

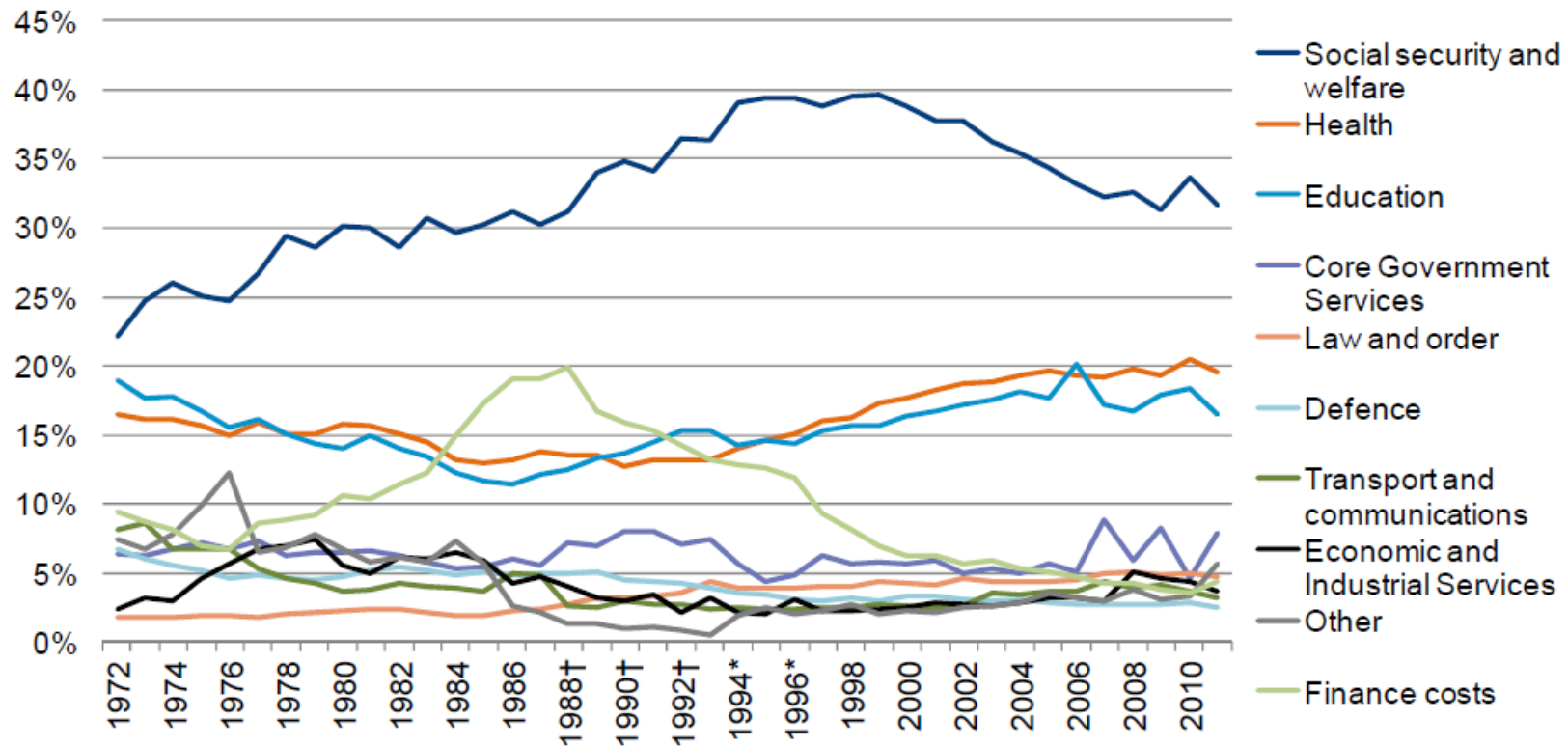
Extending the value proposition: Building new functions from existing competencies

Steffan Crausaz, Chief Executive



Health as a proportion of Government expenditure

Figure 1: Core Crown expenses by sector, 1972 – 2011

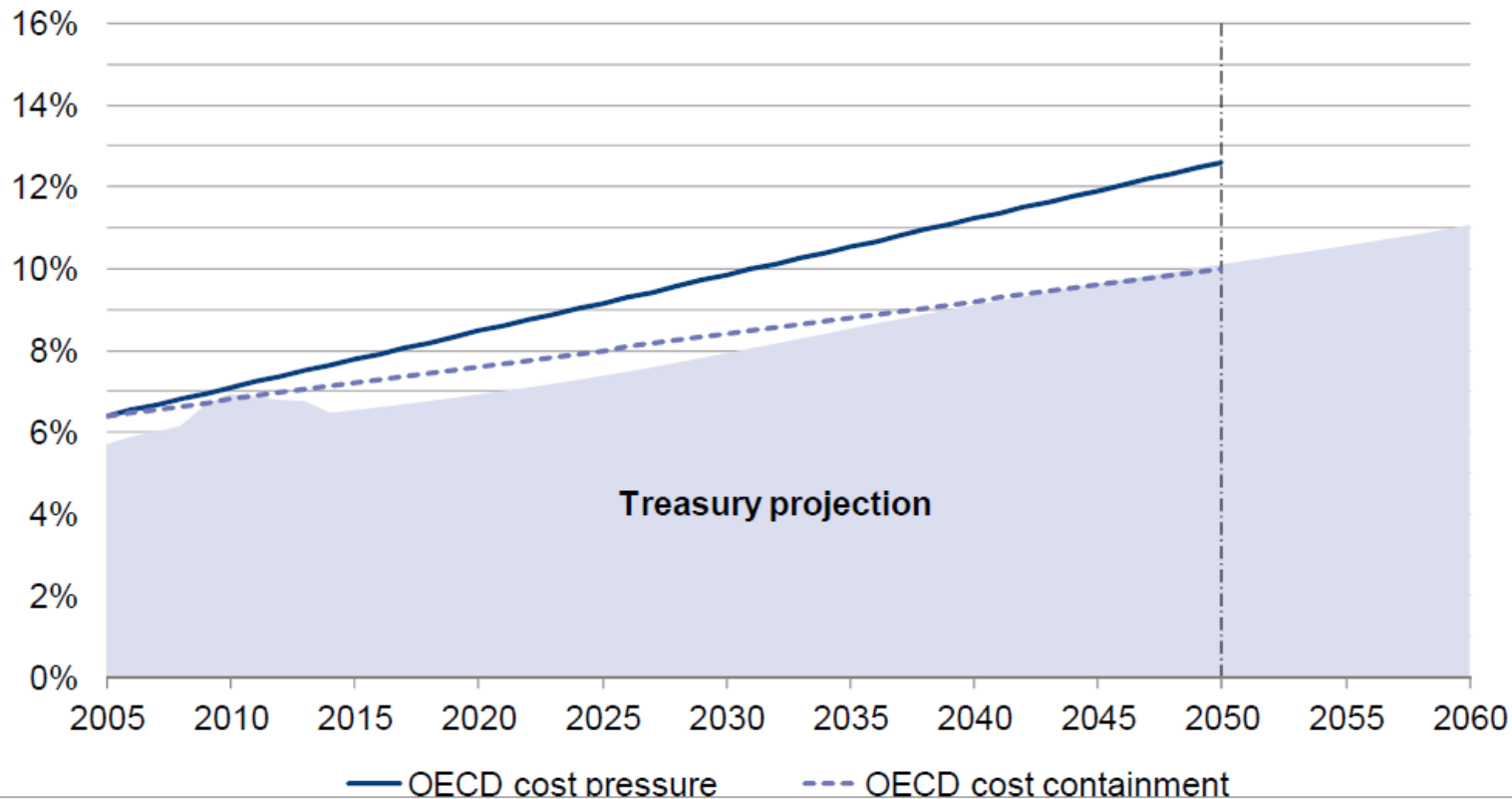


Source: The Treasury



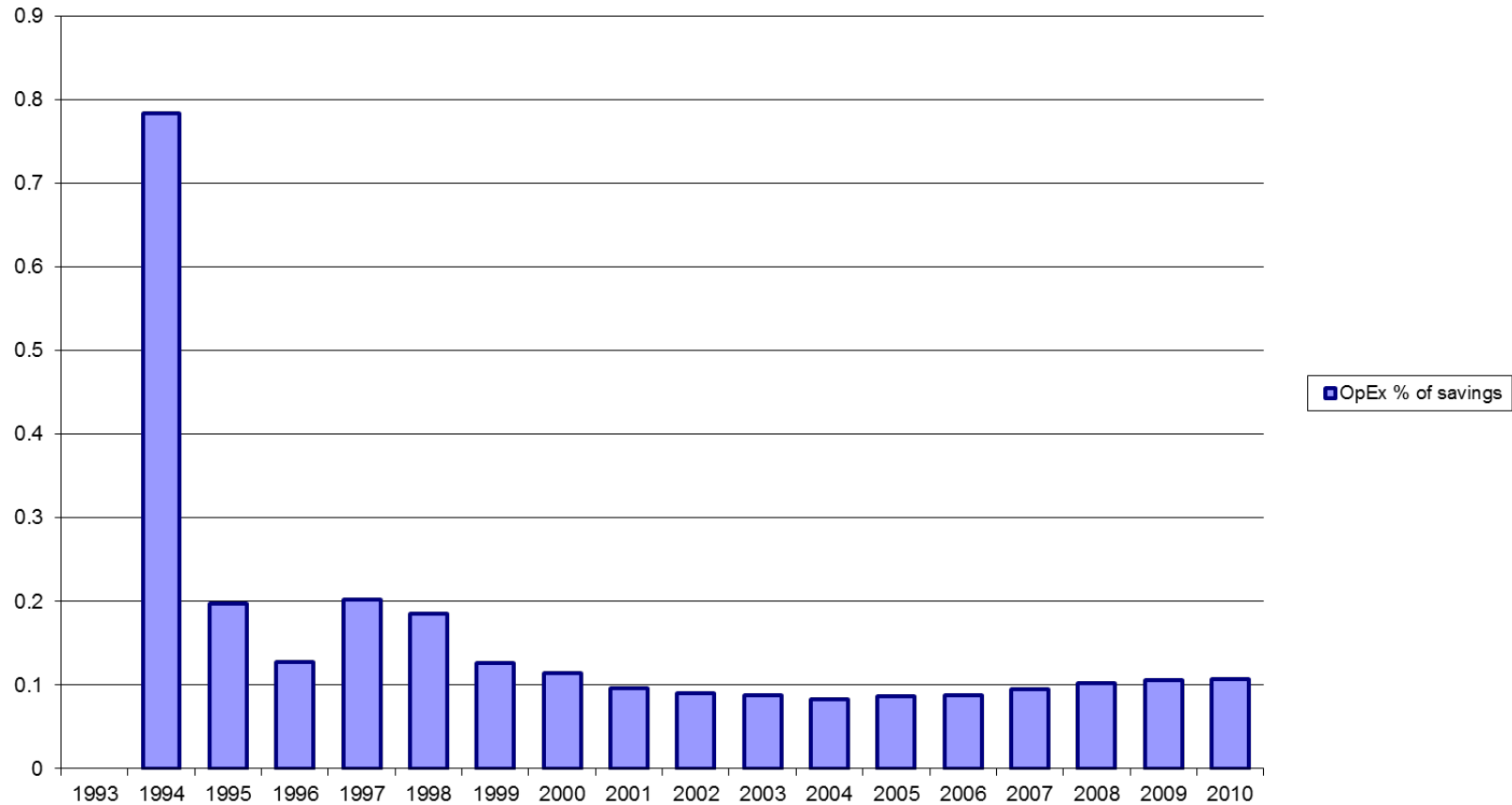
New policy settings for cost management required

Figure 22: 2006 OECD projections for New Zealand health spending (% of GDP)



PHARMAC long-run RoI

Cumulative OpEx as % of savings



Increasing scope

1993 - Original brief, community pharmaceuticals

2002 - Oncology medicines

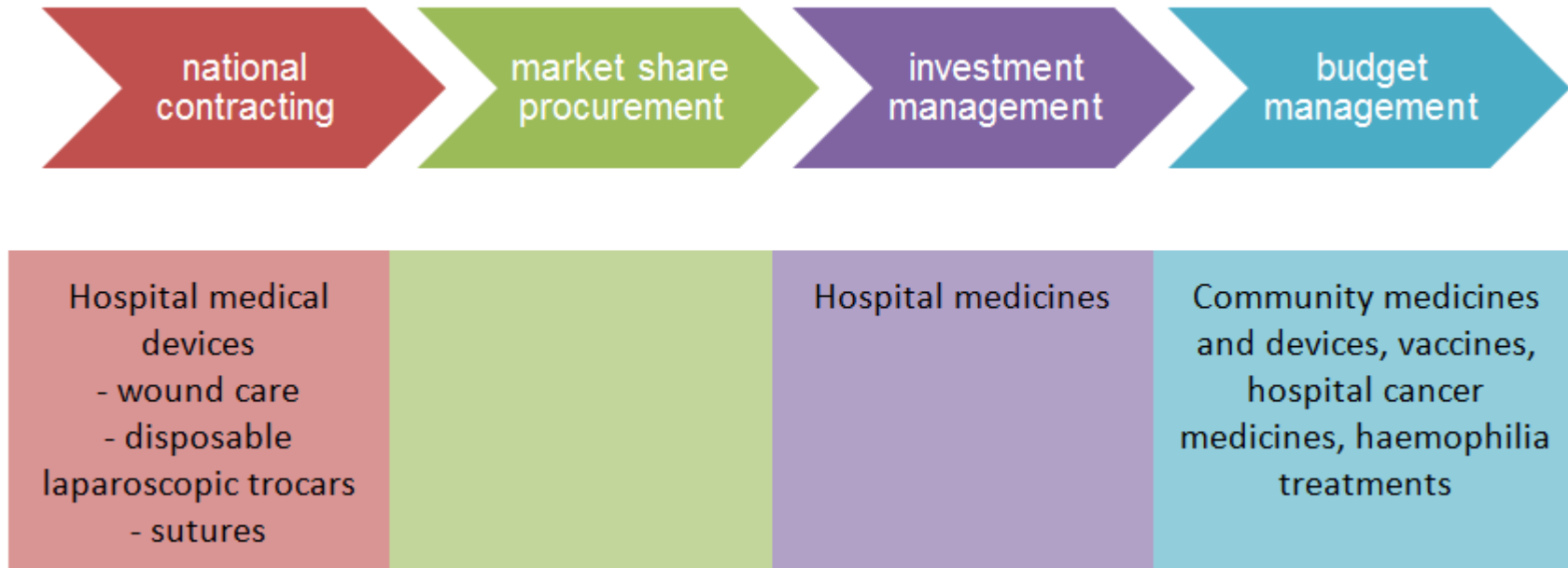
2010 - All hospital pharmaceuticals

2012 – Vaccines

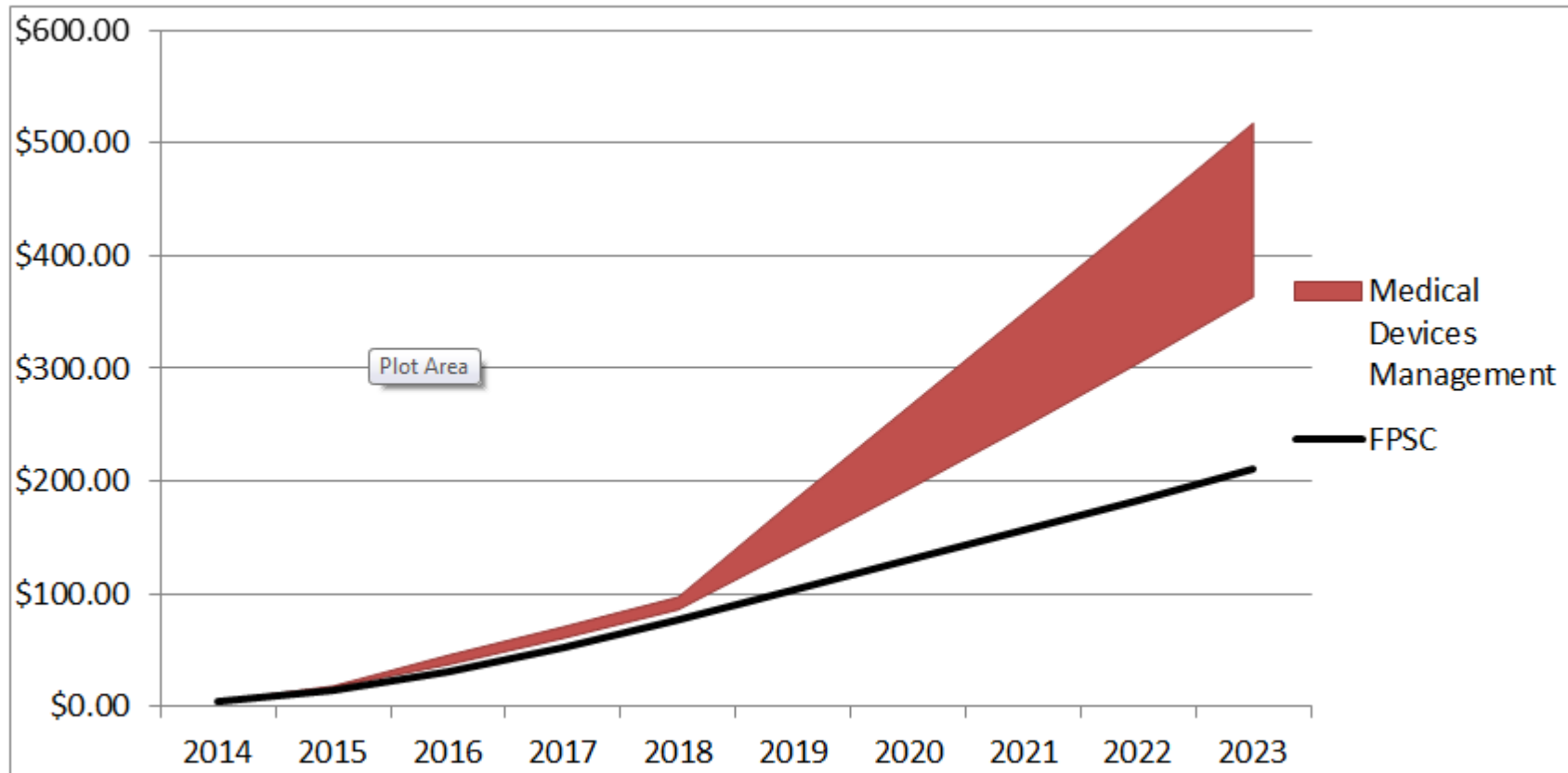
2012 - Medical devices



Components of the “PHARMAC-model”

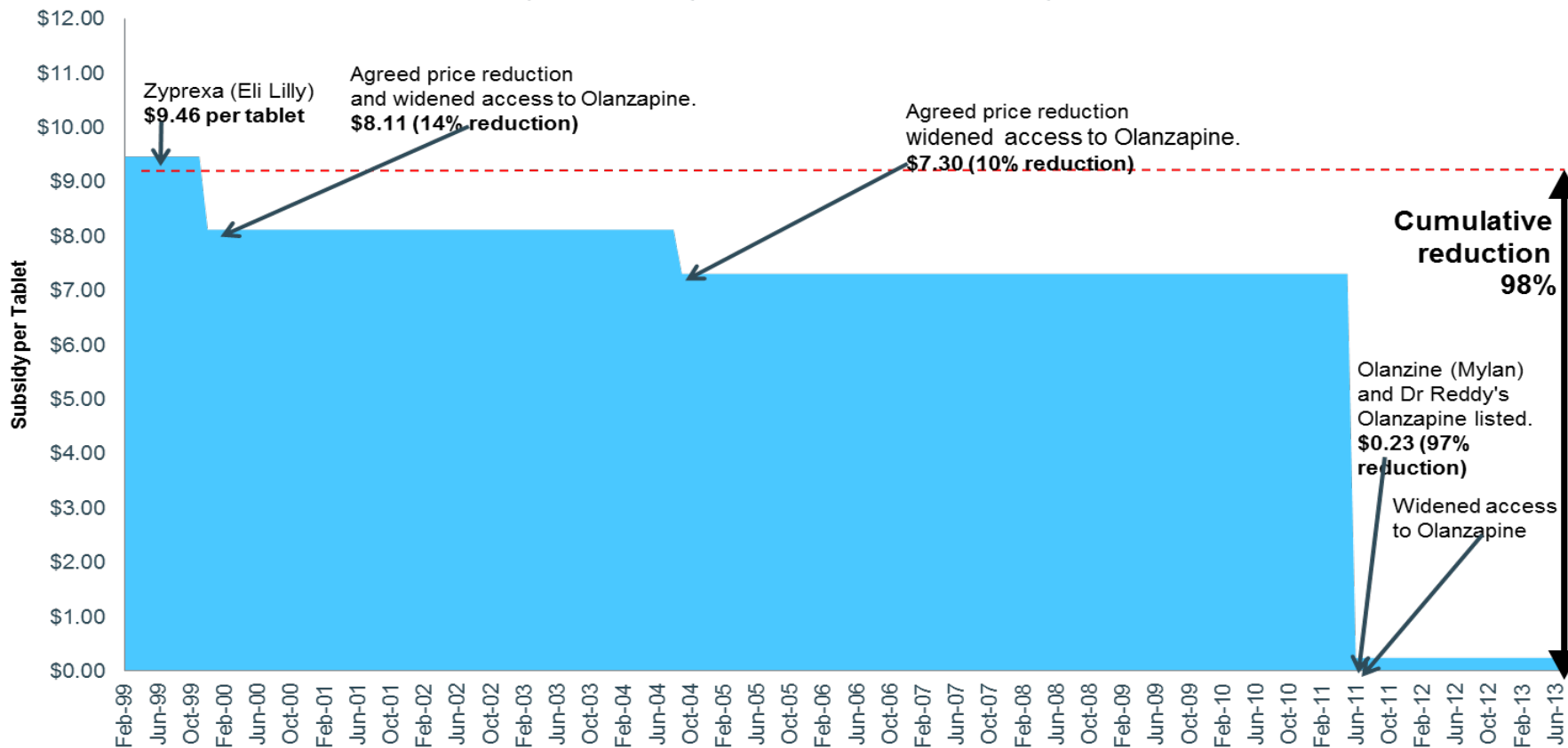


Increasing value from “PHARMAC-model” - devices



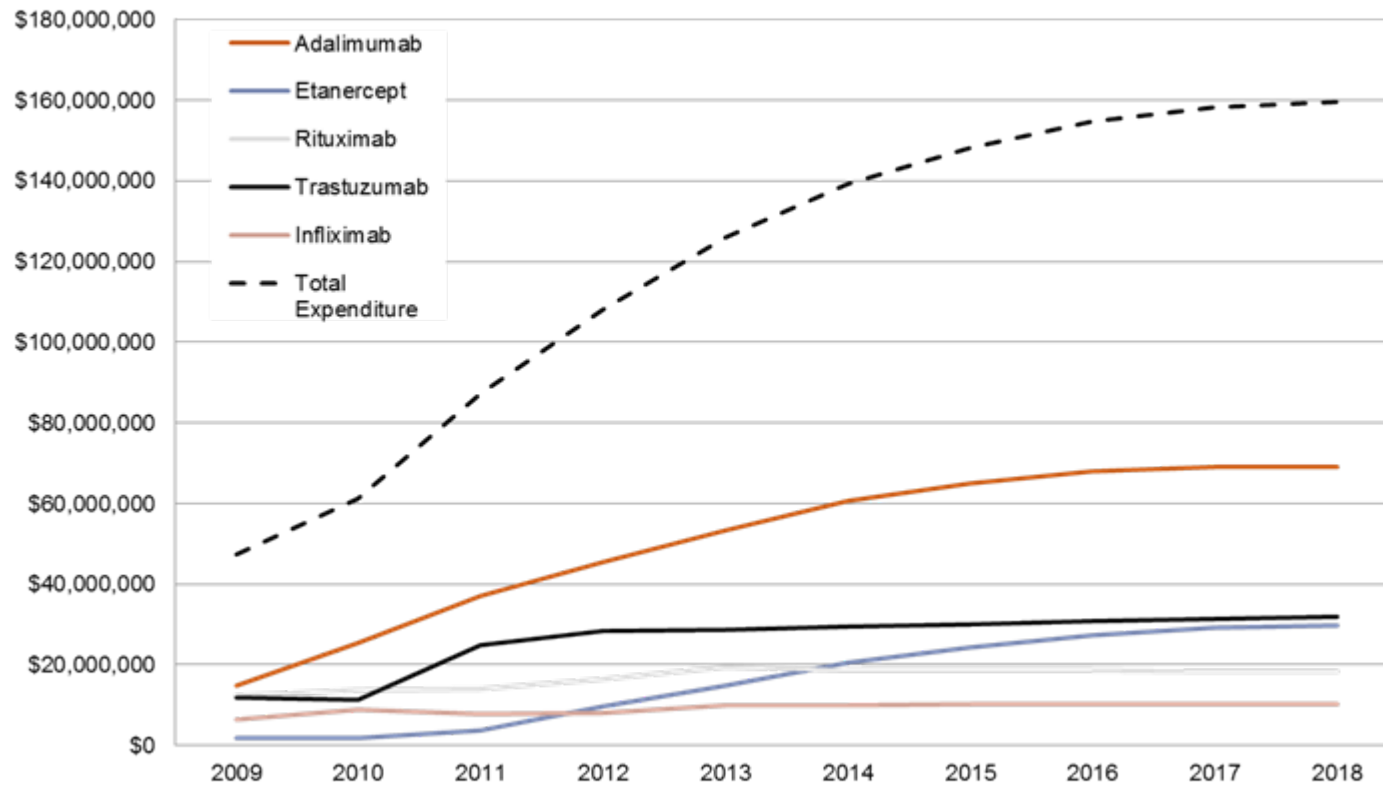
Importance of substitutability

Average subsidy for Olanzapine 5mg Tablet



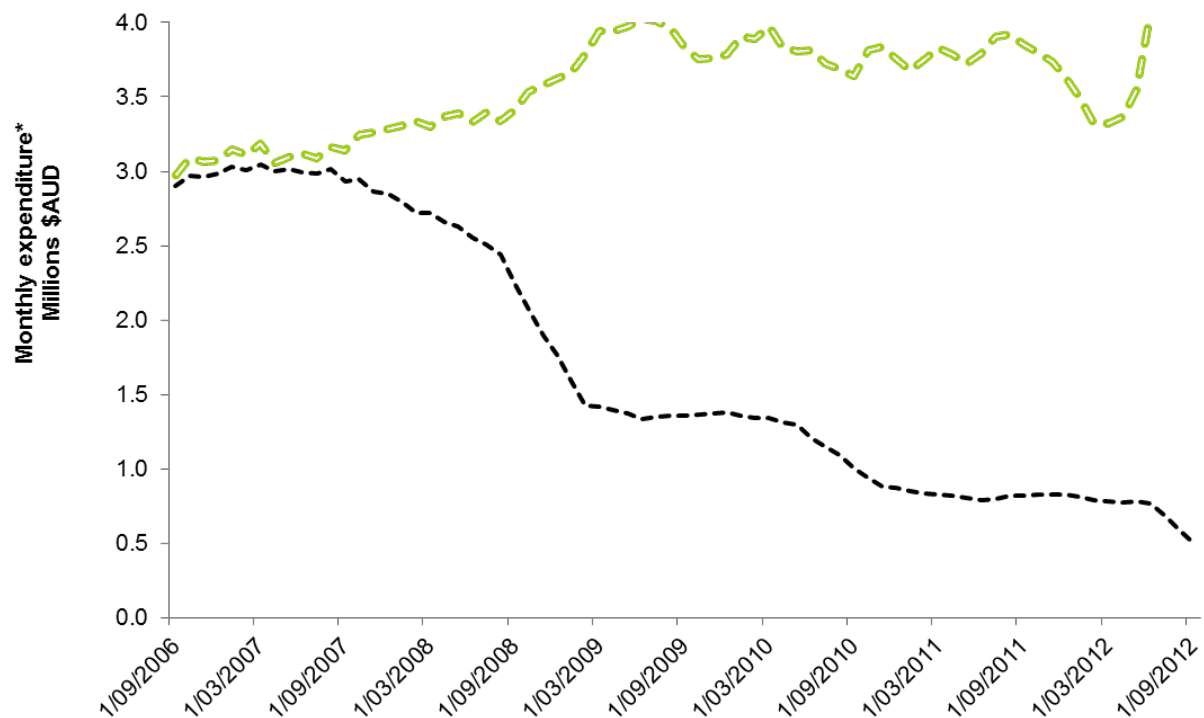
Importance of substitutability - challenge of biologics

mAb Expenditure NZ

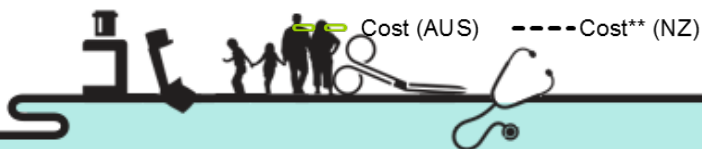


Importance of investment management

Australian and New Zealand experience in the combined paliperidone / risperidone market



- 2mg paliperidone = 1mg risperidone, All NZ data multiplied by 5 to adjust for population differences.
- Excludes confidential rebates. Exchange rate adjusted monthly



Increasing scope

1993 - Original brief, community pharmaceuticals

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2012 – Vaccines

2012 - Medical devices



Devices: the enablers

The Financial Management Information System (FMIS)

Accurate purchasing and expenditure data

The DHB Product Catalogue

Unique product identification across 20 DHBs

Will give effect to the Schedule of medical devices

Establishment work

Capacity and capability

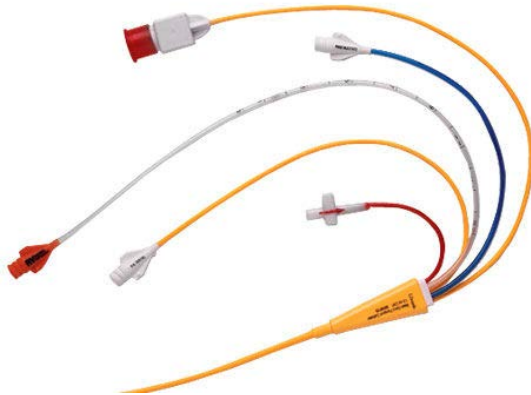
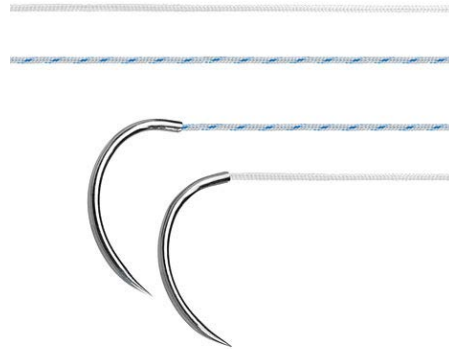
Framework, rules, processes

Stakeholder engagement

National procurement projects



Devices: What we're already doing



Over 4000 line items



The initial medical devices activity

Anti-Embolism Stockings

Disposable Sterile Instruments

Hand Hygiene

Interventional Cardiology

Mechanical Compression Devices and Consumables

Orthopaedic Implants – maximisation of suite of contracts

Sterile Surgical Gloves

Sterilisation Wrap, Tray Liners and Associated Consumables

Sutures

Thermometers

Wound care



How things are tracking

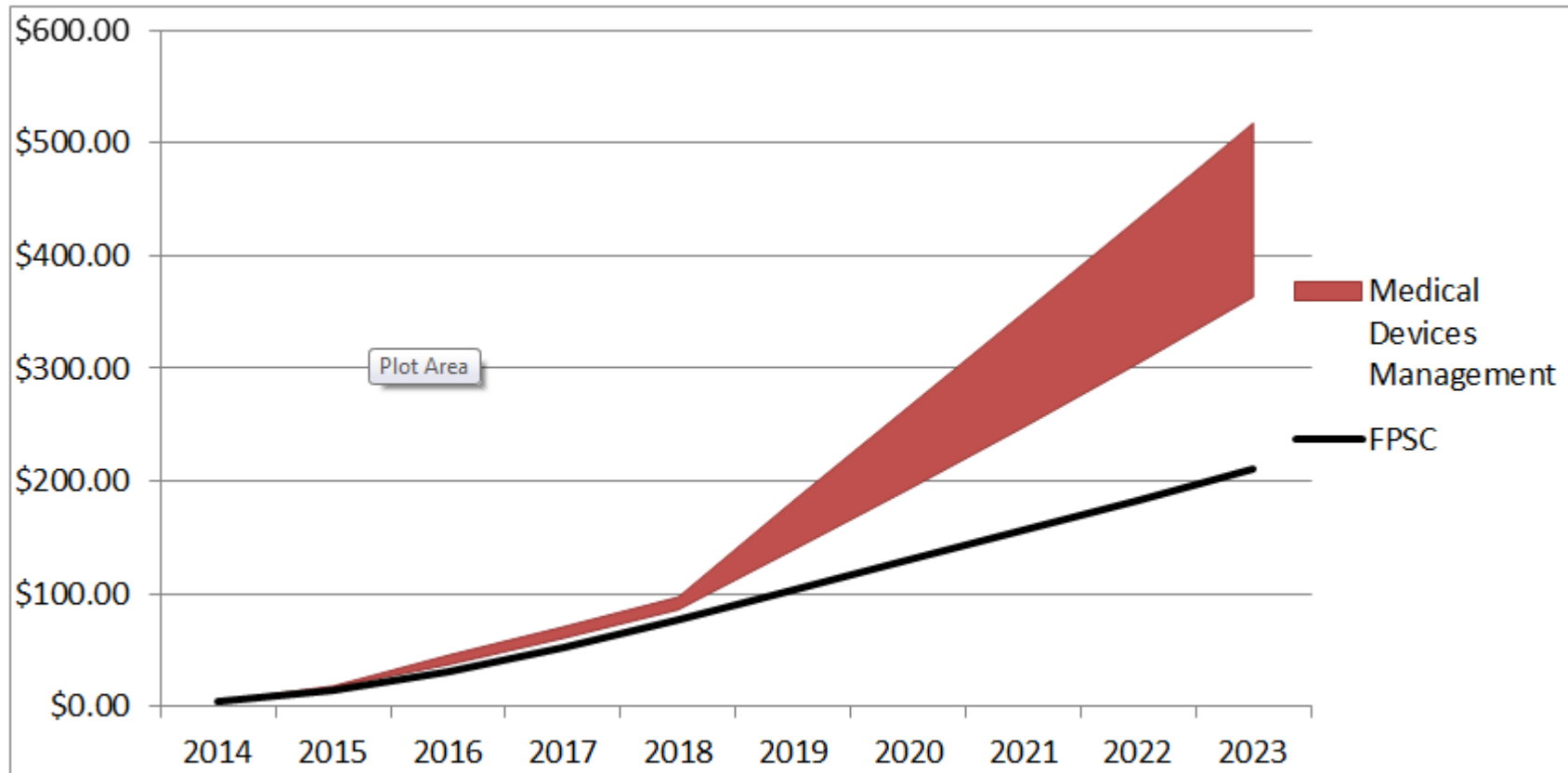
\$73m in P&L benefits to the funder over last two years from \$6.3m investment

Vaccines, medicines and blood products contributing most

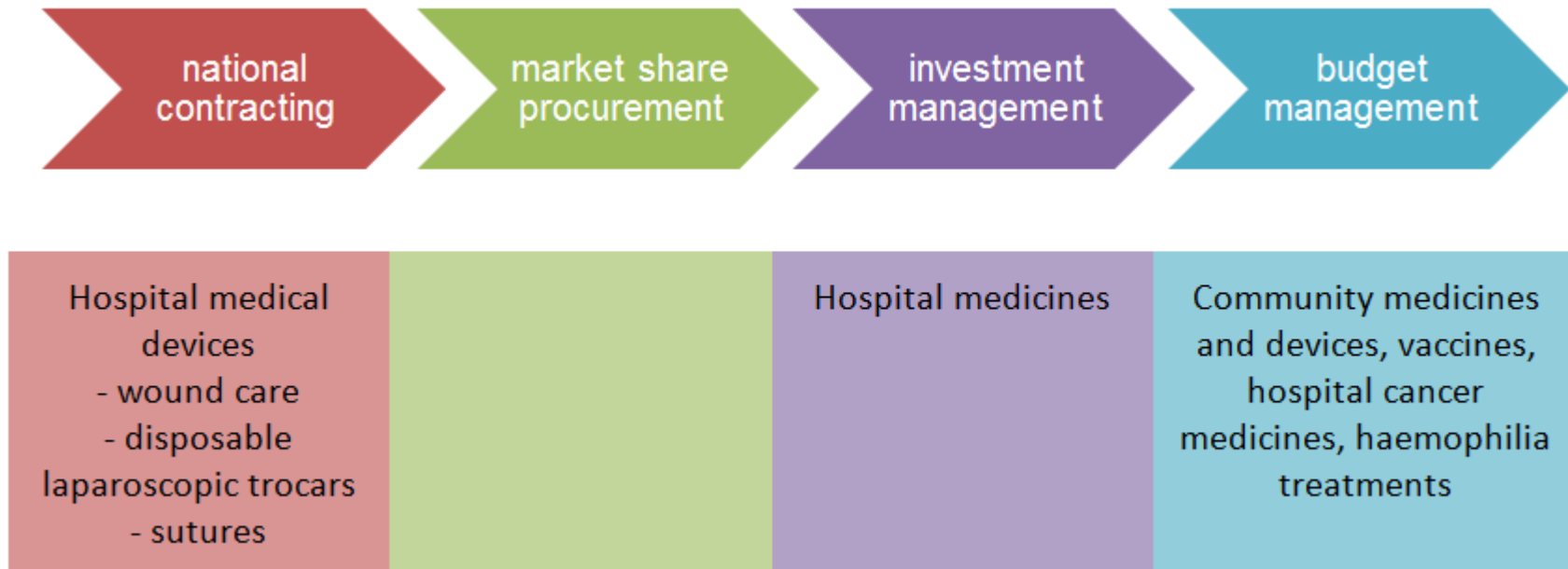
Devices early days – savings and opportunities in line with expectations. Infrastructure challenges.



Benefits expected; infrastructure is important



“PHARMAC-model”



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