

The Treasury

Budget 2012 Information Release

Release Document

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- [1] 6(a) - to prevent prejudice to the security or defence of New Zealand or the international relations of the government
- [2] 6(c) - to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
- [3] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [4] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
- [5] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [6] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [7] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [8] 9(2)(h) - to maintain legal professional privilege
- [9] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

From: [3]
Sent: Tuesday, 13 March 2012 4:55 p.m.
To: ^MOF: Andrew Craig
Cc: Ruth Isaac; John MacCormick; Nicholas Green
Subject: Decision process and timelines for changing copayments

Hi AC,

Some messages below.

Please get in touch if anything not clear.[7]

Cheers,

[3]

There are options to increase co-payments on pharmaceuticals

There are options to increase co-payments on pharmaceuticals and generate significant savings (see table below). Co-payment increases can be targeted on people with higher ability to pay. The options below retain the zero co-payments and the current subsidies for holders of high user cards.

		Savings
Increase maximum co-payment from \$3	To \$5	\$45 – 50 million
	To \$10	\$160 - 170 million

Now is the right time to move

A new agreement between DHBs and pharmacists is currently being negotiated which will alter the way pharmacists are paid. This is due to be released to the sector in the next two weeks, and implemented from July. The new system will be phased in over the next three years. The new contract provides a good opportunity to change co-payments because:

- the implementation of the new service model requires significant changes to contracts and systems, including IT systems, and it would be easier to incorporate changes to co-payments now rather than later; and
- the new agreement would enable increases to be targeted at the majority of patients requiring episodic care, rather than those with higher needs (as patients will be split into three categories).

A decision to increase co-payments may delay the implementation of the new pharmacy agreement, if pharmacists don't have sufficient resources to make the necessary changes to dispensing and payment systems. However, we consider this to be a reasonable trade-off as while the pharmacy agreement has the potential to deliver material savings (~\$20 million per year), the savings to be gained from an increase in co-payments are much larger. Moreover, there are likely to be efficiencies from making the system and IT changes at the same time.

Co-payments can be changed relatively quickly

The change would be fairly easy to implement. No changes to regulation or legislation are required. The decision making process is as follows:

- Cabinet decision
- The Pharmacy Procedures Manual and the Pharmaceutical Schedule would need to be amended

