PHARMAC
Pharmaceutical Management Agency

**24 August 2010**

# A national approach to hospital pharmaceutical funding

The funding of pharmaceuticals used within District Health Board (DHB) hospitals is, with the exception of cancer treatments, currently determined by each DHB. A recent Government decision means that PHARMAC will gradually become responsible for managing the funding of all pharmaceuticals within DHB hospitals.

We are seeking your feedback on the issues around PHARMAC gradually taking greater responsibility for the management of funding decisions for pharmaceuticals that are used within District Health Board (DHB) hospitals. This document represents our thoughts on the matter at this point. As we meet and discuss these issues with stakeholders over the coming months our position may change, however we consider that it is useful to be clear on our thoughts at this time to inform interested parties and assist with these discussions.

## Views sought

We are keen to hear your views on these matters. Progress on this issue over the coming years will be heavily reliant on input and feedback from across the health sector, particularly from clinical staff. If you would like to provide feedback on the issues raised here, or to submit a nomination for the Hospital Pharmaceuticals Subcommittee of PTAC, please submit it in writing to us at:

Email: hospital.pharmaceuticals@pharmac.govt.nz

Fax: 04 460 4995

Post: PO Box 10 254, Wellington 6143

We want to start the process of obtaining clinical input soon – part of that involves establishing the Hospital Pharmaceuticals Subcommittee. We therefore request that nominations for membership of the Hospital Pharmaceuticals Subcommittee are received by **Friday, 1 October 2010.**

We are happy to receive feedback on this topic generally at any point, and we expect to seek specific feedback on a wide range of issues on this topic over the coming years; however we would appreciate your initial views on the issues raised here by **Friday, 17 December 2010**.

Your feedback may be regarding any of the matters raised in this paper, however we would be particularly interested in your views on:

- How you consider that the balance between national consistency in access and individual clinical autonomy can best be struck.


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- What you consider to be the key differences between the hospital and community environment, and between different hospitals, insofar as medicines funding is concerned, and how you think that these could or should be addressed.

- What you consider to be the strengths and weaknesses of the current approach to medicines funding within DHB hospitals.

If you have any questions in relation to the issues raised here, please email us at the above address, or call us on **0800 66 00 50**.

## Background

In early 2009, the Minister of Health formed a Ministerial Review Group to advise the Minister on ways to improve the quality and performance of the public health system.

Subsequent to this work, the Government made an in-principle decision to expand PHARMAC's role in the management of hospital pharmaceuticals, subject to consultation with the sector. Following this consultation, which was led by Dr David Sage, Chief Medical Officer at Auckland DHB, the Government reaffirmed its previous decision.

## PHARMAC's current role

In addition to managing community pharmaceutical funding and an exceptions mechanism for this (Community Exceptional Circumstances), we currently have some involvement in hospital pharmaceuticals, which has three separate but related elements:

1. Establishing **national contracts** for supply of pharmaceuticals to hospitals. This includes running tenders (or other competitive processes) for Hospital Supply Status. This does not limit which pharmaceuticals can be used within DHB hospitals, but may require DHB hospitals to use a particular brand, should the pharmaceutical in question be used.

2. Assessment and decision-making for the funding of hospital-administered **pharmaceutical cancer treatments** (PCTs) as well as an exceptions mechanism for this (Cancer Exceptional Circumstances).

3. Managing the list of pharmaceuticals that DHB hospitals can directly provide to patients for use in the community (the **Discretionary Community Supply** list) as well as an exceptions mechanism for this (Hospital Exceptional Circumstances).

## Benefits of an expanded role

The Government has decided that PHARMAC should take responsibility for management of hospital pharmaceuticals, and to work towards managing these under a fixed budget. Subsequently, we will become responsible for making decisions about which new pharmaceuticals would be funded for use in DHB hospitals.

As a result of this, the geographical variation in medicines funding that currently exists within hospitals would be significantly reduced – clinicians in all DHB hospitals would have access

to the same pharmaceuticals, and would obtain access to new pharmaceuticals at the same time.

This would also allow for greater alignment of pharmaceutical funding decisions in hospitals and in the community. There are often cases where patients are given a treatment in hospitals that is not funded in the community; we would work to minimise these problems.

The Government has also decided that, following a suitable period of consultation and engagement with clinicians and other stakeholders, PHARMAC should eventually take responsibility for the management of medical devices. We intend to progress the issue of hospital pharmaceuticals separately from medical devices, and will seek information and views on medical devices at a later time.

## National decision-making

We have given some thought to what national management of hospital pharmaceutical funding would look like in practice, however we are interested to hear the views of others on this matter. DHB and clinical views in particular will be essential to ensure that the process is appropriate, effective and enhances patient care.

In considering how national management of hospital pharmaceutical funding could operate, there are a range of issues that need to be thought through, such as:

- balancing national consistency against individual clinical autonomy;
- ensuring that the assessment of new technologies is robust, yet timely;
- ensuring that national funding decisions are affordable at a local level;
- having a system for funding exceptions that is workable and responsive; and
- ensuring that any new processes or administrative requirements cause minimum disruption to clinical workflow.

We note that we have previously moved to a national system for funding pharmaceutical cancer treatments (PCTs); however we want to give fresh consideration to each aspect of this work, rather than simply implementing the same system used previously, as our experience with cancer treatments was that some aspects of the shift worked particularly well, while improvements can and should be made in other areas.

One of the first steps in moving towards a national system would be to review the current use of pharmaceuticals across all DHB hospitals and to replace individual DHB formularies (or approved/preferred medicines lists) with a single national list of pharmaceuticals to be funded in all DHB hospitals, a ‘Hospital Treatments Basket’.

## Challenges ahead

We acknowledge that this will not be a simple task, nor will the process be a quick one. There are a large number of pharmaceuticals used in DHB hospitals, and their funding and restrictions will vary between the 20 District Health Boards. Creating a national Hospital

Treatments Basket will require a careful analysis of current usage, and a consideration of the costs and benefits from including or excluding each product.

We recognise the importance of access to hospital pharmaceuticals for clinicians and patients. Striking a balance between national consistency and providing for clinical autonomy is important, as is creating a funding system and exceptions mechanism that has sufficient responsiveness to meet the needs of an acute care environment while being sustainable in the longer term.

Implementing this change may require enhancements to hospital information systems to ensure that accurate information on usage can be obtained, and to minimise any administrative aspects of the change.

It will also be necessary to consider how and when the management of hospital-administered cancer medicines can be aligned with the management of all other hospital pharmaceuticals. While we consider that all hospital pharmaceuticals should be managed in the same way in the longer term, the funding mechanism for cancer treatments is currently similar to that for community pharmaceuticals, so it may not be possible to remove the distinction between cancer and non-cancer hospital pharmaceuticals for some time. We will, however, be looking to see where alignment can occur over time.

## Indicative timeline

An indicative timeline of the steps that we currently anticipate taking is as follows. This may, however, change following feedback and discussions with DHB staff.

- In order to have appropriate time to consider each pharmaceutical currently in use in DHB hospitals, and to ensure that all parties have sufficient opportunities to input into the process and provide feedback, we are scheduling several years for this work. We estimate that a national Hospital Treatments Basket could be effective from July 2013. Until this time, DHBs would continue to be individually responsible for making funding decisions for hospital pharmaceuticals.

- Once we have received feedback on the issues in this document, and have had opportunity to discuss them further with clinicians and other DHB staff we will be starting to develop our thoughts on rules and policies for hospital pharmaceutical funding. We estimate that we will be seeking further feedback on specific issues between late 2011 and early 2012, with a view to having them finalised by January 2013.

- At some point before we establish the Basket, we would start requiring that new funding applications for hospital pharmaceuticals be submitted to us. We are uncertain at this stage when this should occur, but it could be as early as January 2012.

The transition to managing hospital pharmaceuticals under a fixed budget would take several years from the establishment of the Basket, given the necessary changes to information systems and funding arrangements.

## DHB and clinician involvement

We will soon be starting a process of visiting key people within all DHBs to gain an understanding of the issues particular to each of them, such as funding pressures,

information systems and how funding decisions and exceptions are currently managed within DHB hospitals.

We are very keen for DHBs and DHB staff to be involved in this work as it progresses, both through direct discussion and by providing information and views to input into the review process (described below). Clinical involvement in particular is a high priority for us given the relevance of our expanded role to clinical practice.

We are also looking to ensure that DHB staff in particular are regularly updated as this work progresses, and are readily able to access information on any changes or proposals; will be working with DHBs to determine the best ways for this to happen.

## Hospital pharmaceuticals subcommittee

In order for us to be able to work through the task of amalgamating the existing DHB formularies (or approved/preferred medicines lists) into a national Hospital Treatments Basket, we intend to establish a new subcommittee of the Pharmacology and Therapeutics Advisory Committee (PTAC).

The Hospital Pharmaceuticals Subcommittee would provide advice, from both a medical and pharmacy perspective, on current use of hospital pharmaceuticals within DHBs, which products should be included in the Basket and on which products access restrictions should apply. The subcommittee may also be asked to provide advice on policy and systems issues related to this work prior to us seeking wider feedback.

We are seeking nominations for clinicians and pharmacists to be members of the Hospital Pharmaceuticals Subcommittee.

It is our preference that members of this Subcommittee be senior clinical staff within DHB hospitals, such as chairs or members of hospital Drug and Therapeutics committees and chief hospital pharmacists, with a broad experience and knowledge of pharmaceuticals and their therapeutic indications, however we welcome all nominations.

To put forward a nomination, please submit it in writing by **Friday, 1 October 2010**. Nominations should include a curriculum vitae as well as a brief summary of the candidate's current roles and responsibilities within their hospital, including any current committee membership.

*Other PTAC subcommittees*

In the process of establishing the Basket, we consider that it will be necessary to augment the advice from the Hospital Pharmaceuticals Subcommittee with that from other PTAC subcommittees (e.g. Cardiovascular, Anti-Infective, Respiratory) for many products.

These other subcommittees would be involved in reviewing new funding applications for hospital pharmaceuticals, alongside applications for community pharmaceuticals. Accordingly, we intend to review both the scope and membership of the specialist subcommittees that we have currently, to ensure that these are appropriate given the expanded focus that they would have.

If you would like to provide suggestions as to how we could amend the list of PTAC subcommittees, or ensure that each subcommittee has the right skill mix, you may wish to

view the current list of subcommittees and their members. This is available on the PHARMAC website at:

**www.pharmac.govt.nz/PTAC/PTACsubcommittees**

Following advice from the Hospital Pharmaceuticals Subcommittee, other Subcommittees and PTAC, it is our intent to consult widely on a proposed composition of the Basket before it is finalised.

*Hospital Pharmaceutical Advisory Committee*

Some of the above functions are performed by the Hospital Pharmaceutical Advisory Committee (HPAC). Should we proceed with the establishment of this subcommittee, we would not maintain HPAC, but would look to ensure that the role that HPAC currently fills would be met by the Hospital Pharmaceuticals Subcommittee.

## Further consultation

We are not at this stage seeking feedback on specific issues other than those addressed above. Over the course of the next year we intend to seek feedback on specific issues, such as an exceptions mechanism, as draft policy is developed. We will also be seeking feedback at various stages as we progress with the establishment of the Hospital Treatments Basket; it is likely that we would consult on discrete therapeutic areas individually.

Updated information on this topic will be available on our website at the following address:

**www.PHARMAC.govt.nz/HospitalPharmaceuticals**