POLICY POINT

Pharmac should not be criticised simply for being selective and slow about the medicines it funds

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Dr Bryce Wilkinson

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Key Point

Pharmac is often criticised for not funding enough new medicines and for being too slow to determine which ones it will fund. However, being slow and focused is not proof of being too slow or too focused. Newish evidence from Germany reinforces this point.

The six charts in the Appendix that ends this Policy Note demonstrate that New Zealand is indeed selective and slow in OECD-wide comparisons, but not so much compared to Asia-Pacific countries.

Those wanting faster access to new medicines at someone else's expense naturally use such OECD-wide comparisons to support their case.

The problem with such advocacy is that, on the evidence, being slow and focused might be best for New Zealanders. To show it is too slow and too focused requires more evidence.

A new medicine may be too costly and/or too ineffective. Pharmaceutical companies globally have an incentive to release new medicines that are close substitutes for older medicines that are soon to lose patent protection that will make them much cheaper.

Pharmac knows this. What Pharmac used to be about, and should still be about, is to use its fixed budget to subsidise cost-effective pharmaceuticals.

On the evidence, a great many new medicines may not be effective. For example, in a recent address in the US, Harvard Medical School teacher and author, John Abramson cited a study by Germany's Institute for Quality and Efficiency in Health Care[1] that in his words:

> found that of 216 new drugs from 2011-2017, only 54 were of "major" or "considerable" benefit. Thirty-seven were of "minor", "less", or non-quantifiable" benefit. And there was "no proof of added benefit" for 125 of the drugs. Here in the U.S., because we don't have a mechanism of evaluating new products, doctors don't know which product out of every four is worth prescribing. [2]

[1] Michael Mezher, "German study finds most new drugs fail to improve on standard of care", *Regulatory News,* 12 July 2019. https://www.raps.org/News-and-Articles/News-Articles/2019/7/German-Study-Finds-Most-New-Drugs-Fail-to-Improve

[2] John Abramson, "America's Broken Health Care: Diagnosis and Prescription", *Imprimis*, Hillsdale College, Volume 52, Number 2, February 2023. https://imprimis.hillsdale.edu/wp-content/uploads/2023/03/Imprimis_Feb_3-23_8pgWEB.pdf.

Dr. Bryce Wilkinson is a Senior Fellow at the Initiative.

So Pharmac is right to take time to assess effectiveness. When a new medicine is launched, evidence of its effectiveness might be limited. A new medicine may also cost a lot.

Bargaining for a good price is particularly important for medicines. This is because pharmaceutical companies have to price discriminate across countries for complex reasons. Bargaining takes time.

It would be useful if the media made a habit of asking the lobbyists for new funding what Pharmac should stop funding, given its fixed budget.

That question will get to the heart of the matter – value for money in terms of health benefits.

Of course, the good reasons for taking time are not proof that Pharmac is getting it right.

Perhaps it is too slow or too fast or funding too many new medicines or too few. What counts is the quality of the evidence, either way. The point is that advocates should provide material evidence.

There is another question, if Pharmac has got it right, why are so many other countries so wrong?

James Abramson's article makes a good case of explaining how the US has got it wrong. The last sentence in the above quote provides a clue.

Another factor, in countries which have one, might be the lobbying power of a powerful local pharmaceutical industry. The US has one.

Relevant further reading

Pharmac has responded to some of the misunderstandings of its role.[3]

My 2020 report for the Initiative, *Pharmac, the Right Prescription*, covered the points made in this research note and more but it did not include the findings from the German study.

Also, since that 2020 report, an article by Dr Peter Davis cites a finding that delays in Pharmac's funding appear to largely reflect a "lack of clarity over safety and therapeutic benefit".[4] Fair enough, then.

Private health insurance should be considered by those wishing to access unsubsidised new medicines. Without endorsing this New Zealand company in any way, Policywise's webpage illustrates the private interest in providing such insurance and its availability. [5]

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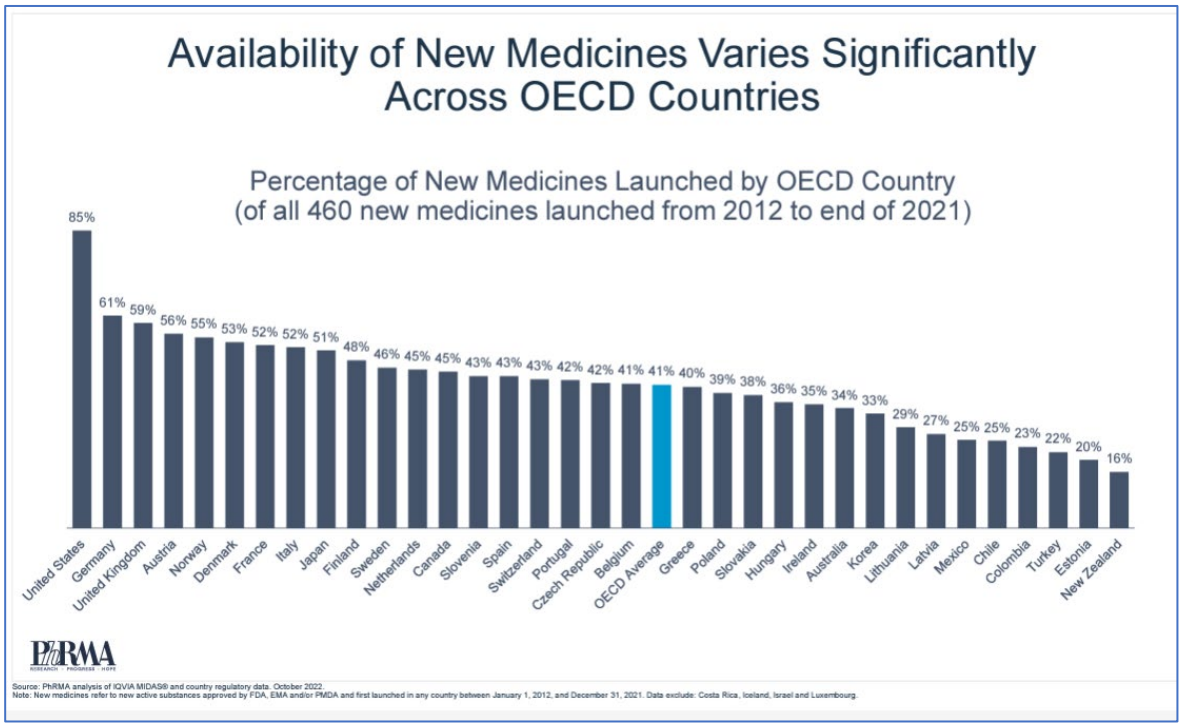
[3] See, for example, Pharmac. "Mythbusting Pharmac". https://pharmac.govt.nz/about/what-we-do/how-pharmac-works/mythbusting-pharmac/pharmac/

[4] Dr Peter Davis, "PHARMAC decision-making on new medicines. A case study", *Journal of Primary Health Care*, 2022, 14(1):4-5. https://peterdavisnz.com/2022/04/16/pharmac-decision-making-on-new-medicines-a-case-study/

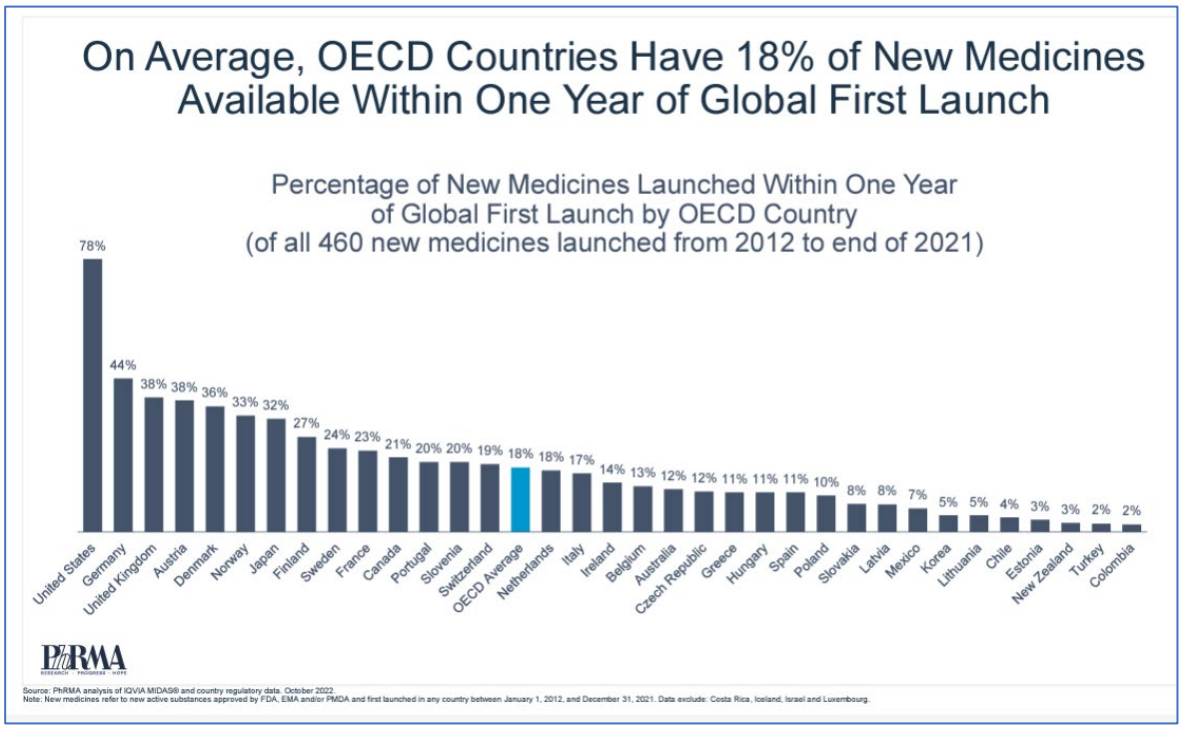
[5] PolicyWise website. https://www.policywise.co.nz/resources/non-pharmac-drugs

Appendix: Evidence on Pharmac's focus and slowness

The following charts are from a 2023 publication by PhRMA, a US trade group representing US Pharmaceutical companies.[6]

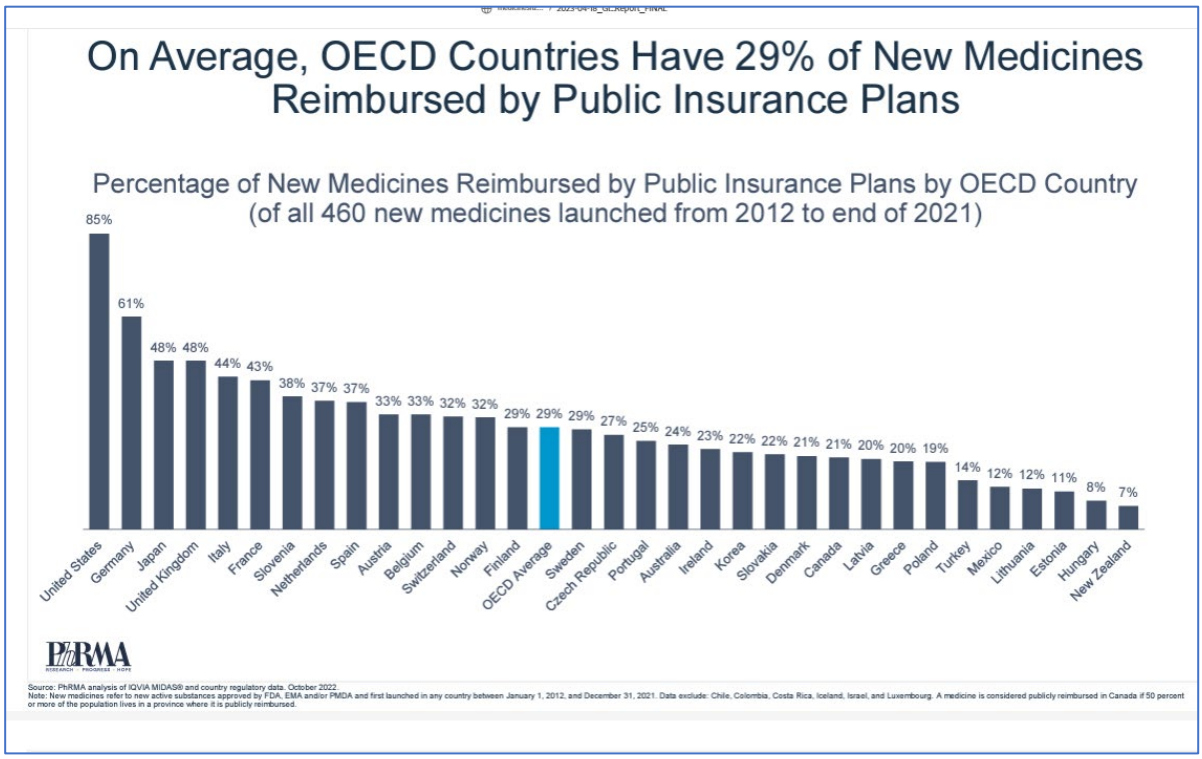


New Zealand is bottom with 16%. In other words, when surveyed, perhaps in 2022, 16% of the 460 new medicines were found to be available for the New Zealand public.

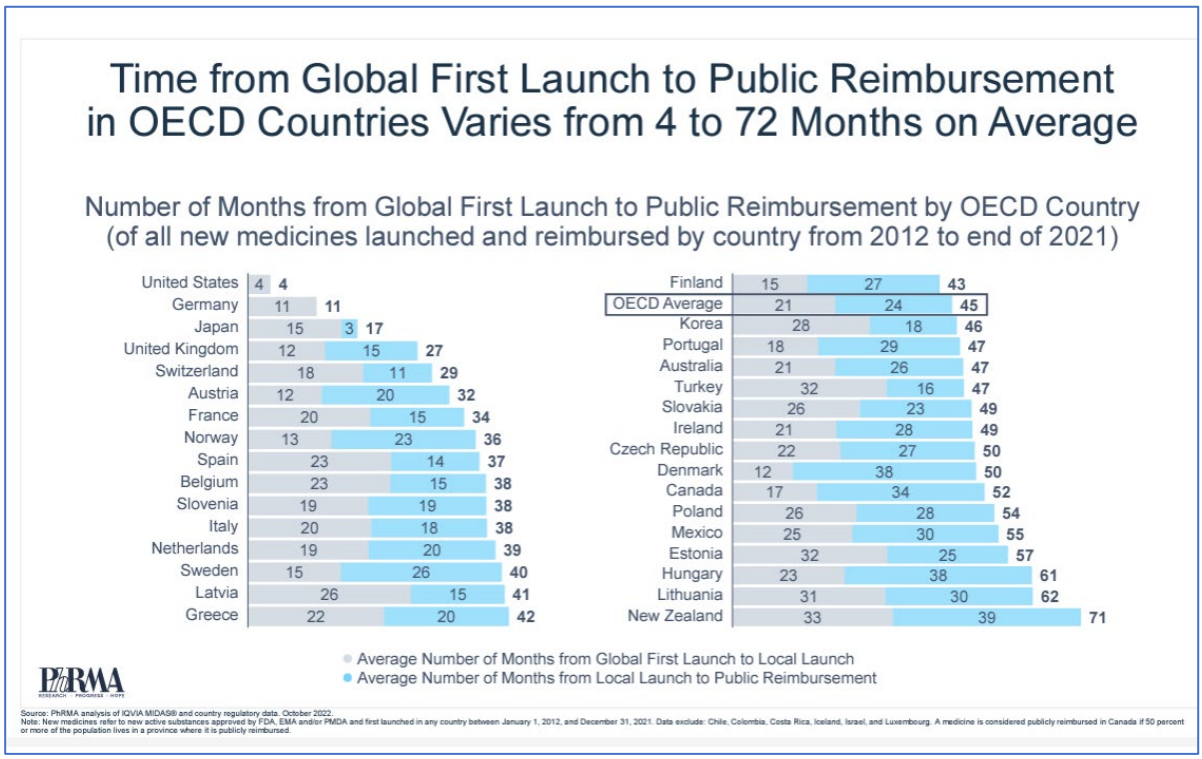


New Zealand is 3rd from the bottom with 3%.

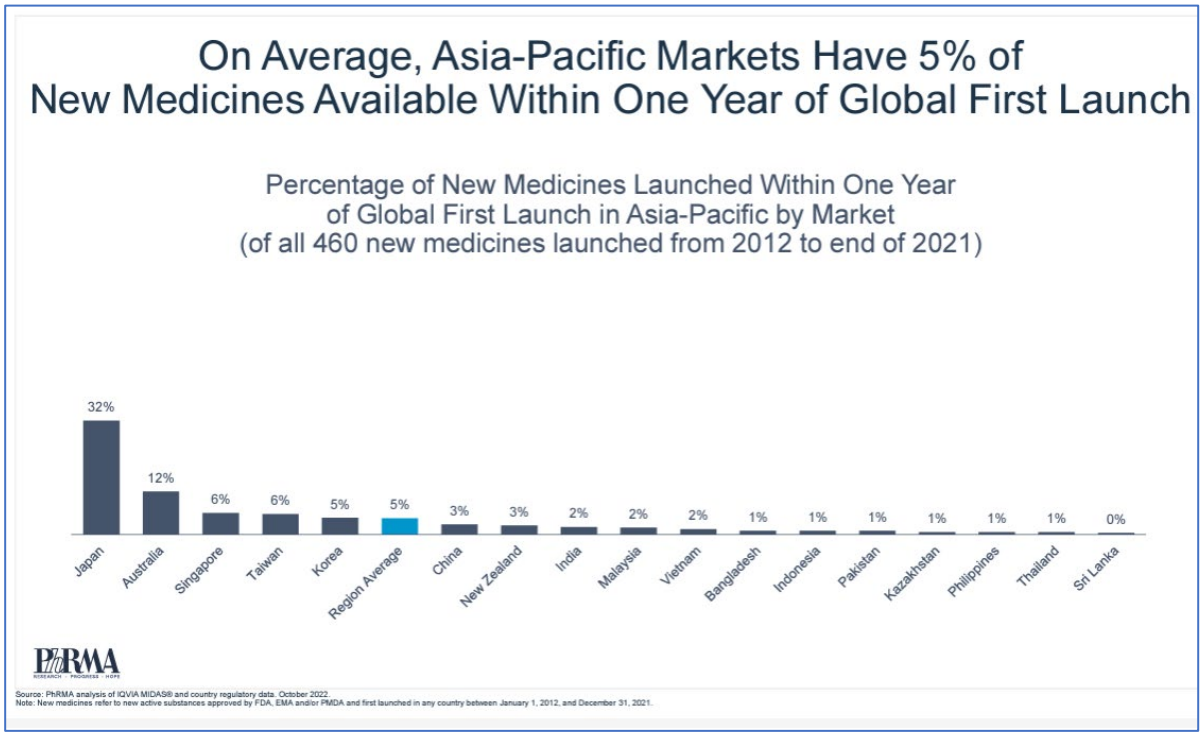
[6] Pharmaceutical Research and Manufacturers of America (PhRMA) "Global Access to New Medicines Report, April 2023. https://www.medicinesnz.co.nz/fileadmin/assets/2023-04-18_Global_Publicly-funded_Access_to_New_Modern_Medicines_Report_FINAL.pdf



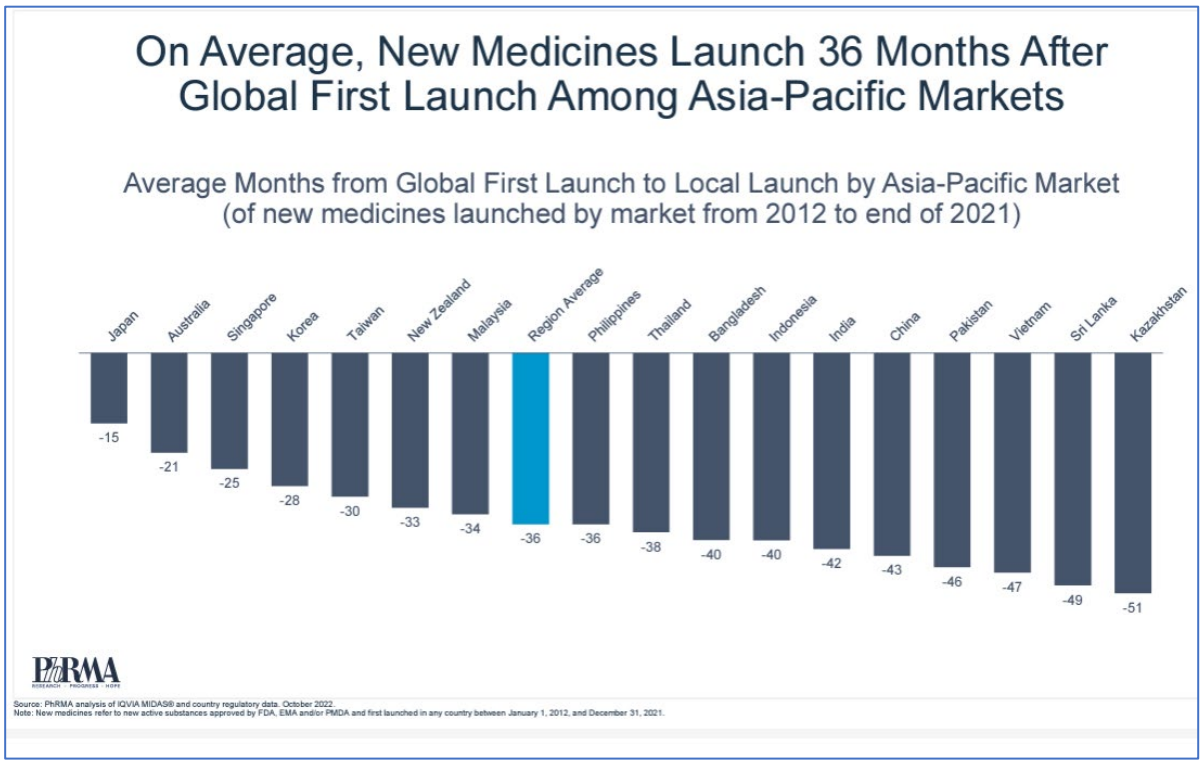
New Zealand is bottom with 7%



New Zealand is bottom at 71 months.



Japan, not New Zealand, is the outlier in this comparison.



Local launch for New Zealand three months earlier than the region average.

New Zealand's Therapeutic Products Act 2023 extends the scope of the regulation of therapeutic products from a safety perspective. It may increase the days between global launch and local availability in respect of some products.