

The Treasury

Budget 2017 Information Release

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[1]	to prevent prejudice to the security or defence of New Zealand or the international relations of the government	6(a)
[4]	to prevent prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial	6(c)
[11]	to damage seriously the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the entering into of overseas trade agreements.	6(e)(vi)
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[31]	to maintain the current constitutional conventions protecting collective and individual ministerial responsibility	9(2)(f)(ii)
[33]	to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials	9(2)(f)(iv)
[34]	to maintain the effective conduct of public affairs through the free and frank expression of opinions	9(2)(g)(i)
[36]	to maintain legal professional privilege	9(2)(h)
[37]	to enable the Crown to carry out commercial activities without disadvantages or prejudice	9(2)(i)
[38]	to enable the Crown to negotiate without disadvantage or prejudice	9(2)(j)
[39]	to prevent the disclosure of official information for improper gain or improper advantage	9(2)(k)
[40]	Not in scope	

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) and section 18 of the Official Information Act.

Reference: T2017/755 BM-2-1-2017

Date: 24 March 2017

To: Associate Minister of Finance (Hon Amy Adams)

Deadline: Ahead of Fiscal Issues next week.

Aide Memoire: Budget 17: Pharmac bid (Vote Health)

The Minister of Finance signalled a potential conflict of interest in relation to the Vote Health bid for additional pharmaceutical funding (9782) and delegated decisions to you.

The table below shows the full amount of the bid, and the scaled funding currently included in the social sector budget package (we simply halved the bid).

Vote Health. Pharmaceuticals – More Publicly Funded Medicines. (9782)							
	2016/17	2017/18	2018/19	2019/20	2020/21		
						Avg.	Total
Bid	-	[33]					
Current package	-						

In the recent bilateral discussion, the Minister of Health undertook to come back with some scenarios to inform decisions about the appropriate level of funding. [38]

The nature of its operating model means that Pharmac cannot say exactly how additional funding would be used. This reflects the dynamic nature of the list of potential investments and available prices, amongst other things. Pharmac also needs flexibility to decide not to subsidise certain products, to maintain negotiating leverage. However, Pharmac has signalled that:

- [33]

- [38]

No information has been provided about investments and benefits with the amount of funding currently included in the social sector package [33]. This may be tactical. The bid is inherently scalable and benefits per dollar should continue to increase as the amount of additional funding reduces (although total benefits will reduce). Having said that, there is a good case for funding in full (or as much of the bid as possible) if headroom allows.

An increase in funding above the scaled amount will have implications for the overall draft social sector package. We recommend you consult with the Minister of Finance on how increased funding for Pharmac would affect the overall Budget numbers.

Note that Pharmac considers a general subsidy for sanitary products to be inconsistent with its statutory mandate. This does not form part of the new investments outlined above.

John Marney, Principal Advisor, Health, [39]

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