

# The Treasury

## Budget 2018 Information Release

### Release Document August 2018

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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)
[2]	to avoid prejudice the entrusting of information to the Government of New Zealand on a basis of confidence by the Government of any other country or any agency of such a Government	6(b)(i)
[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)
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[33]	to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials	9(2)(f)(iv)
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[40]	not in scope	
[41]	that the making available of the information requested would be contrary to the provisions of a specified enactment	18(c)(i)
[42]	information is already publicly available or will be publicly available soon	18(d)

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: T2018/959 DH-1-2-3-2-4-2018

Date: 6 April 2018

To: Minister of Finance (Hon Grant Robertson)  
Associate Minister of Finance (Hon Dr David Clark)

Deadline: Monday 9 April 2018  
(if any)

## **Aide Memoire: PHARMAC Operating Funding**

This aide memoire responds to a request for more information on options to provide PHARMAC with additional operating funding to support its Budget 18 proposal to return \$194.7 million savings (over four years) to the centre for reprioritisation and take a greater role in the management of DHB hospital medicines. No increased operating funding for PHARMAC has been included in the Budget 18 package and it has indicated that it cannot implement its proposal without this support.

PHARMAC has requested \$1.5 million per annum additional operating funding to implement the proposal, although the Ministry of Health (the Ministry) will continue to engage with it around the most appropriate increase. PHARMAC may be able to generate operating efficiencies after an initial implementation period resulting in the need for a lower ongoing funding increase.

PHARMAC has another potential expanded area of activity, greater management of medical devices, that is also likely to require increased operating funding. Accordingly, our past advice has been that increased operating funding be considered for both areas in a joined up way through [33], [40]

In the table below, we provide more information on our recommended approach to increase PHARMAC's operating funding, and a further option that could be implemented more quickly, if Ministers wish for that to occur. Neither of these options require any change to the proposed Budget 18 package.

**Table 1. Options to increase PHARMAC’s operating funding**

Option	Description	Pros and cons
1	<p>The Minister of Health could ask the Ministry to increase PHARMAC’s share of funding from within the existing appropriation that funds its services (‘National Contracted Services – Other’). If funding cannot be reprioritised within this appropriation a transfer from another Vote Health appropriation may be necessary. This would require joint Ministers (Finance and Health) approval as a fiscally neutral adjustment (FNA). This FNA could be agreed after the Budget Moratorium (18 May) and implemented through the October Baseline Update.<sup>1</sup></p>	<p>This option has the advantage of relatively quick implementation and ease of administration within existing Ministerial; delegations (e.g. it doesn’t require a Cabinet paper)</p>
2	<p>Additional operating funding for PHARMAC could be included in [33], [40]</p> <p style="text-align: center;">Under this approach the Ministry would engage with PHARMAC to determine the appropriate funding increase in recognition of its full range of increased activities (i.e. hospital medicines and medical devices). The increased funding could be sourced either from within Ministry appropriations, as in Option 1, or from a call on the Between Budget Contingency.</p> <p>[33], [40]</p> <p>there may be a need to address hospital medicine implementation costs through the Option 1 process to give early PHARMAC certainty on this funding, and separately address the residual medical devices funding costs in the [33], [40]</p>	<p>This is Treasury’s recommended approach as it addresses both PHARMAC’s expanded activity areas in a joined up way and it has been previously agreed by joint Ministers (Finance and Health). Given the relatively small amount of funding, we consider that reprioritisation within Ministry appropriations would be more suitable than a call on the Between Budget Contingency.</p>

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<sup>1</sup> Making the changes to appropriations in October does not prevent PHARMAC beginning to receive extra funding earlier as long as joint Ministers agreement has been made to any proposed FNA changes. Any funding changes between appropriations would be included in the 2018/19 Supplementary Estimates.