

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
- [10] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [11] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [12] 9(2)(ba)(i) - to prevent prejudice to the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied.

Where information has been withheld, a numbered reference to the applicable section of the Official Information Act has been made, as listed above. For example, an [4] appearing where information has been withheld in a release document refers to section 9(2)(b)(ii).

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

Aide Memoir for Hon Tony Ryall on increase in pharmaceutical co-payment

8 May 2012

- Budget initiative 7530 increases the Pharmaceutical Co-Payment from \$3.00 to \$5.00. Existing exemptions for under 6s and existing subsidy cards will continue to operate as they do now. The implementation date for this is 1 January 2013.
- The following tables provide data on the numbers of prescription items and the use of exemption cards in the period Feb 2010 to Jan 2011 (the most recent data available).

Table 1: total patients and average prescription items by age band (Feb 2010 to Jan 2011)

Age band	Patients (000)	Average items per patient
0 to under 6 years	337	7
6 to 17 years	449	5
18 to 64 years	1,918	9
65 years plus	543	27
Total	3,247	12

Table 2: total prescription items and use of exemption cards by age band (Feb 2010 to Jan 2011)

Age band	Total Items per year (000)	Items with High Use Health Card (000)	Items with PSC (000)	Items with both cards (000)	Items effected by increase (000)
0 to under 6 years	2,514	3	20	0	-
6 to 17 years	2,174	2	265	1	1,907
18 to 64 years	17,855	59	3,622	25	14,150
65 years plus	14,822	111	7,204	52	7,455
Total	37,365	175	11,110	78	23,512

- PHARMAC has projected that the estimated 23.5 million items effected multiplied by a \$2 increase should result in reduced claims against DHBs of 40 million (ex-GST); see Table 3.

Table 3: details of savings calculation			
Estimated per annum items effected by increase	Amount of increase	Projected savings (GST inclusive) per annum	Projected savings (GST exclusive) per annum
23.5 million	\$2.00	\$47 million	\$40 million

- With claims reducing, DHB baselines can therefore be reduced as the expenditure the funding supported should not be necessary. The following reduction to DHB baselines has been agreed by Cabinet (see Table 4):

Table 4: Savings as agreed by Cabinet	2011/12	2012/13	2013/14	2014/15	2015/16 & Outyears
	(\$ millions)				
Pharmaceutical Co-Payment Increase To \$5	(20.000)	(40.000)	(40.000)	(40.000)	(40.000)

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