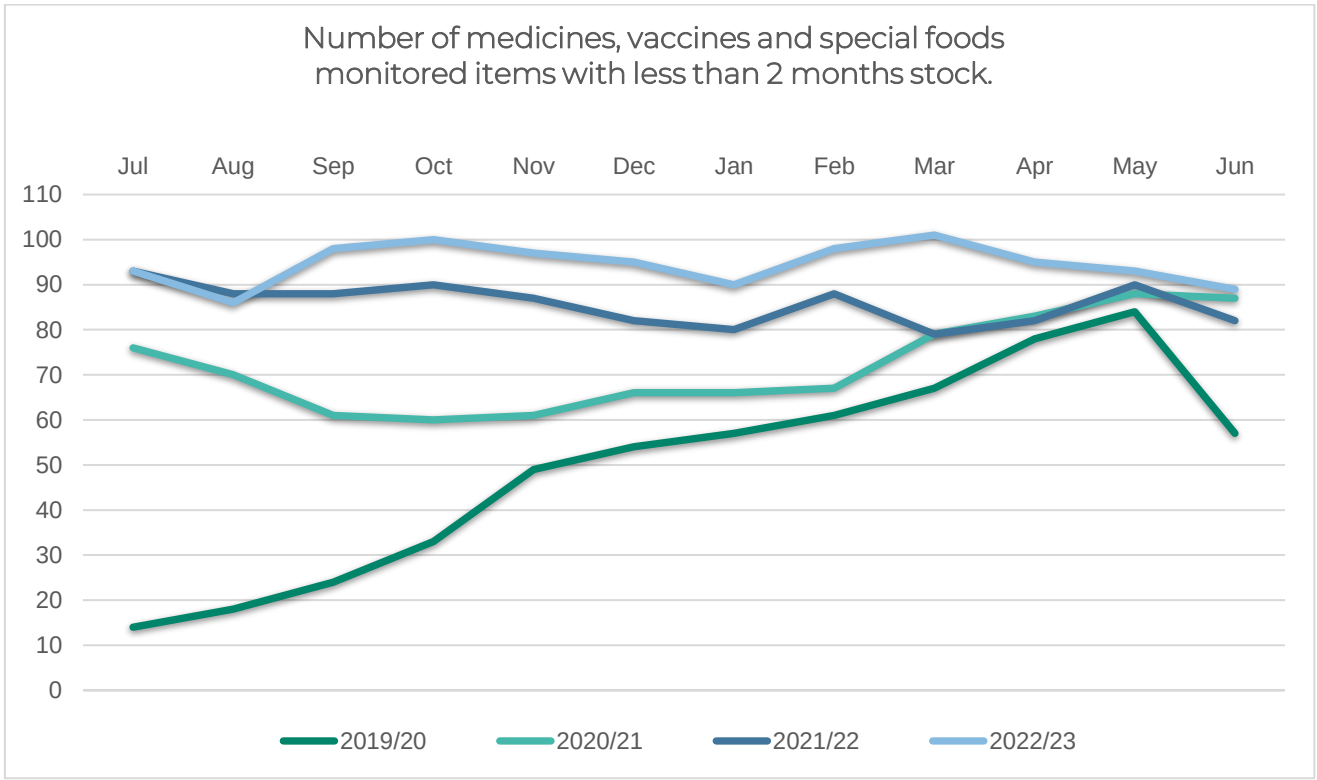
Positive feedback from system stakeholders (measure 3.1)

2022/23 target	Respondents that rate Pharmac as being 'very good' or 'good' is equal to or more than 47 percent.
Method	Annual stakeholder engagement survey.
2022/23 result	No result available. Pharmac has not conducted a stakeholder engagement survey in 2022/23. 2021/22 = 69 percent, 2020/21 = 47 percent (good, very good), 77 percent (including 'somewhat good'). An annual external stakeholder survey to our wide-ranging audience is no longer relevant to assist Pharmac in understanding the maturity of our relationships within such a short period. We are taking a new approach with relationship management, including redefining our key stakeholders, and working towards meeting te tikanga mō te mahi tahi a ngā hinonga hauora ki ngā kiritaki me ngā whānau, the Code of expectations for health entities' engagement with consumers and whānau, which is led by Te Tāhū Hauora - the Health Quality and Safety Commission.

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.

Method	We measure out of stock situations.
2022/23 target	High levels of medicines supply are maintained. An out-of-stock situation occurs where a supplier is not able to supply the contracted brand of medicine to New Zealand. These situations can occur for a number of reasons, for example and not limited to, manufacturing issues, unforeseen increase in demand, temperature excursion which leads to stock not being able to be used. Usually, an alternative brand is sourced which we list it on the schedule. Sometimes an alternative chemical is used to fill the supply gap – again it is something listed on the schedule and clinical advice says that it is a suitable alternative. Having suitable alternatives, either brand or chemical, means the right medicine gets to the patient.
2022/23 result	Achieved. There were no out-of-stock situations that had a sustained or irreversible impact on the health of patients in 2022/23. (2021/22 = 0, 2020/21 = 0). Pharmac successfully managed a number of supply issues as shown in the graph below.



Our strategic priorities

Our priorities represent the areas where we are concentrating our efforts in 2022/23.

These are:

- Te Whaioranga
- enhance key functions
- medical devices
- equitable access and use
- public understanding, trust, and confidence

Strategic priority measures

Our strategic priority measures help us demonstrate the performance of each of our strategic priorities.

Whāinga tōmua: Te whakatinanatanga o te whaioranga

Te Whaioranga

Why this matters

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

Te Whaioranga 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.

The strategy focuses on six areas:

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

Highlights of 2022/23

Te Tiriti o Waitangi policy

Our new Te Tiriti o Waitangi policy demonstrates our commitment to our Tiriti partnership and is a pledge to Aotearoa New Zealand to do what is right and ethical. It pledges to systematically examine and eliminate institutional racism and introduce pro-equity measures that will help us maximise our contribution to achieving equitable health outcomes for Māori. (RR)

For the past few years, Pharmac has been going through a careful and considered consultation process with Māori in drafting the Te Tiriti o Waitangi policy.

Implementing this policy signals a critical juncture in the story of Te Pātaka Whaioranga Pharmac as it puts forward a vision of the future based on the belief that te Tiriti is central to all our work.

Te Rōpū Māori

Te Pātaka Whaioranga established Te Rōpū Māori in 2021. Te Rōpū is an external group of Māori experts nominated by key stakeholder groups, including Māori doctors, rongoā and allied health practitioners, Whānau Ora kaimahi, pharmacists and nurses. The members have expertise in Māori health governance, and are skilled in organisational change.

Individually and as a collective, they bring immense mana and a raft of experience and knowledge. (RR)

During 2022/23 Te Rōpū have completed a self-assessment of the establishment and impact of the group on Te Pātaka Whaioranga. This has contributed to the ongoing development of the partnership framework.

Te Pou Hauora Māori | Māori directorate

Te Pātaka Whaioranga has created Te Pou Hauora Māori | Māori Directorate to better address health disparities for the Māori communities we serve. The name for the Directorate, Te Pou Hauora, reflects the organisational response to the Pharmac Review while also acknowledging the many years of advocacy for a Māori Directorate, both from internal Māori staff, kaumātua, and our Māori stakeholders. It signals a critical shift towards aligning with the Health sector and building an organisation that is fit for purpose in the new health system.

Building kaimahi capability

Te Pātaka Whaioranga is working to elevate our focus on te Tiriti and te ao Māori by building kaimahi capability, and building Te Pou Hauora Māori. This currently includes access to te reo classes at both a beginner and advanced beginner level with classes run over four terms a year, as well as compulsory te Tiriti training which is offered twice a year.

We hold mihi whakatau each month to welcome new kaimahi, have weekly waiata sessions and opportunities for karakia and whakawhanaungatanga are also provided.

We continue to make appointments to kaimahi who whakapapa to Māori, including a Deputy Chief Medical Advisor Māori in 2022 and Director, Equity and Engagement in July 2023.

Bias and racism

We have been training all kaimahi on eliminating institutional racism in the health and disability system and conducting research to addressing bias in Government agencies. (RR)

A Marsden-funded research project supports Te Pātaka Whaioranga - Pharmac's goals of entrenching an organisational approach to anti-racism and our commitment to Te Tiriti o Waitangi. It will enable Pharmac to develop a defined and sustainable process to systematically assess, identify, and map racism across the organisation. A key outcome of the research is to deliver a suite of recommended actions to address racism.

Te Pātaka Whaioranga kaimahi are contributing and engaging with this research as it progresses, which we believe is a chance to shift the direction of Te Pātaka Whaioranga towards a more equitable, fair, inclusive, and anti-racist organisation – one which prioritises te Tiriti o Waitangi as our foundational document.

Scholarships

Pharmac supports a range of scholarship opportunities for Māori working and studying in the health sector. The scholarships help us build relationships with Maori health organisations, while we help support Māori health practitioners.[30]

What we planned to deliver in 2022/23	Our achievements
Increased proportion of staff who are Māori experienced in mātauranga Māori and with close ties to whānau and increase Māori membership of PTAC and advisory committees. (RR)	Our recruitment processes have been amended with ethnicity criteria for Māori and Pasifika being prioritised. All Māori staff become part of our internal Māori caucus who provide support to one another and individual development plans are being created for members of this group, based on their individual and collective needs. Data is provided on page 47.
Progress measures for meeting our Te Tiriti o Waitangi responsibilities. (RR)	We have progressed work on a te Tiriti policy, established Te Rōpū Māori and Te Pou Hauora Māori, and built kaimahi capability. This remains a key feature in our strategy for the next three years.
Implement a Māori capability development programme for all staff using Te Arawhiti guidelines. (RR)	Work continues on a kaitiakitanga framework, looking at specific deliverables for all our kaimahi. This will be implemented in 2023/24 as part of a new performance management process.
Adopt specific te Tiriti accountabilities for the Senior Leadership Team. (RR)	Pou Tohu Mātāmua Māori role has been appointed. Initial steps are now underway.
Scope and commence a review, with Māori, of Te Whaioranga. (RR)	Scoping and planning work commenced. This will continue in 2023/24.

[30] More information about the scholarships can be found at https://pharmac.govt.nz/te-tiriti-o-waitangi/programmes-to-support-maori-health/scholarships/.

Te Whaioranga performance measures

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

2022/23 target	Te Tiriti o Waitangi accountabilities will be developed for all staff.
Method	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.
2022/23 result	Achieved. Work continues with the Māori Directorate on a kaitiakitanga framework, looking at specific deliverables for all our kaimahi. This will be implemented in first part of 2023/24 as part of a new performance management process and following the inclusion of te Tiriti deliverables for the Board and SLT.

Organisational Māori capability (measure 11.1)

Assessment against Te Arawhiti cultural capability framework

2022/23 target	We did not establish a specific target for 2022/23.
Method	We have developed a capability framework using the Te Arawhiti framework as a guide. Assessment using the framework will be completed.
2022/23 result	Achieved. The majority of staff have attended te Tiriti and critical Tiriti analysis training. Anti-racism training will also contribute to this initiative.

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 the New Zealand population.

2022/23 target	More than three percent of Pharmac staff have whakapapa Māori.
Method	Pharmac recruitment and Pulse survey information are the sources of data.
2022/23 result	We are not able to currently measure the experience in mātauranga Māori or measure ties to whānau, however the number of kaimahi Māori has been provided. 6% of kaimahi whakapapa as Māori.

2022/21 = 7 percent, 2020/21 = 3 percent.

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, and Specialist Advisory Committees.

2022/23 target	Proportion of Māori experienced in mātauranga Māori and with strong ties to whānau on our Board, PTAC, Specialist Advisory Committees is improved.[31]
Method	Board, committee, and advisory group members will be surveyed annually.
2022/23 result	Partly achieved

2022/23	2021/22	2020/21
Pharmac Board = 33 percent PTAC and Specialist Advisory Committees = 3 percent Consumer Advisory Committee = 33 percent Responsible Use Advisory Group = 12.5 percent	Pharmac Board = 33 percent PTAC and Specialist Advisory Committees = 3 percent Consumer Advisory Committee = 33 percent Responsible Use Advisory Group = 37 percent	Pharmac Board = 17 percent PTAC and Specialist Advisory Committees = 2 percent Consumer Advisory Committee = 40 percent Responsible Use Advisory Group = 44 percent

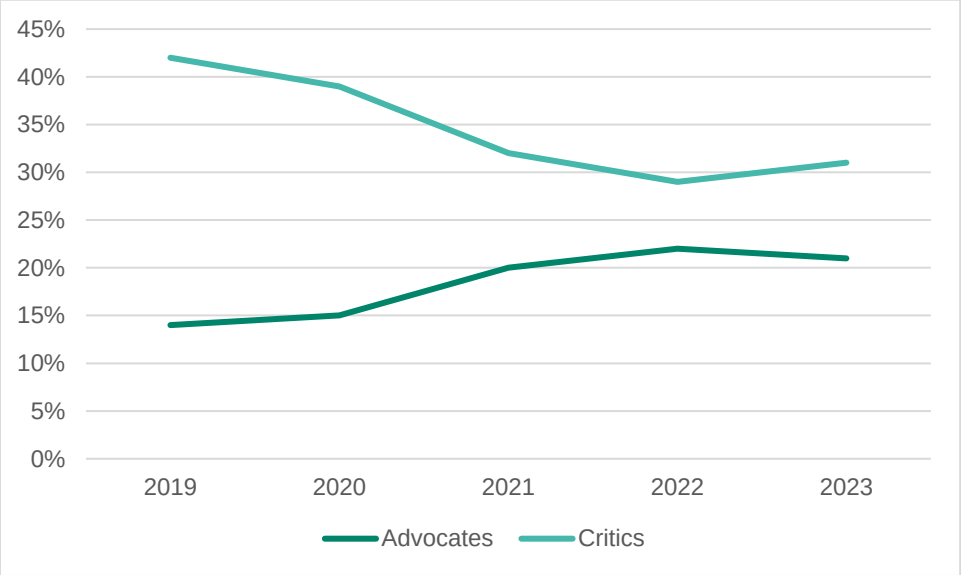
Māori trust and confidence in Pharmac (measure 8.1)

Public Sector Reputation Survey results for Māori sample

2022/23 target	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. The Public Sector Reputation Survey is produced annually. The 2022 survey covered 55 public sector agencies.
2022/23 result	Achieved. While the result has levelled in the last 12 months, we have seen a rise over a four-year period. Advocates 2021/22 = 22%, 2022/23 = 21%. Critics 2021/22 = 29%, 2022/23 = 31%.

[31] Matauranga Māori was an ambitious target designed for the SOI 2020/21 – 2023/24. We have only been able to report on those who whakapapa Māori.

Māori trust in Pharmac, 2019–2023



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

See also measures for Strategic priority – Equitable access and use

2022/23 target	Baseline will be established if data available.
Method	Not reported. This measure relies on information published by the Manatū Hauora concerning the burden of disease.[32]

Enhancing key functions

We continually 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, devices and related products, making savings to enable more investments and ongoing funding of treatments, promoting the responsible use of medicines, and reducing the incidence and impact of stock shortages. It is important to Pharmac that we act on the changes that the Pae Ora Act brings to our decision making.

Improving our expert advice

Pharmac has a range of committees and specialist advisory committees that provide us with expert advice to support the decisions we make. This includes experts who provide us with

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

clinical advice, consumer advisers, and specialist advisers covering a range of many topics. We continue to work with our expert advice committees to ensure that our advice is drawn from a diverse range of backgrounds who can bring both evidence-based perspectives and insights about how our decisions impact the people of New Zealand.

The Pharmacology and Therapeutics Advisory Committee (PTAC), for example, provides objective clinical advice to help us make decisions about how to use our funds wisely. It provides and promotes critical appraisal of the strength and quality of evidence for funding applications. PTAC has a number of specialist advisory committees. We also use our Consumer Advisory Committee (CAC) to provide a consumer perspective on our work.[33]

Improving our assessment and decision-making

Following both the Review of Pharmac and the implementation of the Pae Ora legislation we continue to be committed to improving how we deliver our key functions. One of the most important areas is our assessment and decision making of treatments. Pharmac must navigate competing priorities and budget constraints to provide an increasing range of treatments for New Zealanders.

During 2022/23 we enhanced our assessment and decision-making processes to provide for:

- stronger input from a health equity perspective
- proactive communication with applicants to seek extra information or clarification that could expedite assessment
- channelling of applications into the correct clinical advice pathway (recognising this is sometimes a complex situation)
- identification of opportunity for rapid assessments through an indictive budgetary impact and cost-effectiveness analysis.

We have also developed a rapid assessment pathway for low-risk new proposals. This pathway involves eliciting prompt clinical advice via email, where it is required, and significantly abbreviated assessments and write-ups. We expect this right sizing of clinical advice to improve the timeliness of some decision-making.

We are also considering the right sizing of the economic appraisal we undertake for all assessments. This is largely guided by the budget impact and anticipated cost-effectiveness.

Improving equity in our decision-making

In addition to incorporating a stronger health equity perspective to our decision-making, we are in the process of updating the guidance which we provide to pharmaceutical companies about the information which we need to consider equity at all steps in our process. This means that we will receive better information about whether the priority populations identified in the interim Government Policy Statement (iGPS) have a high level of need for a treatment for a particular condition, and whether a new treatment will address that need.

[33] We are required to report fees paid to committee members. This is available as Appendix two.

Getting this information when we receive an application helps us better identify which proposals will address health inequities, so that we can accelerate the process of obtaining clinical advice, assessing and funding these when budget allows.

Improving the transparency of our decision-making

We continue to improve transparency.

We have begun to release our Technology Assessment Reports (TARs) in 2022.[34] The TAR is our health economic analysis, used to determine the cost-effectiveness of a medicine. People who are interested can see all the information we have considered in the TAR.

[34] TARs available at https://pharmac.govt.nz/news-and-resources/order-publications/technology-assessment-reports-tars/

Enhance key functions focus for 2022/23

What we planned to deliver in 2022/23	Our achievements
Progress two process improvement projects to improve how we (i) conduct initial assessments of funding applications to improve timeliness; and (ii) improve processes for seeking and receiving expert advice.	Process improvement work has focussed on improving our assessment and decision-making processes (such as through the rapid assessments), incorporating a stronger equity perspective, and making improvements to our PharmConnect software, which helps us manage funding applications. An independent review of our use of the software made recommendations and we continue to address those.
Redesign presentation of our advisory committee meeting records using our decision-making framework (the Factors for Consideration) to make it clearer how the Factors have been applied. (RR)	Our advisory committee records now more clearly record application of the Factors for Consideration. We continue to adapt and improve the clarity of information provided to Named Patient Pharmaceutical Assessment (NPPA) applicants on decisions and requests for information. Refining of templates is ongoing.
Clarify information published about our exceptional circumstances framework around its application to people with rare disorders, and publish better information about the outcomes from our exceptional circumstances decisions. (RR)	The exceptional circumstances framework includes the NPPA Policy as well as our Special Authority and Hospital Restrictions Waiver processes. Work on the NPPA policy is not expected to occur until 2024. This is to align with work being led by Manatū Hauora on the national rare disorders strategy which is scheduled to be completed by December 2023.
Prioritise engagement with our Rare Disorders Advisory Committee and proactively seek new funding applications from suppliers of medicines for rare disorders. (RR)	A call for funding applications for medicines for rare disorders was released in November 2022 and a meeting of the Rare Disorders Advisory Committee was held in March 2023. Ongoing work will continue through 2023/24.
Work with Te Whatu Ora, Te Aka Whai Ora and Manatū Hauora to ensure sector views to be taken into account in our assessment of funding applications. (RR)	Underway. Specific RFPs and Tender documents have incorporated advice from other agencies.

What we planned to deliver in 2022/23	Our achievements
Continue to improve the usability of our web-based Application Tracker to support improved transparency. (RR)	We continue to improve the statuses that are displayed in the Application Tracker. This work is likely to extend into 2023/24.

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)

2022/23 target	The percentage of our staff who 'always' or 'usually' rate our processes as efficient is greater than 61 percent.
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'.
2022/23 result	Not achieved. 59.26 percent. 2022 = 62 percent, 2021 =60 percent.

Stakeholder experience (measure 15.3)

2022/23 target	Increase in stakeholders who rate Pharmac as being 'very good' or 'good'.
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'.
2022/23 result	No result available. Pharmac has not conducted a stakeholder engagement survey in 2022/23. An annual external stakeholder survey to our wide-ranging audience is no longer relevant to assist Pharmac in understanding the maturity of our relationships within such a short period. We are taking a new approach with relationship management, including redefining our key stakeholders, and working towards meeting Te tikanga mō te mahi tahi a ngā hinonga hauora ki ngā kiritaki me ngā whānau, the Code of expectations for health entities' engagement with consumers and whānau, which is led by Te Tāhū Hauora - the Health Quality and Safety Commission.

Medical devices

We drive better value, more consistent and equitable access to hospital medical devices.

Why this matters

Publicly funded medical devices for use in hospitals and their specialist community services, covers a wide range of products and equipment from tongue depressors and bandages to implantable devices (such as pacemakers), diagnostic software, and robotic surgery machines.

The focus of this strategic priority is to provide nationally consistent and equitable access to medical devices, manage spending on medical devices in a sustainable way, free up funding for new technology or other health initiatives, and increased transparency of funding decisions about hospital medical devices.

Pharmac, Te Whatu Ora, and suppliers continue to work towards a new way of managing medical devices used or supplied in hospitals and the community. As the contracts are finalised, Te Whatu Ora will be able to determine the mix of products that offers the best value, the priority populations who are best served, and where changes to usage may be required to achieve this. While there remains future to be done to develop the next steps, working together with Te Whatu Ora will help to deliver an effective and integrated, system-wide approach that will secure better health outcomes for New Zealand.

Medical devices focus for 2022/23

What we planned to deliver in 2022/23	Our achievements
Secure at least $600 million of public hospital spend under national contract by the end of the financial year.	We have not met our target to secure $600 million of medical devices under national contract. This is due to a much higher demand for contract management activity, particularly in response to pricing pressure from suppliers, an increase in price reviews, and increased complexity in our higher value agreements. We continue to work on large agreements that will bring our spend under agreement up quickly once entered. While we have not achievd the spend target, we consider the activity the team has undertaken to manage back price pressure to less than 1.5% of the spend under agreement in light of international and cross industry price pressure seen in 2022/23 as a strong achievement.
Documented business requirements for the next level of our devices management.	Documentation of business requirements completed. First stage of ICT architecture review complete. Next steps to start development and implementation.

Medical devices performance measures

Completion of initial national contracting (measure 16.1)

Percentage of national contracts complete – upward trend

2022/23 target	Number of completed contracts increased.
Method	We measure the increase in the proportion of medical devices purchased by Te Whatu Ora (previously 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.
2022/23 result	Achieved. Completed contracts at the end of 2022/23 are 63 percent. 2021/22 = 60 percent, 2020/21 = 55 percent.

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.

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.

Highlights in our equity work programme include:

- the development of our te Tiriti policy
- capability building through our Te Whaioranga work programme
- the review of our equity policy (due to be completed in 2023/24)
- the evolution of our assessment and decision-making processes, giving greater effect to health equity and voices of people with lived experience and of other parts of the health and disability system included as much as possible
- building an equity perspective into our Medical Devices work programme
- the development of an equity capability assessment tool.

Pacific Responsiveness Strategy

Our Pacific Responsiveness Strategy 2017–2026 provides strategic direction and a framework for Pharmac to improve Pacific peoples' health.[35]

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 Pae Ora Act directs a stronger focus on health equity for priority populations, including Pacific. This requires strong contributions from multiple agencies, including connection to overarching frameworks like the All-of-Government Pacific Wellbeing Strategy (and related work like the Pacific Wellbeing Outcomes Framework). These connections are also important to recognise and address multiple disadvantages that some people experience within priority populations.

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,

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

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.

During 2022/23 we have advanced opportunities for partnering and collaboration with senior Pacific health officials, and established a working partnership with the Ministry for Pacific Peoples to promote recruitment for Pharmac's advisory groups and committees, and training on the Kapasa Framework and Yavu Tool workshops for Pharmac staff.

We have worked closely with the Pasifika General Practitioners Network.

Equitable access and use focus for 2022/23

What we plan to deliver in 2022/23	Our achievements
Continue to develop and deliver access equity-focussed clinical education support to primary care health professionals for priority clinical conditions.	Equity-focused education, including resources and data dashboards, have been created for asthma, antibiotics use, and youth mental health to support primary care health professionals.
Complete our organisational equity policy to make clear how equity considerations relate to our work. (RR)	Work has commenced on developing an equity policy. The policy and associated action plan will be completed in 2023/24.
Develop ways to meet the needs and interests of disabled people across our work (such as related to data-collection and our work on diversity and inclusion). (RR)	Work is ongoing and is part of our 2023/24 work programme.
Work further to build an inclusive work environment where all people feel they belong and can be their best – supporting both our current workforce and helping to attract additional diversity when we recruit new staff. (RR)	A kaitiakitanga framework is under development looking at specific deliverables to support increasing our diverse workforce. Haoura Pai (well working group) initiatives continue to roll out to support our diverse workforce
Increase the diversity of our expert advisory network. (RR)	PTAC recruitment did not attract any candidates who identified as Māori or Pacific. Recruitment plan reviewed and steering group to be established to build relationships with four Māori health professional bodies. Our Consumer Advisory Committee is made up of 10 members – four of whom are Māori, two are Pacific and one is disabled. Members also represent

What we plan to deliver in 2022/23	Our achievements
	ethnic communities, people living in rural areas, older people, and youth, and draw on lived experiences.
Evaluate how our recent insight reports, and use of the underlying monitoring framework, have been received and utilised by other key agencies and stakeholders, to better understand the demand and clinical relevance of such reports. (RR)	Continue with our evaluation of the Pacific gout insight report with the Pacific pharmacists Association, the Pasifika GP network (Dr Api Talemaitonga) and Moana Connect. We have an MoU between the HQSC and Pharmac regarding the continuation of the data insights within the atlases of variation. Conversations have also included Te Aka Whai Ora with a view to future collaboration between health sector partners.
Support Te Aka Whai Ora to develop its role in monitoring system performance, including in relation to hauora Māori, and consider where our own analytical effort and sharing of data and insights are best directed to enhance system knowledge. (RR)	We will work collaboratively with Te Aka Whai Ora through 2023/24 - on a system approach to developing analysis and insights.

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

2022/23 target	Average capability rating is increased.
Method	Develop and apply an equity capability assessment tool
2022/23 result	Not Achieved. An equity capability assessment tool has been developed and is ready to roll out to Advisory Committees once a learning programme is in place to support it.

Work has been undertaken on the learning programme over 2022/23 and is expected to be completed by end of September 2023. PTAC will be the first committee to trial the tool and learning programme together and will also participate in an accompanying workshop which is planned for late 2023 or early 2024.

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.

Possession rates – Māori, Pacific peoples and non-Māori, non-Pacific peoples (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.

2022/23 target	Establish baseline for cardiovascular disease for Māori and Pacific peoples, and publish an insights report.
Method	This measure looks at comparative data for Māori and Pacific peoples, compared with non-Maori and Pacific Peoples, over a three year period (sourced from the Pharmaceutical Collection)[36].
2022/23 result	Achieved. Pharmac compared the amount of medicines required by population groups with the amount actually dispensed, over a three year period. We measured the total amount of medicines dispensed annually to treat type 2 diabetes (2021), 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.

2022/23	2021/22	2020/21
In 2020/21 Māori living with type 2 diabetes were, on average, dispensed 85 percent of the amount of long-term medicine they would have needed to manage their condition. Pacific peoples were dispensed 85 percent and non-Māori, non-Pacific peoples were dispensed 94 percent of the amount of long-term medicine they would have needed to manage their condition. The increase across all groups is encouraging but there remains a persistent gap.	In 2019/20 Māori living with type 2 diabetes were, on average, dispensed 80 percent of the amount of long-term medicine they would have needed to manage their condition.[37] Pacific peoples were dispensed 79 percent and non-Māori, non-Pacific peoples were dispensed 90 percent of the amount of long-term medicine they would have needed to manage their condition.	In 2018/19, Māori and Pacific peoples living with type 2 diabetes were on average dispensed 80[38] percent of the amount of long-term medicine they would have needed to manage their condition. Non-Māori, non-Pacific peoples were dispensed 91[39] percent.

[36] Available from the Pharmaceutical Collection webpage on the Manatū Hauora – 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 Manatū Hauora – 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.
[37] We use the most up to date available at the time of reporting. Type 2 diabetes figures rely on an update to the virtual diabetes register (https://www.health.govt.nz/our-work/diseases-and-conditions/diabetes/about-diabetes/virtual-diabetes-register-vdr) and this is updated once a year for the period January to December.
[38] Results differ to those published last year due to a code review identifying an error with the calculation.
[39] Results differ to those published last year due to a code review identifying an error with the calculation.

Access rates – Māori, Pacific peoples and non-Māori, non-Pacific peoples (measure 17.3)

2022/23 target	Establish baseline for cardiovascular disease for Māori and Pacific peoples, and publish an insights report.
Method	This measure looks at the number of Māori and Pacific peoples starting medicines, adjusted according to the level of need 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. For more detail see our medicine access equity monitoring and outcomes framework.
Result	Partially achieved - baseline data examined for diabetes shows the gap is closing, however Pharmac did not publish an insight report. In 2022/23 36,000 Māori and 32,000 Pacific peoples took diabetes medicine for type 2 diabetes. Based on need we would expect another 2,800 Māori and another 910 Pacific peoples to have started on medicine for type 2 diabetes in that year. See below for other year comparison.

	2022/23	**2021/22**	**2020/21**
# taking medicine to treat type 2 diabetes	In 2020/21, 36,000 Māori and 32,000 Pacific peoples took diabetes medicine to treat type 2 diabetes.	In 2019/20, 33,000 Māori and 30,000 Pacific peoples took diabetes medicine to treat type 2 diabetes.	Not available.
# starting treatment for diabetes for first time	3,000 Māori and 2,200 Pacific peoples started taking treatment for the first time.	2,200 Māori and 2,000 Pacific peoples started taking treatment for the first time.	Not available.
Additional number (and %) we would expect to have started	Based on need, we would expect another 2,800 Māori and 910 Pacific peoples (8%) to have started in that year.	Based on need, we would expect another 2,200 Māori and 420 Pacific peoples (7%) to have started in that year	An estimated 3,700 Māori people (12%) living with type 2 diabetes did not have the medicines they needed to treat their condition in 2017/18.[40].

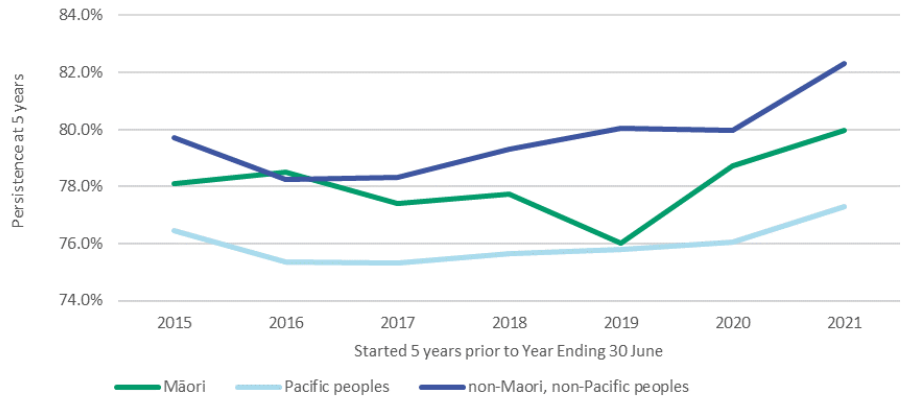
[40] This result was produced in June 2021. At that time the latest version of the Virtual Diabetes Register ran to the end of the 2018 calendar year. We use the Virtual Diabetes Register to determine the number of people with type 2 diabetes. We have therefore been unable to produce results beyond the 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 Manatū Hauora – Ministry of Health website at: www.health.govt.nz/our-work/diseases-and-conditions/diabetes/about-diabetes/virtual-diabetes-register-vdr.

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

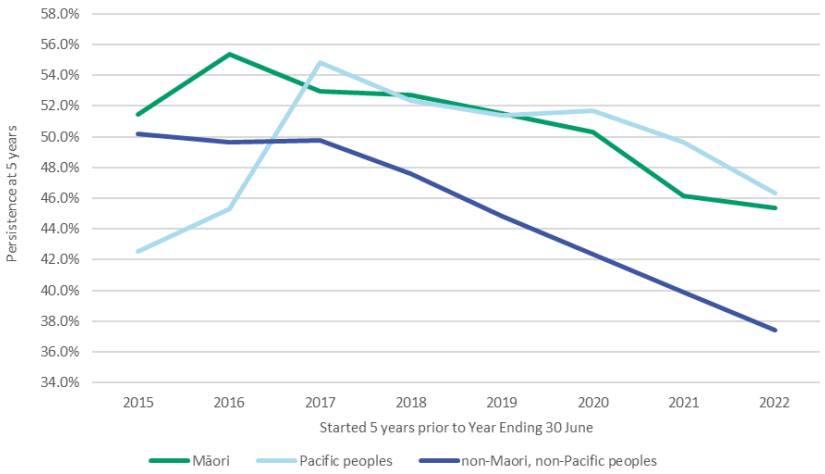
2022/23 target	Establish baseline for cardiovascular disease for Māori and Pacific peoples
Method	Track and report the proportion of people who start on long-term medicine to treat type 2 diabetes or gout and who are still being dispensed at least one of those medicines five years after starting
2022/23 result	Achieved, Pharmac tracks and analyses persistence rates (refer graph).

Treatment for type 2 diabetes and gout is usually long-term and once started should be taken for the remainder of a person's life.

Persistence rates for people on long-term medicine for type 2 diabetes, Māori, Pacific peoples, non-Māori non-Pacific peoples, 2015/16–2020/21



Persistence rates for people on gout medicine, Māori, Pacific peoples, non-Māori non-Pacific peoples, 2015/16–2021/22



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. They 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. 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.

Public understanding, trust, and confidence focus for 2022/23

What we planned to deliver in 2022/23	Our achievements
Proactively release and promote plain english language summaries of our decision making documents to increase transparency.	We have produced and proactively released summaries of decision making documents for several medicines of high public interest including trikafta and continuous glucose meters We proactively publish information on our website about funding decisions and supply issues. We are trying new ways to keep stakeholders updated on important topics. For example, adding the option for people to be alerted when information on our website about continuous glucose meters is updated. We have increased the number of media releases we issue each month about our work and decisions.
Strengthen partnerships with community groups to share the information on our behalf and reach affected communities.	We work with advocacy groups to share information through their channels, such as social media, to reach affected communities.
Develop engagement strategy.	Work has commenced on developing an engagement strategy. The stratgey and associated action plan will be completed in 2023/24.
Participate in the cross agency governance group for the immunisation system to support better immunisation outcomes	Our teams work closely with the Te Whatu Ora immunisation team to ensure there is a joint approach to the ongoing management of vaccines.

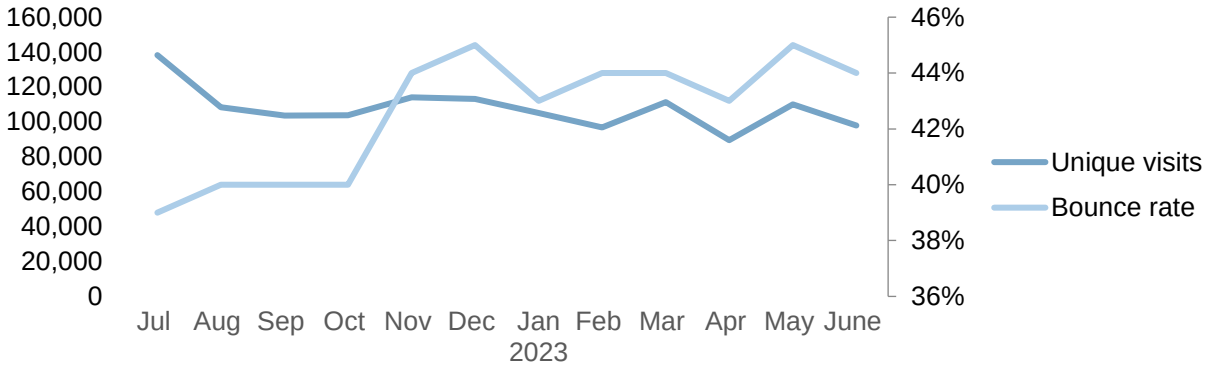
What we planned to deliver in 2022/23	Our achievements
from alignment and connection of different roles. (RR)	
Identify the best ways to ensure the perspectives and experiences of disabled people are included in our work, including through discussion with Whaikaha - Ministry of Disabled People. (RR)	We are strengthening our relations with Whaikaha – Ministry of Disabled Peoples. We are also exploring access to the Integrated Data Infrastructure (IDI), a large research database managed by Statistics New Zealand.
Make consumer appointments to PTAC and some specialist advisory committees. (RR)	There has been a consumer member on PTAC since July 2022. Three consumer members were appointed to the various specialist advisory committees in March 2023. We have sought ongoing feedback from the consumer members and have improved how we induct and support consumers on clinical committees.
Working with HQSC, identify how best to improve opportunities for consumers to input into our work, including to understand lived experience of people living with diseases. (RR)	We are part of the consumer voice framework reference group, led by HQSC, supporting the implementation of the Code of expectations for health entities' engagement with consumers and whānau.
Explore a formal partnership with Te Aho a Te Kahu - Cancer Control Agency. (RR)	We have a collaborative working relationship with Te Aho o Te Kahu. We have discussed the benefits of a formal partnership between agencies with our Cancer Treatments Advisory Committee and Te Aho o Te Kahu.

Public understanding, trust, and confidence performance measures

Increase website traffic and engagement (measure 19.1)

2022/23 target	Unique visits remain stable throughout the year.
Method	We use website analytics to track site visits.
2022/23 result	Unique visits are relatively stable, while bounce backs trended down. Low bounce back rate suggests the user has found the information they require. This is consistent with previous years.

Unique visits and bounce backs to Pharmac's website, July 2022–June 2023



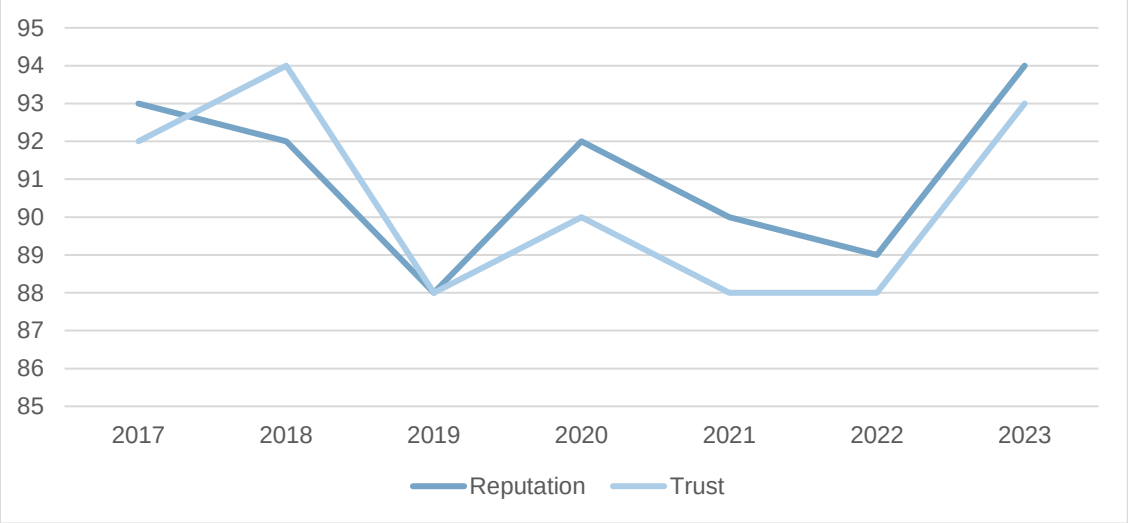
Increased public trust in Pharmac (measure 19.2)

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

2022/23 target	Public Sector Reputation Index score is equal to or higher than 88.
Method	This measure was developed, like all our measures, for the SOI 2020/21 – 2023/24. The providers conducted 3,500 interviews between March and April 2023. We use the results from the annual Public Sector Reputation Index to measure trust in Pharmac. We aim to increase our score each year. The Public Sector Reputation Survey is produced annually. The 2023 survey covered 56 public sector agencies. Reputation is measured across 16 attributes under four pillars, which are combined into a single reputation score, and an index created with the average being 100. The scores are presented as an index (the average set as 100 and the individual agencies scores shown as a deviation from the average).

2022/23 result	Achieved. In 2023 our score was 93.[41] Pharmac's overall reputation scored at 59 out of the public sector average of 62. Our ranking increased currently sits at 44 out of 56 government agencies surveyed. This is a slight improvement. In 2021/22 year, Pharmac placed at 53 out of 58 agencies. There are many reasons why a public reputation score may fluctuate. Pharmac deals with many highly sensitive decisions and notifications to the public. Further comparative information is provided in the graph below.

Public trust in Pharmac from Public Sector Reputation Survey, 2017–2022



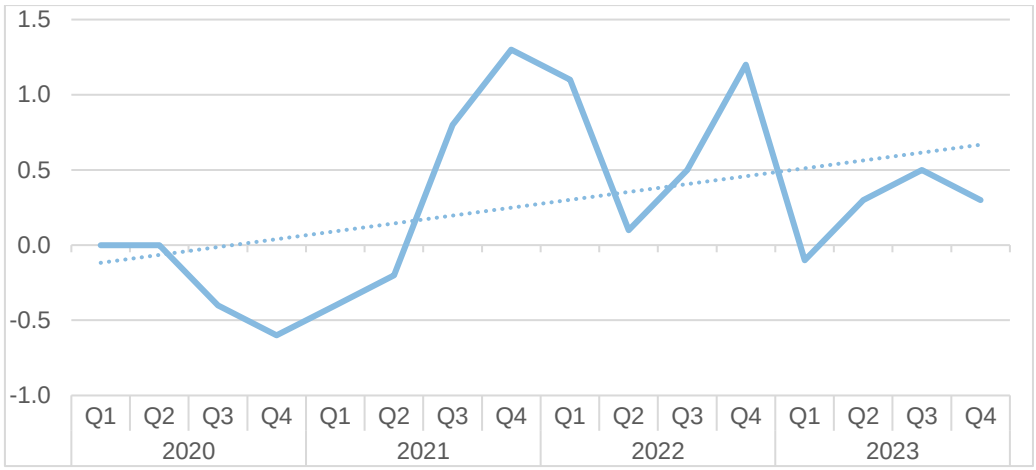
Improve media sentiment (measure 19.3)

Net positive media monitoring scores

2022/23 target	Media impact score improved.
Method	Our survey-based measures were introduced in the SOI 2020/21 – 2023/24. We have engaged a media monitoring agency to undertake a quarterly survey of media sentiment towards Pharmac. Possible scores range from -10 (very negative), 0 (balanced or neutral) to +10 (very positive).
2022/23 result	Not achieved. Our media impact score at the end of 2022/23 was 0.3. The trend line shows our continual improvement.

[41] Further information about the annual survey is available at: https://www.kantarpublic.com/nz/.

Pharmac's media impact scores 2020 to 2023



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

2022/23 target	Increase in respondents who rate the quality of overall relationship as being 'very good' or 'good'.
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?'
2022/23 result	No result available. Pharmac has not conducted a stakeholder engagement survey in 2022/23. 2021/22 68 percent, 2020/21 63 percent. An annual external stakeholder survey to our wide-ranging audience is no longer relevant to assist Pharmac in understanding the maturity of our relationships within such a short period. We are taking a new approach with relationship management, including redefining our key stakeholders, and working towards meeting Te tikanga mō te mahi tahi a ngā hinonga hauora ki ngā kiritaki me ngā whānau, the Code of expectations for health entities' engagement with consumers and whānau, which is led by Te Tāhū Hauora - the Health Quality and Safety Commission.

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.

Timeliness of funding assessment[42] (measure 4.1)

Measure	The time from funding application received date to first ranking date.		
Target	As we work to improve the efficiency of our internal assessment process, our target is a downward trend over time.		
Method	This measure reports on the time from a funding application being received to being prioritised on a priority list for funding (i.e., ranking). A single application is converted to one or more proposal(s), where the time to rank is calculated for each individual proposal. Proposals ranked during the current reporting financial year are included and reported in months to rank. This measure reflects the time required for applications and their corresponding proposals to be considered by our expert clinical advisors, additional information to be sourced from applicants, economic analysis, and assessment of the application against our decision-making framework (the Factors for Consideration). We have reviewed our methodology for 2022/23, refining our application inclusion criteria and ensuring alignment across our time to measures by reporting at a proposal level, and to ensure statistical rigour.		
Result	Achieved		
	Previous	**Revised**	
	Average (5 years) (per application, received prior 5 years only)	**Average (all)** (per proposal, all received)	**Average (5 years)** (per proposal, received prior 5 years only)
2020/21	16.05 months	30.5 months	18.7 months
2021/22	15.24 months	33.8 months	28.6 months
2022/23	15.76 months	38.4 months	21.5 months

[42] We previously referred to this as measure as time to rank.

In 2022/23, 41 in-scope proposals were ranked taking an average of 38.4 months (median 23.3 months). We worked to prioritise 9 proposals with applications received prior to 2018/19 (>5 years).

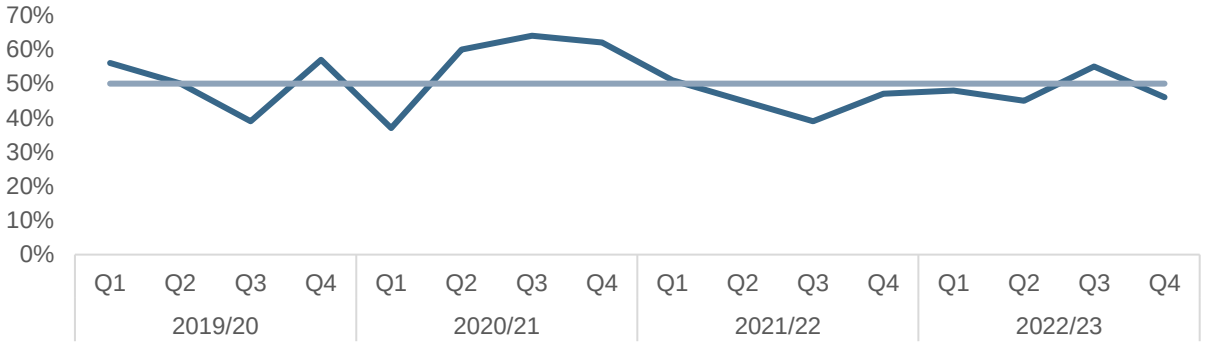
An application can be ranked several years after being received for various reasons, including the need to wait for availability of a registered product or more clinical evidence. We are actively working on processing applications and their corresponding proposal(s) more efficiently to better reflect our true time to rank.

As we work through the unranked proposals, we can expect our overall average to increase, with the average of our most recent applications (<5 years) better reflecting our time to rank.

Timeliness of exceptional circumstances decisions (measure 4.2)

2022/23 target	Timeliness of exceptional circumstances decisions is equal to or greater than 54 percent of decisions made within 10 working days.
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.
2022/23 result	Not achieved. Of the 1300 initial NPPA applications we processed between 01/07/22 to 30/06/23, 651 had decisions within 10 working days = 50%. 2021/22 = 45 percent, 2020/21 = 54 percent. Our ability to meet the target has been impacted by an increase in the volume of applications, affecting both Pharmac and our advisory panel.

Percentage of decisions for initial NPPA applications made within 10 working days

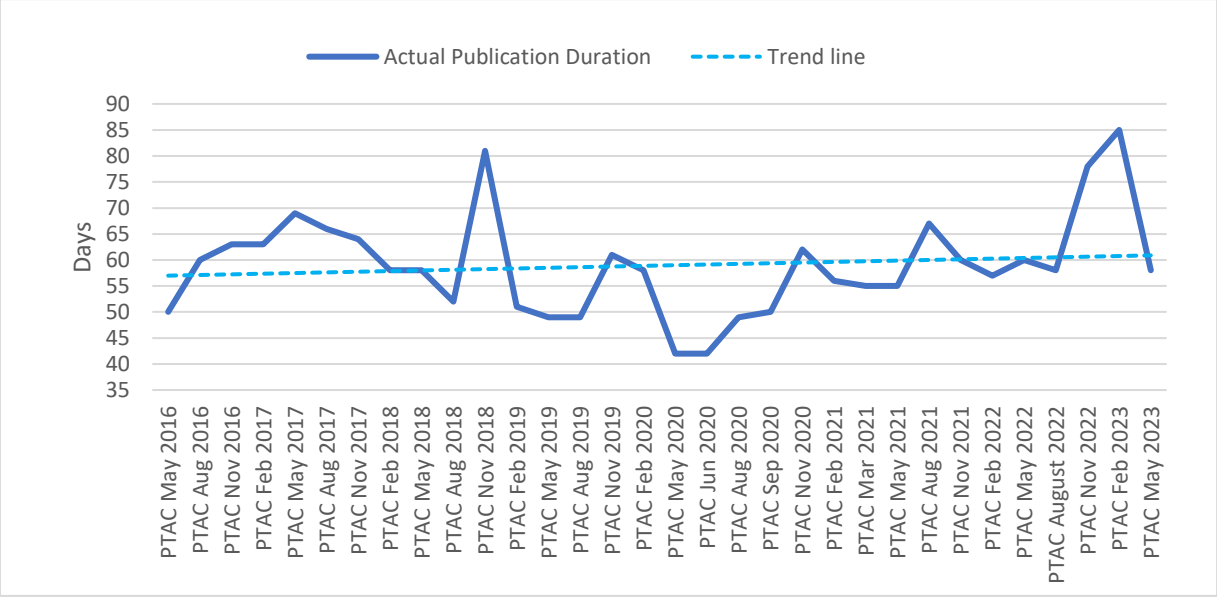


Timeliness of publishing PTAC and advisory committee records (measure 4.3)

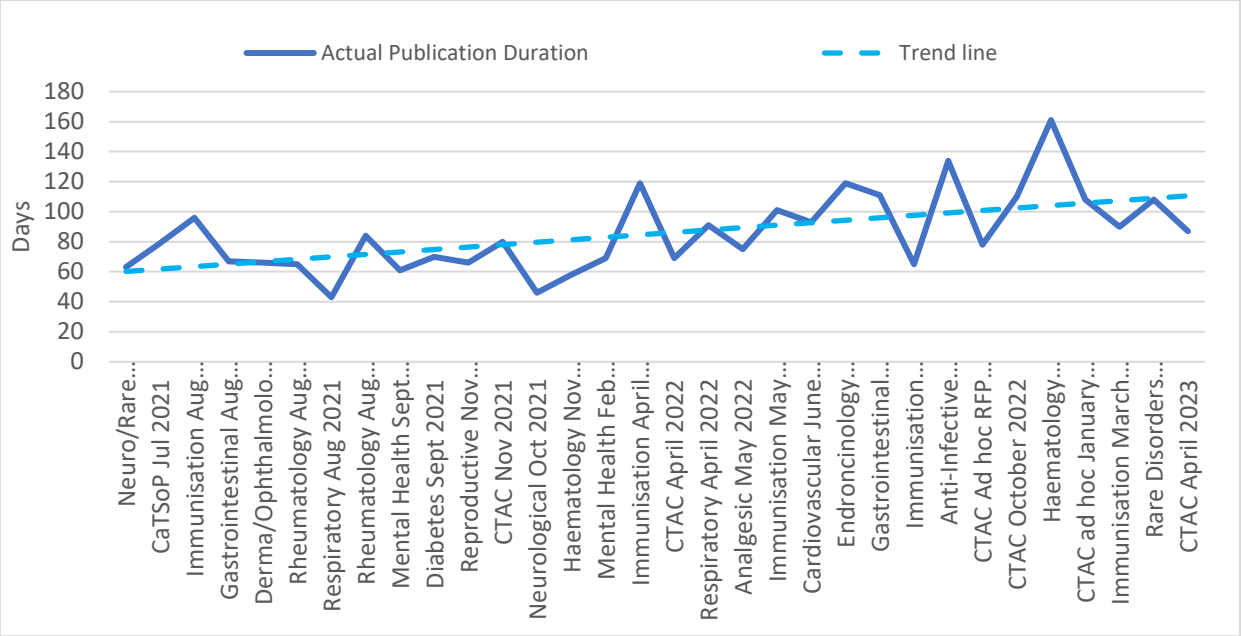
Average time to publish the record

2022/23 target	PTAC records will be published in 12 weeks or less. Advisory panel meeting records will be published in 15 weeks or less.
Method	Meeting dates and publication of records are recorded. Note from 2021/22 we have recorded the result in days, rather than weeks, and have converted previous results to provide comparative data.
2022/23 result	Not achieved. The average length of time taken to publish the records of PTAC meetings was 70 days (14 weeks). A downward trend was not achieved. 2021/22 = 62 days (12 weeks). 2020/21 = 75 days (15 weeks). Not achieved. The average length of time taken to publish the records of advisory panel meetings was 108 days (22 weeks). 2021/22 = 60 days (12 weeks). 2020/21 = 75 days (15 weeks). Our ability to meet the target has been impacted by an increase in the volume of applications, requiring additional meetings of PTAC and Specialist Advisory Committees in a compact time frame. The increasing complexity and issues facing the Committees meant some record review processes were extended ensure the intent of comments they made in the review process was well represented.

PTAC record publication durations in days



Specialist Advisory Committee records publication durations in days



CPB expenditure meets expectations (measure 4.4)

Meeting the CPB budget. [43]

2022/23 target	The year-end reported expenditure for the CPB is equal to budget.
Method	Expenditure records are kept by Pharmac.
2022/23 result	Achieved. The year-end reported expenditure for the CPB was $1,186 million, equal to budget. CPB also kept to budget in 2021/22 and 2020/21.

[43] CPB is explained under Our Funding for 2022/23, on page 13.

Anticipated value of our funding decisions (measure 4.5)

The average projected quality-adjusted-life-years (QALYs)[44] 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.

SPE 2022/23 target	Funding decision QALYs will be 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.
2022/23 result	Achieved. Funding decision QALYs were higher than projected QALYs per $1 million. The same result was achieved in 2021/22 and 2020/21.

Pharmac's anticipated value of funding decisions

	2018/19	2019/20	2020/21	2021/22	2022/23
Number of QALYs achieved per $1 million spent for funded proposals, *higher than the...*	118	31	176	57	31
Number of QALYs that would have been achieved per $1 million spent for all available investment options	12	13	17	15	11.1

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

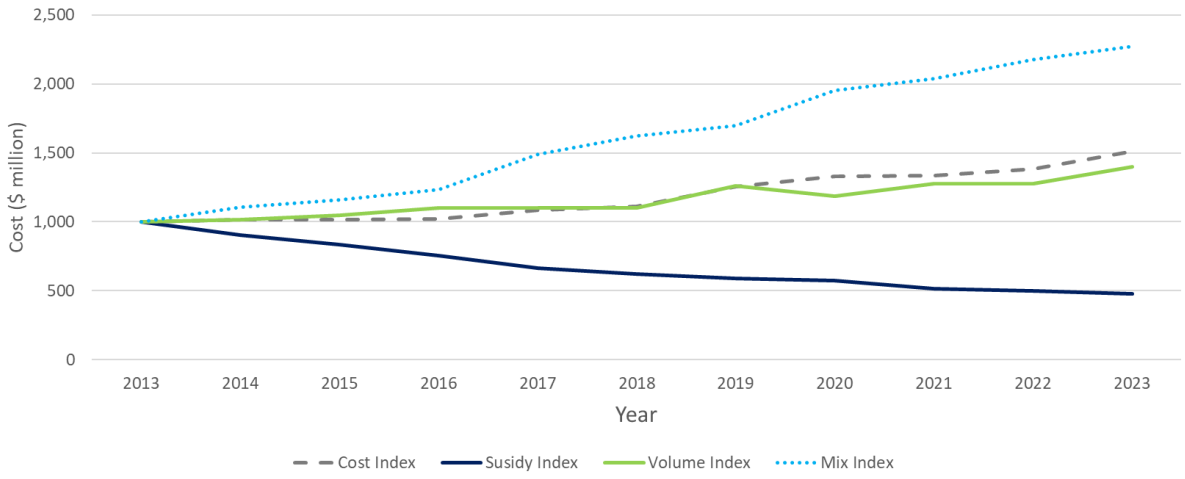
- the value of the proposals we receive are not static, they change from month to month and year to year
- available funds - the more funds we have the lesser will be our average return on investment, in terms of QALYs per $M. This is because the things at the top of the Options for Investment list tend 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.

[44] The quality-adjusted life year (QALY) is a generic measure of disease burden, including both the quality and the quantity of life lived. It is used in economic evaluation to assess the value of medical interventions. One QALY equates to one year in perfect health.

Access to medicines compared with subsidy (measure 4.6)

SPE 2022/23 target	Volume and mix increase over time. Subsidies paid go down.
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. The price index is a weighted average of the pharmaceutical schedule subsidy changes throughout the year. Volume is a weighted average of the change in units dispensed throughout the year. Mix represents the change in overall expenditure that cannot be explained by price or volume changes. eg. when more expensive medicines are used without the subsidy or overall volume changing, costs will increase.
2022/23 result	Achieved. From 2013, the number of medicines (volume) and the range of medicines (mix) have increased over time, meaning we are seeing more and varied medicines funded in New Zealand. Over the same period, the average subsidies paid have gone down, signalling that Pharmac is managing overall costs while still expanding access. In 2021/22 and 2020/21 volume and mix went up relative to the cost, while the average subsidies paid declined.

Price, volume, mix of medicines in New Zealand over the last 10 years

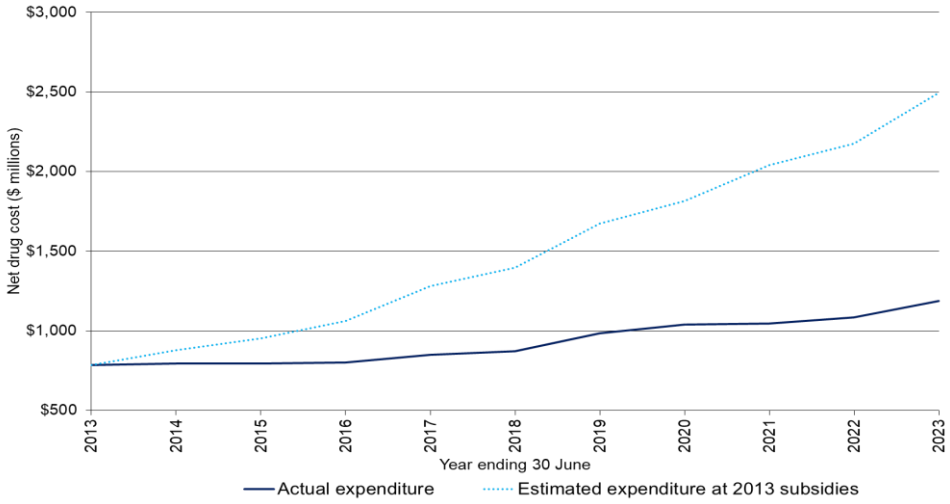


Savings over time (measure 4.7)

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

SPE 2022/23 target	Savings continue to be 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.
2022/23 result	Achieved. The graph below shows estimated savings on medicines' spending, using 2013 prices as a baseline. Over the last 10 years, we have saved $6.3 billion on net medicine costs, with the gap between the two lines highlighting how much money it is estimated we have saved through our work.

CPB drug expenditure, 2013 to 2023



Environmental sustainability of pharmaceutical contracting approaches (measure 4.8)

2022/23 target	More than 25 percent of our total contracted medicine and medical device suppliers have provided sustainability information.
Method	We collect 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.
2022/23 result	Achieved. We have sustainability information from 40 percent of suppliers. 2022/21 = 25 percent of suppliers. 2020/21 = 25 percent of suppliers

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.

In 2022/23 responsible-use initiatives have included equity-focused education, resources and data dashboards have been created for asthma, antibiotics use, and youth mental health to support primary care health professionals.

Output two performance measures

Consultations undertaken (measure 5.1)

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

SPE 2022/23 target	100 percent of key pharmaceutical decisions were publicly consulted on.
Method	Consultation records are kept.
2022/23 result	Achieved. 100 percent. All key pharmaceutical decisions were publicly consulted on. In 2021/22 and 2020/21 we also consulted on 100 percent of key decisions.

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

We use metrics to monitor the services of new responsible-use provider: new measure

2022/23 target	Increased sign-ups to service providers' updates. Increased unique website views of materials.
Method	We have agreed with our 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.
2022/23 result	Partly achieved. Electronic direct mail members = 2,520. Unique website visitors from New Zealand = 20,375. 2021/22 = Electronic direct mail members = 991. Unique website visitors from New Zealand = 23,650.

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 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

2022/23 target	Improvement on previous year's score.
Method	We engaged the New Zealand Institute of Economic Research (NZIER) to undertake an external review of our decision-making papers.
2022/23 result	Not achieved. Our score was 3.2 for 2022/23. (2021/22 = 3.75, 2020/21 = 3.55).

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)

2022/23 target	More than two research projects published.
2022/23 result	Achieved. We completed four research papers. Details of the papers are available in appendix one. 2021/22 = 11, 2020/21 = 2.

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
- data and analytics
- health and safety.

Our people

During 2022/23, we continued to develop a comprehensive workplan, engaging with Pharmac kaimahi to support the people and capability strategy.

The strategy is focused around five priorities:

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

Just as Pharmac follows the pathway provided by the Pae Ora Act to build a healthy future for New Zealanders, we are also committed to ensure our kaimahi enjoy the same opportunities. We work to secure equitable outcomes in recruitment, pay, development and promotion, especially for Māori, Pacific peoples, rainbow and disabled people. We engage with and promote participation and shared decision making with our kaimahi Māori and uphold the principles of te Tiriti o Waitangi. We strive to improve our internal systems, processes and decision making to be clear, transparent, free from bias and consistently applied throughout the organisation.

Our kaimahi are key to delivering our strategic direction. We must have a strong, capable, and well-equipped workforce to continue to improve and enhance what we do and ensure we are well placed to achieve our strategic priorities.

One of the key shifts this year is our focus on our internal processes, policies, and capability to ensure we are delivering to Māori. We strive to build robust inclusive practices that support a diverse workforce that is empowered to contribute, develop and to reach their full potential reflecting the cultural uniqueness of Aotearoa.

Recruitment, development and exit

We consider equity and diversity in all our recruitment decisions. We have outlined several goals in our Kia Toipoto action plan that will further equity in our recruitment processes and decisions, including amending ethnicity criteria so Māori and Pacific candidates are prioritised.[45]

At Pharmac we support our kaimahi to flourish and reach their career aspirations. We are committed to championing workplace inclusion and acknowledge that to do their best work, we must foster an environment where people are comfortable to be themselves and work in a way that best suits their individual needs.

We provide opportunities to develop our kaimahi, including taking on new roles, internally and externally, undertaking training and development, and supporting formal qualifications. We strengthen our leadership by enhancing our People Leaders sessions to tūhono and grow capability.

[45] Available at: https://pharmac.govt.nz/about/careers-at-pharmac/kia-toipoto-people-and-pay-equity-plan/.

We value the uniqueness Māori bring to the public sector. We have a growing internal support network, Māori Caucus, which our kaimahi are welcomed into as they join our whānau.

We are a Scholarship Partner of the TupuToa Internship programme. Their programme aims to provide internship opportunities for Māori and Pacific tauira across corporate, government and community organisations.

As a Crown entity we are committed to meet the expectations of Government Workforce Policy Statement that reflects the aims of the Public Service Act 2020 (sections 44 and 75 to develop a Public Service workforce that reflects the diversity of the society it serves, can support the Crown in its relationships with Māori under Te Tiriti o Waitangi, and operate as a good employer).

We continually seek to understand why kaimahi leave our organisation. Our turnover rates have declined this year. 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.

Conditions and remuneration

We are a whānau centered organisation and understand the importance of maintaining a healthy work life balance. We offer several benefits including hybrid working, five weeks annual leave, generous parental leave entitlements and a hauora payment to support wellbeing.

Our flexible working arrangements ensure staff who work remotely are provided with appropriate technology and communication solutions to enable seamless working arrangements.

We strive to make equitable recruitment and pay decisions, have a fair workplace for all, including disabled people and members of rainbow communities, and ensure our starting salaries and salaries for the same or similar roles are not influenced by bias.

As part of our Kia Toipoto plan, we have committed to complete a bi-annual equity remuneration review to monitor starting salaries and salaries for the same or similar roles to ensure gender and ethnic pay gaps decrease. We aim to achieve fairness and equity by reviewing and eliminating inappropriate pay disparities.

Harassment, discrimination, and bullying prevention

We do not tolerate bullying, discrimination, or harassment. This year we implemented a new code of conduct that clearly sets out common standards and expected behaviour of all our kaimahi at Te Pātaka Whaioranga. Behaviour expectations are also clearly communicated through our Anti- Bullying, Harassment and Discrimination Policy. Also developed this year, our new Kaimahi Complaints and Resolution Process helps guide employees on how to best resolve conflicts.

Safe and healthy environment

Our aim is to maintain a safe and healthy workplace, free from injury.

Our health and safety systems ensure that hazards are identified, and risks are controlled and managed accordingly.

As our workforce and workplace environment evolves, we actively manage health and safety risks and create and organisational culture that support healthy work. Therefore, we have taken a multi-faceted approach including international standards, a Māori perspective on health, and our organisation values.

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.

Demographics

Staff gender ratio, as at 30 June 2023

Gender	Part time	Full time	Total
Permanent employees			
Male	3	47	50
Female	11	83	94
Non-specified	1	3	4
Fixed-term employees			
Male	0	2	2
Female	2	9	11
Non-specified	0	0	0
Totals	**17**	**142**	**161**

Staff numbers by ethnicity, at 30 June 2023

Ethnicity	Percentage
European	75 percent
Māori	6 percent
Pacific peoples	1 percent
Asian	14 percent
Middle Eastern/Latin American/African (MELAA)	1 percent
Not disclosed	10 percent
Total	**108 percent**[46]

[46] Some staff have declared more than one ethnicity.

Staff numbers by age, at 30 June 2023

Age (years)	Percentage
20-29	24%
30-39	25%
40-49	16%
50-59	20%
60-69	7%
70-79	1%
Not disclosed	12%
Total	**100 percent**

Staffing summary

At at 30 June 2023, Pharmac had 161 employees (147 permanent and 14 fixed term). The total FTE was 156.5, including two on parental leave. In addition, there were five contractors. Ten positions were vacant. We anticipate overall staff numbers to grow.

Permanent staff turnover for the 2022/23 year was 20 percent, which is lower than last year and is driven by a variety of factors. The main factor that led to staff turnover in 2022/23 was taking up new career opportunities.

We have a relatively high number of part-time staff – 11 percent at 30 June 2023. This helps us to retain valuable skills and competencies and provide for work-life balance.

Pharmac's people and capability focus for 2022/23

What we focussed on in 2022/23	Our achievements
Increase kaimahi engagement	Launched the *he kahui whetu* program to recognise and reward individuals and teams. Analysed and provided detailed reports of the engagement survey and recommended actions to all directorates and teams. Requested feedback to learn more about the frustrations of our kaimahi with some of our systems and processes, to inform process improvements.
Enhance organisation capability in Mātauranga Māori, understanding of te Tiriti and critical Tiriti analysis	We offer mihi whakatau to all new starters. Karakia, waiata, and using Te Reo Māori are part of our tikanga. We offer Te Reo lessons for all kaimahi. Most kaimahi have attended te Tiriti and critical Tiriti analysis training. Anti-racism training has also contributed to this initiative.
Progress pay equity by developing our Kia Toipoto action plan	We have published our full Kia Toipoto Action Plan on our website; started a review of job descriptions to ensure roles are accurately outlined, do not contain bias and the language is inclusive; started a job-sizing project which includes ensuring cultural (Māori) capability has been considered; ensured our HR policies, including our remuneration policy and salary bands can be easily accessed by our kaimahi; set targets to increase our gender, ethnic, disabled and rainbow community representation in our workforce and leadership.
Review and develop our recruitment activity	Our recruitment strategy has focused on securing talent while giving priority to pay equity and increasing diversity. We have completed a refresh of our external facing website and benefits video to be more inclusive. We publish starting salaries in our job ads. We actively seek for diverse candidates.
We will continue to build on and enhance the information products available to support decision making	To ensure we can measure the progress of our Diversity Equity and Inclusion/Kia Toipoto goals we have created new fields to collect more detailed ethnicity and gender information. We have also changed our onboarding experience for new candidates to be more inclusive by creating fields for preferred pronoun, preferred name and gender identity.

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.

Employee engagement (measure 12.1)

Average scores from employee Pulse survey

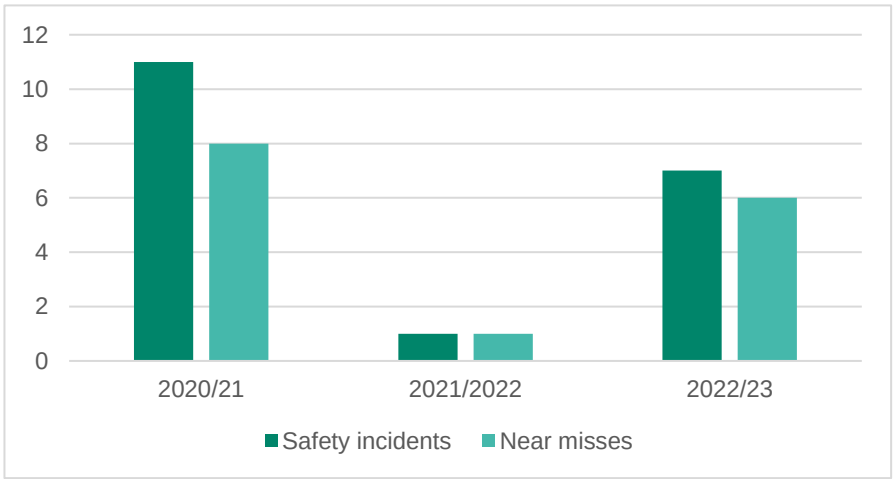
2022/23 target	Average scores from the employee Pulse survey are 72 percent or more.
Method	We measure the average employee engagement in a six-monthly employee survey.
2022/23 result	Achieved. Comparing new methodology for May 2023 – 51 percent favourable, and using that same methodology for the 2021/22 result, there is a 2 percent increase.

Health, safety, and wellbeing (measure 12.2)

Number of safety incidents and near misses

2022/23 target	Incidents down, near misses reported up (we want to encourage near miss reporting).
Method	Potential hazards, incidents and near misses are reported and recorded in a central Health & Safety Register.
Results	Partly achieved. Incidents are up, near misses are up. This is likely to represent better reporting in 2022/23.

Number of safety incidents and near misses 2020/21 – 2022/23



Operating budgets are well managed (measure 13.1)

Actual expenditure variance to budget

2022/23 target	Operating expenditure not more than 5 percent variance to budget.

Method	Budget and expenditure analysis.
2022/23 result	Achieved. Our operating budget was less than 5 percent overspent 2021/22 = less than 5 percent overspent, 2220/21 more than 5 percent underspent.

Key operating systems are available (measure 14.1)

Percentage of up time

2022/23 target	99 percent uptime.
Method	Downtime is recorded as it occurs.
2022/23 result	Achieved. In each of the last three years, we have achieved 100 percent uptime.

Environmental sustainability

Carbon Neutral Government Programme

We are required by the Carbon Neutral Government Programme (CNGP) to measure and report on our greenhouse gas (GHG) emissions. This supports the goals of the Nationally Determined Contribution to reduce net GHG emissions to 50 per cent below gross 2005 levels by 2030.[47]

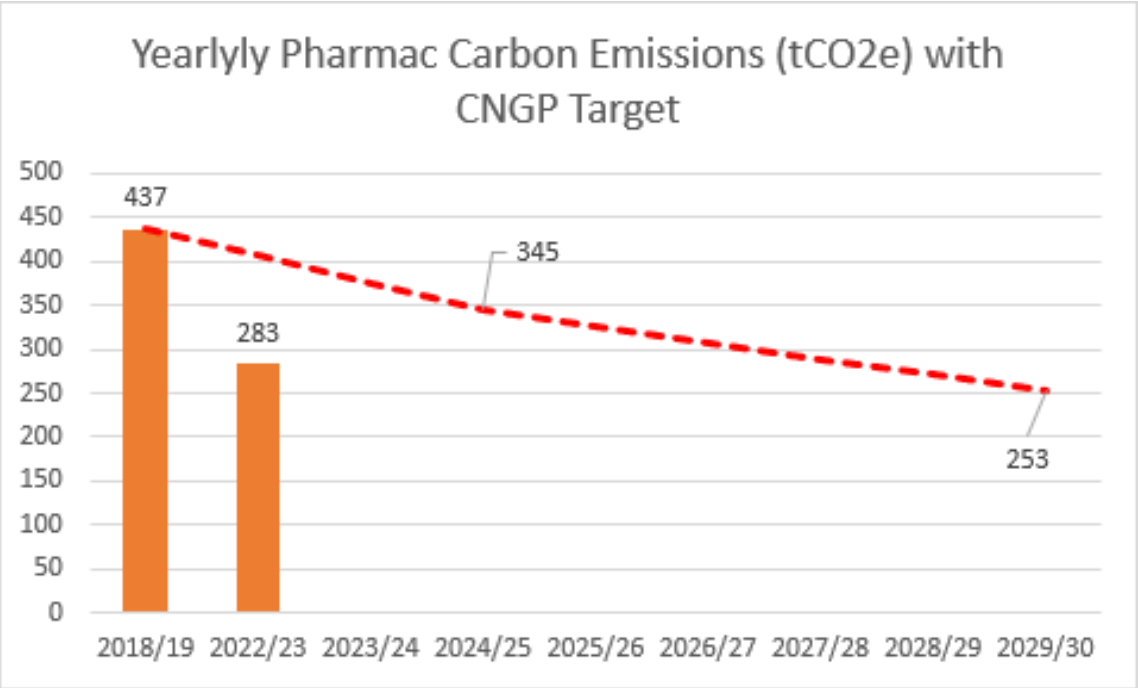
As an organisation, we must reduce our carbon emissions by 21 percent by 2024/25 and 42 percent by 2029/30. Pharmac falls into Tranche 2 for the CNGP. This means 2022/23 is our first mandatory reporting year.

During 2022/23 we defined the scope of the data to be collected and gathered for the 2018/19 financial year. This is recognised as the last 'normal' year before COVID-19.

In 2018/19 we emitted 437 tonnes of CO2 (tCO2-e).

Our data for 2022/23 reports our total GHG emissions as 280.41 tCO2-e. Data has been audited by a third party.

[47] This is New Zealand's commitment to the Paris Agreement which describes the effort to limit the temperature increase to 1.5°C above pre-industrial levels.



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.

Data and analytics focus for 2022/23

What we plan to deliver in 2022/23	Our achievements
We will continue to build on and enhance the information products available to support decision making.	Enhanced views of PharmConnect data were developed and rolled out significantly increasing the use of Qlik to provide insights that supported our decision making.

What we plan to deliver in 2022/23	Our achievements
Continued strengthening and enhancement of our system used to forecast CPB expenditure.	Minimal Viable Product for the Forecast back-end systems was completed. All legacy backend systems were migrated to SQL.
We will use the information gathered to date to help inform and develop a roadmap to measure health outcomes for New Zealanders.	The second pilot for the measurement of health outcomes was completed and lessons learned will be incorporated into future measurement projects.

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

2022/23 target	Increase in internal users.
Method	We will report on progress of integrating Qlik Sense® into our processes. Qlik Sense is a product that enables interactive reports and dashboards and is intended to aid data analysis.
2022/23 result	Achieved. 55 Qlik Sense users with ongoing roll out. New data products continue to be developed, focusing on core organisational activities. We have initiated review of published applications, usage, and overall platform to ensure they remain engaging and fit for purpose. 2020/21 = 34 users, 2021/22 = 54 users.

Efficiency in producing CBP forecast (measure 18.2)

Number of person days to complete per month

2022/23 target	Number of days to complete forecast is reduced.
Method	We measure efficiencies gained as a result of system and process improvements. These are measured in person days and are expected to lessen as the system is enhanced.
2022/23 result	Achieved. The average person days to complete the forecast this year was 47.6 days. 2021/22 = 55 person days, 2020/21 = 46 person days.

Te pūrongo motuhake o te kaiarotake

Independent auditor's report

To the readers of Pharmaceutical Management Agency – Te Pātaka Whaioranga's financial statements and performance information for the year ended 30 June 2023

The Auditor-General is the auditor of Pharmaceutical Management Agency – Te Pātaka Whaioranga (Pharmac). The Auditor-General has appointed me, Stephen Usher, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information, including the performance information for appropriations, of Pharmac on his behalf.

Opinion

We have audited:

- the financial statements of Pharmac on pages 95 to 97 and 99 to 120 that comprise the statement of financial position as at 30 June 2023, the statement of comprehensive revenue and expense, 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 which reports against Pharmac's statement of performance expectations and appropriations for the year ended 30 June 2023 on pages 27 to 79 and 99.

In our opinion:

- the financial statements of Pharmac:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2023; 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
- Pharmac's performance information for the year ended 30 June 2023:
    - presents fairly, in all material respects, 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;
    - presents fairly, in all material respects, for the appropriations:
        - what has been achieved with the appropriations; and
        - the actual expenses or capital expenditure incurred as compared with the expenses or capital expenditure appropriated or forecast to be incurred; and
    - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 31 October 2023. 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 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 and the Public Finance Act 1989.

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 performance information which reports against Pharmac's statement of performance expectations and appropriations.

- 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 3 to 26, 30 and 80 to 89, and 121 to 124 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

(including International Independence Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests, in Pharmac.

Stephen Usher
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 2023

Statement of comprehensive revenue and expense

For the year ended 30 June 2023

	Note	Actual 2023 $000	SPE Budget 2023 $000	Actual 2022 $000
Non exchange revenue				
Funding from the Crown - Pharmac Operating		29,347	28,872	25,512
DHB - Operating funding		-	-	1,990
Funding from the Crown - National Pharmaceuticals Purchasing	3	1,236,000	1,236,000	-
- COVID-19 Vaccines	4	122,000	-	-
- COVID-19 Treatments	4	223,250	185,250	139,000
Exchange revenue; other				
Interest received - Operating		1,862	781	331
- Legal Risk Fund		357	240	143
- Other appropriations		16,915	-	-
Other revenue - Operating		139	61	485
Other revenue - National Pharmaceuticals Purchasing		5,916	-	-
Total revenue		1,635,786	1,451,204	167,461
Expenditure				
Operating costs		9,640	8,545	8,636
Personnel costs	2	21,049	21,208	18,832
Audit Fees		133	84	84
CPBDPF	6	-	-	15,004
Depreciation and amortisation costs	10,11	421	479	458
Director Fees	17	152	164	160
Net National Pharmaceuticals Purchasing costs/distributions	3	1,225,847	1,236,000	-
COVID-19 Vaccines costs/distributions	4	76,491	-	-
COVID-19 Treatments costs/distributions	4	287,818	185,250	21,096
Hospital Discretionary Pharmaceutical Fund (HDPF)	5	7,731	-	-
Implementation projects		1,358	1,317	1,380
Legal Risk Fund payments for litigation		27	250	-
Occupancy costs		928	929	917
Total expense		1,631,595	1,454,226	66,567
Net surplus/(deficit) for the period		4,191	(3,022)	100,894
Other comprehensive revenue		-	-	-
Total comprehensive revenue and expense		**4,191**	**(3,022)**	**100,894**
Total comprehensive revenue and expense from:				
- Pharmac operations		(9,734)	(3,022)	(17,010)
- National Pharmaceuticals Purchasing		32,984	-	-
- COVID-19 Vaccines		45,509	-	-
- COVID-19 Treatments		(64,568)	-	117,904
Total comprehensive revenue and expense		4,191	(3,022)	100,894

An additional $39,821 (2022/22: $14,813) was paid to Audit New Zealand for a limited independent assurance review in respect of final estimates for the 2022/23 rebate accruals.
The values for SPE Budget have been amended for "Funding from the Crown - National Pharmaceuticals Purchasing" and "Net National Pharmaceuticals Purchasing costs/distributions" due to the reclassification of rebate recoveries.
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 2023

	Note	Actual 2023 $000	SPE Budget 2023 $000	Actual 2022 $000
Balance at 1 July		154,432	36,527	53,538
Total comprehensive revenue and expense		4,191	(3,022)	100,894
Balance at 30 June	5	**158,623**	**33,505**	**154,432**

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 2023

	Note	Actual 2023 $000	SPE Budget 2023 $000	Actual 2022 $000
PUBLIC EQUITY				
Contribution capital	5	1,856	1,856	1,856
Retained earnings and reserves	5	141,341	7,288	128,204
Restricted reserves				
HDPF	5	5,061	12,791	12,792
Legal Risk Fund	5	8,930	8,590	8,600
Medical Devices Reserve	5	1,435	2,980	2,980
TOTAL PUBLIC EQUITY		**158,623**	**33,505**	**154,432**
Represented by:				
Current assets				
Cash and cash equivalents	7	181,312	1,889	28,600
Investments	8	16,800	12,100	19,800
Debtors and other receivables	9	159,033	170	216
Prepayments		204	300	4,775
Operational Vaccines Inventory	3	26,859	-	-
COVID-19 Vaccines Inventory	4	44,236	-	-
COVID-19 Treatments Inventory	4	51,218	-	95,033
GST Receivable		25,711	-	-
Current assets associated with Restricted reserves				
Cash and cash equivalents - Legal Risk Fund/HDPF	7	572	662	465
Investments - Legal Risk Fund/HDPF	8	11,000	20,891	10,800
Total current assets		516,945	36,012	159,689
Non-current assets				
Property, plant and equipment	10	470	539	760
Intangible Assets	11	-	32	-
Total non-current assets		470	571	760
Total assets		517,415	36,583	160,449
Current liabilities				
Creditors and other payables	12	356,419	1,600	3,222
Employee entitlements	13	2,045	980	1,800
GST Payable		-	170	667
Total current liabilities		358,464	2,750	5,689
Non-current liabilities				
Make Good Provision	14	328	328	328
Total liabilities		358,792	3,078	6,017
NET ASSETS		**158,623**	**33,505**	**154,432**

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 2023

	Note	Actual 2023 $000	SPE Budget 2023 $000	Actual 2022 $000
CASH FLOWS – OPERATING ACTIVITIES				
Cash was provided from:				
- Operating receipts from the Crown		29,347	28,872	25,512
- National Pharmaceuticals Purchasing receipts from the Crown		1,236,000	1,236,000	-
- COVID-19 Vaccines receipts from the Crown		122,000	-	-
- COVID-19 Treatments receipts from the Crown		223,250	185,250	139,000
- DHBs Operating		-	-	1,990
- Interest Operating		1,768	781	347
- Interest Legal Risk Fund		307	240	185
- Interest National Pharmaceuticals Purchasing		16,915	-	-
- Other Operating revenue		139	61	485
- Other National Pharmaceuticals Purchasing revenue		5,916	-	-
- CPBDPF release from rebates bank account		-	-	23,186
- Goods and services tax (net)		-	2,243	2,453
		1,635,642	1,453,447	193,158
Cash was disbursed to:				
- Legal Risk Fund expenses		(27)	(250)	-
- CPBDPF expenses		-	-	(15,004)
- Payments to suppliers and employees		(33,723)	(33,642)	(29,443)
- Payments for National Pharmaceuticals Purchasing		(1,060,634)	(1,236,000)	-
- COVID-19 Vaccines (purchases and inventory)		(120,726)	-	-
- COVID-19 Treatments (purchases and inventory)		(244,004)	(185,250)	(119,602)
- Goods and services tax (net)		(26,378)	-	-
		(1,485,492)	(1,455,142)	(164,049)
Net cash flows from operating activities	15	150,150	(1,695)	29,109
CASH FLOWS – INVESTING ACTIVITIES				
- Purchase of property, plant and equipment		(131)	(234)	(133)
- Purchase of intangible assets		-	(56)	-
- Proceeds from the redemption of investments		42,800	-	33,800
- Purchase of investments		(40,000)	(2,391)	(43,100)
Net cash flows from investing activities		2,669	(2,681)	(9,433)
Net increase/(decrease) in cash		152,819	(4,376)	19,676
Cash at the beginning of the year		29,065	6,927	9,389
Cash at the end of the year	7	181,884	2,551	29,065

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.

The values for SPE Budget have been amended for "National Pharmaceuticals Purchasing receipts from the Crown" and "Payments for National Pharmaceuticals Purchasing" due to the reclassification of rebate recoveries.
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 comprehensive revenue and expense by output class

For the year ended 30 June 2023

	$000	$000	$000	$000	$000
Output Actual 2022/23	**Funding MOH**	**Funding DHB**	**Funding Other**	**Output expenditure**	**Net surplus/ (deficit)**
Making choices and managing expenditure and supply	1,596,161	-	23,940	(1,612,631)	7,470
Supporting and informing good decisions and access and use	10,105	-	778	(9,135)	1,748
Influence through policy, research and insights	4,331	-	471	(9,829)	(5,028)
Total	**1,610,597**	**-**	**25,189**	**(1,631,595)**	**4,191**

Output SPE Budget 2022/23	**Funding MOH**	**Funding DHB**	**Funding Other**	**Output expenditure**	**Net surplus/ (deficit)**
Making choices and managing expenditure and supply	1,435,686	-	509	(1,435,674)	521
Supporting and informing good decisions and access and use	10,105	-	357	(8,936)	1,526
Influence through policy, research and insights	4,331	-	216	(9,616)	(5,069)
Total	**1,450,122**	**-**	**1,082**	**(1,454,226)**	**(3,022)**

Output Actual 2021/22	**Funding MOH**	**Funding DHB**	**Funding Other**	**Output expenditure**	**Net surplus/ (deficit)**
Decision Making	12,631	-	328	(19,749)	(6,790)
Influencing Medicine Access and Use	9,092	1,990	280	(18,907)	(7,545)
Policy Advice and support	3,789	-	351	(6,815)	(2,675)
COVID-19 Treatments	139,000	-	-	(21,096)	117,904
Total	**164,512**	**1,990**	**959**	**(66,567)**	**100,894**

The values for Output SPE Budget have been amended for "Making choices and managing expenditure and supply" for both "Funding Other" and "Output expenditure" due to the reclassification of rebate recoveries.

Statement of commitments

As at 30 June 2023

Non-cancellable operating lease commitments

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

	Actual 2023 $000	Actual 2022 $000
Operating commitments approved and contracted		
Rental lease		
Not later than one year	918	918
Later than one year and not later than five years	459	1,376
Balance at 30 June	**1,377**	**2,294**

Pharmac's rental lease dates back to the 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 (2022: $327,825).

Non-cancellable purchasing commitments

As part of Pharmac's respinsibility to acquire COVID-19 Vaccines Pharmac has a commitment to purchase vaccines in the 2023/24 financial year as follows:

	Actual 2023 $000	Actual 2022 $000
Purchasing commitments approved and contracted		
COVID-19 Vaccines		
Not later than one year	205,682	-
Balance at 30 June	**205,682**	**-**

This commitment is expressed in NZD and may be subject to exchange variation.

Statement of contingent assets and liabilities

As at 30 June 2023

Pharmac has no contingent assets as at 30 June 2023 (2022: $nil).

Pharmac has no contingent liabilities as at 30 June 2023 (2022: $nil).

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

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 operation and development of a national Pharmaceutical Schedule.

Pharmac has designated itself as a public benefit entity (PBE) for financial reporting purposes.

The financial statements of Pharmac are for the year ended 30 June 2023. The financial statements were approved by the Board of Pharmac on 31 October 2023.

Basis of preparation

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

Statement of compliance

The financial statements of Pharmac 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 and service performance information have been prepared in accordance with Tier 1 PBE financial reporting standards, which have been applied consistently throughout the period, and complies with PBE financial reporting 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.

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 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.

Inventory

Inventories held for distribution or consumption in the provision of services are measured at cost (using the FIFO method), adjusted, when applicable, for any loss of service potential.

Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition.

The amount of any write-down for the loss of service potential is recognised in the surplus or deficit in the year of the write-down.

Property, plant and equipment

Property, plant and equipment consist of leasehold improvements, 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 and 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 subsequent to 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 2–5 years with a corresponding depreciation rate of 20%–50%.

Payables

Short-term payables are recorded at their fair value.

Employment 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 the 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, the Inland Revenue Department (IRD) is included as part of the receivables or payables in the statement of financial position.

The net GST paid to or received from the IRD, 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 the payment of 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.

Critical judgements in applying Pharmac's accounting policies
The Minister of Health determined that the level of the Combined Pharmaceutical Budget (CPB) for 2022/23 would be $1,236 million including the COVID-19 Cost Pressures funding.

The CPB comprises Government expenditure for community medicines, vaccines, hemophilia 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.

Additionally Pharmac negotiates rebates with pharmaceutical companies that are collected as an offset of pharmaceutical costs incurred in the New Zealand Health Sector.

During the 2021/22 financial year the Government established a new Vote Health appropriation structure. This saw the establishment of a National Pharmaceuticals Purchasing appropriation from 1 July 2022 which will see Pharmac directly manage the Combined Pharmaceutical Budget that replaced a previous DHB arrangement. This represented a significant responsibility change for Pharmac.

As a result of these changes Pharmac has assessed it is acting as principal in relation to CPB funding received from the Ministry of Health and related transactions including rebates. This is considered a significant accounting policy judgement as it has a significant impact on Pharmac's financial statements and reported results.

Also during the 2022/23 financial year the Government passed responsibility to Pharmac for the purchase of COVID-19 Vaccines.

Note 2: Personnel costs

	Actual 2023 $000	Actual 2022 $000
Salaries and related costs	19,989	17,854
Employer contributions to defined contribution plans	521	443
Other personnel costs	539	535
Total personnel costs	**21,049**	**18,832**

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

Note 3: Combined Pharmaceutical Budget (CPB) Activities

	Actual 2023 $000	Actual 2022 $000
Revenue received (from the Ministry of Health)		
- National Pharmaceuticals Purchasing	1,186,000	-
- COVID-19 Cost Pressures	50,000	
Total CPB Revenue	1,236,000	-
CPB costs/distributions	1,930,369	-
less Rebate recoveries from pharmaceutical suppliers	(704,522)	
Net CPB costs/distributions	1,225,847	-
Total CPB operational surplus/(deficit)	10,153	-
Interest Revenue	16,915	-
Other revenue - National Pharmaceuticals Purchasing	5,916	-
Total CPB surplus	**32,984**	**-**
Non-COVID-19 inventory	26,859	-
Total non-COVID inventory	**26,859**	**-**

During the 2022/23 financial year Pharmac took responsibility of the National Pharmaceuticals Purchasing (also known as Combined Pharmaceutical Budget (CPB)) for the provision of Community Pharmacy Claims, Pharmaceutical Cancer Treatments, Haemophilia products, Hospital Medicines, Hepatitis C treatments, non-COVID-19 Vaccines and other direct expenses. Revenue is received from the Crown from the National Pharmaceuticals Appropriation and from COVID-19 Costs Pressures. A total of $1,186.0 million has been received by Pharmac for the National Pharmaceuticals Appropriation, and $50 million for the COVID-19 Cost Pressures. Net expenditure was incurred totalling $1,225.847 million (being Gross costs/distributions of $1,930.369 million, offset by $704.522 million in pharmaceutical rebate recoveries), and $26.859 million was held as non-COVID-19 Vaccines inventory at 30 June. There have been no write-downs in the 2023 financial year.

Note 4: COVID-19 Activities

	Actual 2023 $000	Actual 2022 $000
COVID-19 Vaccines		
Revenue received (from the Ministry of Health)	122,000	-
Less COVID-19 Vaccines costs/distributions	76,491	-
Total COVID-19 Vaccines surplus	**45,509**	**-**
COVID-19 Vaccines inventory	44,236	-
Total COVID-19 Vaccines inventory	**44,236**	**-**

During the 2022/23 financial year Pharmac took responsibility for the acquisition of COVID-19 Vaccines. The COVID-19 Vaccine purchases were funded from the Vote Health "Implementing the COVID-19 Vaccination Strategy" appropriation. A total of $122.0 million has been received by Pharmac. COVID-19 Vaccines were purchased totalling $120.726 million, of which $44.235 million was held as inventory at 30 June. There have been no write-downs in the 2023 financial year.

COVID-19 Treatments		
Revenue received (from the Ministry of Health)	223,250	139,000
Less COVID-19 Treatments costs/distributions	287,818	21,096
Total COVID-19 Treatments surplus	**(64,568)**	**117,904**
COVID-19 Treatments inventory	51,218	95,033
Total COVID-19 Treatments inventory	**51,218**	**95,033**

During the 2021/22 financial year Pharmac took responsibility for the acquisition of various pharmaceuticals to aid in the treatment of COVID-19 patient recovery. The pharmaceutical purchases were funded from the Vote Health "Implementing the COVID-19 Vaccination Strategy" appropriation. A total of $223.250 million (2022: $139.0 million) has been received by Pharmac. Pharmaceuticals were purchased totalling $244.004 million (2022: $116.129 million) of which $51.218 million (2022: $95.033 million) was held as inventory at 30 June and there was also recognition of a decrease in inventory held from 2022 to 2023 of $1.576 million. There have been $42.239 million write-downs in the 2023 (2022: $nil) financial year.

Note 5: Public equity

	Actual 2023 $000	Actual 2022 $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	128,204	11,224
Net surplus/(deficit)	4,191	100,894
Net transfer from/(to) CPBDPF	-	15,004
Net transfer from/(to) HDPF	7,731	-
Net transfer from/(to) Legal Risk fund	(330)	(143)
Net transfer from/(to) Medical Devices reserve	1,545	1,225
Balance at 30 June	**141,341**	**128,204**
CPBDPF		
Balance at 1 July	-	5,603
Add: Transfer from HDPF	-	9,401
Less: Pharmaceutical expenses transferred from/(to) retained earnings	-	(15,004)
Balance at 30 June	**-**	**-**
HDPF		
Balance at 1 July	12,792	22,193
Less: Transfer to CPBDPF	-	(9,401)
Less: Expenses transferred from/(to) retained earnings	(7,731)	-
Balance at 30 June	**5,061**	**12,792**
LEGAL RISK FUND		
Balance at 1 July	8,600	8,457
Add: Interest received transferred from/(to) retained earnings	357	143
Less: Litigation expenses transferred from/(to) retained earnings	(27)	-
Balance at 30 June	**8,930**	**8,600**
MEDICAL DEVICES RESERVE		
Balance at 1 July	2,980	4,205
Less: Devices expenses transferred from/(to) retained earnings	(1,545)	(1,225)
Balance at 30 June	**1,435**	**2,980**
TOTAL PUBLIC EQUITY	**158,623**	**154,432**

Note 6: CPBDPF

The revenue in 2023 of $nil (2022: $nil) 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 2023 of $nil (2022: $15.004 million) relates to disbursements to DHBs so that the CPB expenditure does not exceed the 2022 CPB budget of $1,085 million.

Note 7: Cash and cash equivalents

	Actual 2023 $000	Actual 2022 $000
Pharmac funds	9,142	6,462
Appropriation funds	172,170	22,138
Legal Risk Fund/HDPF (Restricted)	572	465
Total Cash and cash equivalents	**181,884**	**29,065**

Note 8: Investments

	Actual 2023 $000	Actual 2022 $000
Term deposits - Pharmac	16,800	19,800
Term deposits - Legal Risk Fund	8,300	8,100
Term deposits - HDPF	2,700	2,700
Total Investments	**27,800**	**30,600**

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 9: Debtors and other receivables

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

	2023			2022		
	Gross $000	Impairment $000	Net $000	Gross $000	Impairment $000	Net $000
Not past due	159,033	-	159,033	216	-	216
Past due 30-60 days	-	-	-	-	-	-
Past due 31-90 days	-	-	-	-	-	-
Past due > 90 days	-	-	-	-	-	-
Total	**159,033**	**-**	**159,033**	**216**	**-**	**216**

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

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
2022							
Furniture and fittings	615	30	-	346	72	-	227
EDP equipment	1,396	103	-	1,047	224	-	228
Office equipment	111	-	-	96	3	-	12
Leasehold improvements	1,602	-	-	1,158	151	-	293
Total PPE	**3,724**	**133**	**-**	**2,647**	**450**	**-**	**760**
2023							
Furniture and fittings	645	27	-	418	76	-	178
EDP equipment	1,499	104	-	1,271	191	-	141
Office equipment	111	-	-	99	3	-	9
Leasehold improvements	1,602	-	-	1,309	151	-	142
Total PPE	**3,857**	**131**	**-**	**3,097**	**421**	**-**	**470**

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
2022							
Total Intangible assets	**557**	**-**	**-**	**549**	**8**	**-**	**-**
2023							
Total Intangible assets	**557**	**-**	**-**	**557**	**-**	**-**	**-**

Note 12: Creditors and other payables

	Actual 2023 $000	Actual 2022 $000
Creditors	46,292	279
Accrued expenses	310,127	2,943
Total creditors and other payables	**356,419**	**3,222**

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 2023 $000	Actual 2022 $000
Annual leave entitlement	1,252	1,113
Accrued salaries and wages	793	687
Total employee entitlements	**2,045**	**1,800**

Note 14: Provisions

	Actual 2023 $000	Actual 2022 $000
Non-current provisions are represented by:		
Lease make good	328	328
Total non-current provisions	**328**	**328**
Movement for "make good" provision		
Balance at 1 July	328	328
Balance at 30 June	**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 2023 $000	Actual 2022 $000
Net surplus/(deficit)	4,191	100,894
Add non-cash items:		
Depreciation and amortisation	421	458
Total non-cash items	421	458
Add/(less) movements in working capital items:		
Decrease/(increase) in debtors and other receivables	(158,817)	(33)
Decrease/(increase) in prepayments	4,571	(4,551)
Decrease/(increase) in Operational Vaccines inventory	(26,859)	-
Decrease/(increase) in COVID-19 Vaccines inventory	(44,236)	-
Decrease/(increase) in COVID-19 Treatments inventory	43,815	(95,033)
Increase/(decrease) in creditors and other payables	353,197	1,411
Increase/(decrease) in employee entitlements	245	324
Decrease/(increase) in net GST	(26,378)	2,453
Net movements in working capital	145,538	(95,429)
Other movements		
CPBDPF monies released from/(deposited in) rebates bank account	-	23,186
Total other movements	-	23,186
Net cash flows from operating activities	**150,150**	**29,109**

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 2023	Actual 2022
Board members		
Remuneration	$ 152,500	$ 160,000
Full-time equivalent members	5.17	5.92
Leadership team		
Remuneration	$2,269,656	$2,175,476
Full-time equivalent members	7.02	6.81
Total key management personnel compensation	**$2,422,156**	**$2,335,476**
Total full-time equivalent members	**12.19**	**12.73**

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	
	2023 $000	2022 $000
Hon Steve Maharey (Chair)	48	48
Dr Peter Bramley (Deputy Chair)	7	-
Talia Anderson-Town	24	14
Dr Anthony Jordan	24	14
Dr Diana Siew	24	12
Dr Claudia Wyss (Deputy Chair)	22	24
Dr Elizabeth Zhu	3	12
Dr Jan White (Deputy Chair)	-	12
Nicole Anderson	-	12
Prof Ross Lawrenson	-	12
Total Board member remuneration	**152**	**160**

There have been payments of $696,601 (2022: $593,000) made to committee members appointed by the Director-General of Health or the Board who are not Board members during the financial year. Details can be found in Appendix Two of this Annual Report.

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 (2022: $nil).

Note 18: Employee remuneration

Total remuneration paid or payable	Actual	
$000	2023	2022
100 - 110	14	18
110 - 120	14	15
120 - 130	21	11
130 - 140	5	9
140 - 150	9	8
150 - 160	4	7
160 - 170	7	2
170 - 180	4	3
180 - 190	2	1
190 - 200	1	-
200 - 210	1	2
210 - 220	-	-
220 - 230	1	1
230 - 240	-	1
240 - 250	1	1
260 - 270	1	-
270 - 280	-	2
290 - 300	1	-
330 - 340	1	-
340 - 350	1	-
470 - 480	-	1
480 - 490	1	-

Note 19: Events after the balance date

There are no post balance date events.

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 obligation to Pharmac, causing Pharmac to incur 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.

	2023 Less than 6 months $000	2022 Less than 6 months $000
Creditors and other payables	**356,419**	**3,222**

Fair value
The carrying amounts of financial instruments as disclosed in the financial statements at 30 June 2023 and 30 June 2022 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 2023 $000	Actual 2022 $000
Cash at bank and term deposits		
AA-	199,984	46,165
A	9,700	13,500
Total cash at bank and term deposits	**209,684**	**59,665**
Receivables		
Debtors and other receivables	159,033	216
Total receivables	**159,033**	**216**

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 (2022: $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 revenue and expense
The net surplus for the year ended 30 June 2023 of $4,191,000 is $7,213,000 higher than the SPE budgeted (deficit) of ($3,022,000). Revenue is higher than budget by $184,582,000. During the 2023 financial year Pharmac became responsible for the purchase of COVID-19 Vaccines for New Zealand and a revenue of $122,000,000 was received but no budget had been allowed for. COVID-19 Treatments revenue was $38,000,000 higher than budget with additional treatments required to be pourchased late in the financial year. Interest revenue was much higher than expected from higher cash balances than normal and the increase in the OCR across the year.

Total expense was $1,631,595,000, which was $177,369,000 higher than budget. With the higher than expected rebate revenue Pharmac was able to invest more in pharmaceuticals that could be funded and the National Pharmaceuticals Purchasing costs/distributions was just below budget by $10,153,000. Pharmac purchased a total of $120,727,000 of COVID-19 Vaccines, of which $44,236,000 was held as inventory at 30 June, with a net cost of $76,491,000 which was not budgeted for. Pharmac purchased a total of $244,003,000 of COVID-19 Treatments products, and inclusive of a decrease to the inventory holding of $43,815,000 net expenditure was $287,818,000, of which $51,218,000 is included as inventory at 30 June. Overall COVID-19 Treatment costs were $102,568,000 above budget from the additional $38,000,000 purchases required late in the financial year and also utilisation of the underspend from the 2022 financial year to purchase required Treatments. The final wash-up of amounts payable to Te Whatu Ora/DHBs at 30 June 2022 following the transition to Pharmac of responsibility for managing the National Pharmaceuticals Purchasing Appropriation resulted in a small payable to Te Whatu Ora of $7,731,000 being funded from the Hospital Discretionary Pharmaceutical Fund. Operating costs were $1,095,000 higher than budget from additional vaccine storage costs and freight contribtion costs. Other routine variances were not material.

Statement of financial position
The major changes in the statement of financial position relate to the recognition of additional debtors and other receivables, offset by the recognition of Creditors and other payables, as a result of the transition to Pharmac of responsibility for managing the National Pharmaceuticals Purchasing Appropriation, and increases in the inventory holdings of the respective vaccines and treatments products.

The increase in public equity of $125,118,000 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 four-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.

During the 2023 financial year Pharmac took responsibility for managing the National Pharmaceuticals Purchasing Appropriation and also the acquisition of various COVID-19 Vaccines.

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.

Appendix one

Research papers

Four research papers were published in 2022/23 with support from Pharmac.

Norris P, Cousins K, Horsburgh S, Keown S, Churchward M, Samaranayaka A, Smith A, Marra C. Impact of removing prescription co-payments on the use of costly health services: a pragmatic randomised controlled trial. BMC Health Serv Res. 2023 Jan 14;23(1):31.

Hikaka J, Anderson A, Parore N, Haua R, Hudson M, McIntosh B, Pewhairangi K, Rachel Brown R. Establishing research tikanga to manaaki research participants in a pandemic. N Z Med J. 2022 Feb 25;135(1550):167-169.

https://journal.nzma.org.nz/journal-articles/establishing-research-tikanga-to-manaaki-research-participants-in-a-pandemic

Hikaka J, Parore N, Haua R, Anderson A, Hudson M, McIntosh B, Pewhairangi K, Brown R. Māori, pharmacists, and medicines adherence - A mixed methods study exploring indigenous experiences of taking medicines 'as prescribed' and mechanisms of support. Explor Res Clin Soc Pharm. 2022 Aug 28;7:100175

Hikaka J, Haua R, Parore N, McIntosh B, Anderson A, Pewhairangi K, Brown R. Designing for health equity: A mixed method study exploring community experiences and perceptions of pharmacists' role in minor ailment care. Res Social Adm Pharm. 2023 Apr;19(4):643-652.

Appendix two

Fees paid for expert advice 2022/23

Please see over.

Committee Member	Remuneration/ Fees ($)
Aitken, Dr Andrew - Cardiologist	4,176
Anderson, Professor Brian - Paediatric Anaesthetist/Intensivist	26,125
Babington, Dr Scott - Radiation Oncologist	9,270
Barclay, Prof Murray - Clinical Pharmacologist/Gastroenterologist	1,755
Beckert, Prof Lutz - Dept of Medicine, Otago University, Respiratory Phys	1,862
Berryman-Kamp, Eugene - CEO Te Arawa River Iwi Trust	11,545
Best, Dr Emma - Paediatric Infectious Diseases Consultant	982
Brake, Dr Oliver - Haematologist	4,773
Braund, Prof Rhiannon - Clinical Pharmacist	41,266
Briggs, Dr Simon - Infectious Diseases Physician	926
Campbell-Stokes, Dr Priscilla - Paediatric Rheumatologist	975
Cameron, Dr Christina – Consultant General Physician & Clinical Pharm	3,953
Carlson, Dr Teah Carlson - Chairperson, Ngā Pou Mana	4,513
Chisnall, Dr James - GP	980
Corkill, Dr Michael - Rheumatologist	1,758
Crayton, Liza (now Luck) - GP	1,995
Cutfield, Dr Tim - Infectious Diseases Physician	488
Denby, Dr Martin - GP	3,369
Dennett, Dr Elizabeth - General Surgery Colorectal	22,601
Duffy, Mr Eamon - Antimicrobial Pharmacist	5,730
Dyer, Dr Malcolm - GP	1,462
Evans, Dr Helen - Paediatric Gastroenterologist & Hepatology	380
Fenton, Dr Anna - Endocrinologist	1,365
Fink, Dr John - Neurologist	878
Frampton, Prof Christopher - Biostatistician	3,548
Fraser, Assoc Prof Alan - Gastroenterologist	19,359
Glamuzina, Dr Emma - Metabolic Consultant	3,413
Gunn, Prof Alistair - Paediatric Endocrinologist	3,040
Hanna, Dr Sean - GP	3,464
Harper, Dr Paul - Haematologist	885
Harrison, Assoc Prof Andrew - Rheumatologist	2,169
Heal, Hazel - Consumer Advisory Committee	4,963
Hina, Ms Amy - Nurse Practitioner	1,755
Hoare, Prof Karen - Nurse Practitioner / Senior Lecturer	2,832
Hood, Dr Gillian Hood – Intensivist	6,820
Hughes, Dr Debbie - GP	362
Isaacs, Dr Richard - Medical Oncologist	2,138
Jack, Dr Seif El-Jack – Interventional Cardiologist	523

Committee Member	Remuneration/ Fees ($)
Johnson, Dr Richard - Optometrist	823
Kalolo, Nele - Deputy Chair, Consumer Advisory Committee	2,498
Keepa, Dr Jessica - Māori Clinician Ngāti Porou, GP	570
Khan, Adibah - Consumer Advisory Committee	2,535
Kilfoyle, Dr Allanah - Haematologist	3,860
King, Dr Bruce - Specialist Internal Medicine and Nephrology	21,215
Lawrence, Lisa - Previous Consumer Advisory Committee Chair	19,228
Macfarlane, Tangihaere - Māori Advisory Ropu	2,328
MacKenzie, Dr Karen - Paediatric Endocrinologist	1,568
Mackie, R - Māori Advisory Ropu	5,658
Manuel, Robyn - Consumer Member	18,933
Marra, Prof Carlo, Dean of the School of Pharmacy, Otago Univer	1,853
Martin, Prof Jennifer - Clinical Pharmacologist	22,100
Mason, Rebecca - Māori Advisory Ropu	6,346
Mathavan, Dr Vidya - Haematologist	6,300
McLean, Sarah - Consumer Advisory Committee	6,533
Melciott, Dr Richard - GP	640
Merriman, Dr Eileen - Haematologist	980
Mills, Dr Graham - General & Infectious Disease Physician	3,044
Milsom, Dr Stellar - Endocrinologist	2,429
Morgan, Dr Jane - Sexual Health Physician	190
Mottershead, Dr John - Neurologist	13,358
Munn, Dr Stephen - Transplant Surgeon	39,243
Murphy, Prof Rinki - Specialist Diabetes Physician	3,400
Neas, Dr Katherine - Clinical Geneticist	3,510
Newson, Charmaine - Māori Advisory Ropu	3,420
Newton-Howes, Dr Giles - Psychiatrist	18,425
Noble, Miss Stephanie - Pharmacist	2,564
Nuku, Kerri - Māori Advisory Ropu	248
Ockleford, Assoc Prof Paul - Haematologist	11,324
O'Donnell, Dr Anne - Oncologist	955
Parore, Nora - Pharmacist and Māori Advisory Ropu	3,159
Paterson, Dr Helen - Obstetrician and Gynaecologist	190
Phillips, Dr Julia - Haematologist	1,268
Pihema, Chris - Consumer Advisory Committee	6,565
Rademaker, Dr Marius - Dermatologist	19,893
Randall, Ms Clare - Palliative Care Clinical Pharmacist	2,450
Raymond, Dr Nigel - Infectious Diseases Physician	3,904

Committee Member	Remuneration/ Fees ($)
Renall, Ms Angela - Clinical Pharmacist	3,803
Reynolds, Dr Edwin (Gary) - GP	1,410
Robinson, Dr Logan - Ophthalmologist and Vitreoretinal Surgeon	242
Roke, Dr Christine - Sexual Health Physician	431
Sadlier, Prof Lynette - Paediatric Neurologist	195
Savell, Mr Geoff - Pharmacist	4,410
Schnakenberg, Mary - Consumer Advisory Committee	1,961
Shaw, Dr Ian - Paediatrician	1,330
Smallman, Ms Kate - Diabetes Nurse Specialist	1,373
Stamp, Prof Lisa - Rheumatologist	19,678
Stanfield, Ms Amanda - Community Pharmacist	1,170
Stedman, Assoc Prof Catherine - Gastroenterologist / Hepatologis	855
Stokes, Prof Tim - GP	12,317
Strother, Dr Matthew - Medical Oncologist	31,396
Tatley, Dr Michael - Director, NZ Pharmacovigilance Centre	1,560
Taurua, Tui - Consumer Advisory Committee	1,862
Taylor, Assoc Prof Will - Rheumatologist	1,560
Teague, Dr Lochie - Paediatric Haematologist/Oncologist	1,625
Thomas, Dr Jane - Paediatric Anaesthetist	50,693
Timmings, Dr Paul - Neurologist	6,435
Topia, Ms Helen - Nurse Practitioner/Clinical Educator	8,675
Travers, Dr Justin - Respiratory Physician	5,755
Turner, Assoc Prof Nikki - Director of Immunisation	1,073
Vaka, Sione - Consumer Advisory Committee	2,748
Verheijen, Dr Vivien - Consumer Advisory Committee	2,226
Waaka, Te Awanui - Anaesthetist, Chair Māori Anaesthetist Netw	2,541
Wakim, Janfrie - Consumer Advisory Committee	2,397
Walls, Dr Tony - Paediatrician / Infectious Diseases Specialist	1,152
Webb, Dr Rachel - Paediatric Infectious Disease Physician	7,058
Whittaker, Dr Samuel - GP	98
Whyte, Dr Kenneth - Respiratory Physician	2,036
Wilson, Dr Howard - GP/Pharmacologist	3,104
Wilson, Dr Michelle - Medical Oncologist	9,495
Wilson E, Dr Elizabeth - Paediatric Infectious Diseases Specialist	3,929
Wiltshire, Dr Esko - Paediatric Endocrinologist	3,590
Wynn Thomas, Dr Simon - GP	24,523
	696,601