Health New Zealand
Te Whatu Ora

<< >> 2025

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Letter of Offer – Voluntary Variation of the Integrated Community Pharmacy Services Agreement

Please find attached the 2025 Variation of the Integrated Community Pharmacy Services Agreement (**ICPSA**). This voluntary Variation should be read in conjunction with this letter of offer.

Variation 7 includes the following changes (**Funding Changes**), which are explained in more detail in this letter:

- a 3% ($24.7m) funding uplift for cost pressures
- a redistribution of funding currently paid at the 2024/25 Additional Professional Advisory Services (**APAS**) payment pool level, reflecting that those amounts are to be paid through increased service line funding
- an increase in immunisation administration fees for influenza and COVID-19 by 4.02%, from $36.05 to $37.50 (excluding GST) and an 11.65% increase in the immunisation administration fees for all other vaccines, from $41.20 to $46.00 (excluding GST). Introduction of co-administration fees on all co-administered vaccines.

The Acceptance Date for Variation 7 is 30 January 2026, which is after 1 July 2025, the **Commencement Date** of the Variation. Consequently, the funding changes will be back-dated to 1 July 2025 by washup and back-payment. These are described in Appendices 2 and 3 and have been incorporated into the Variation.

Please advise Health New Zealand | Te Whatu Ora (Health NZ) whether you accept Variation 7 by signing and returning the Variation by 5pm 30 January 2026 (the **Acceptance Date**). Further details as to when the Funding Changes will take effect if you accept the Variation are set out in this letter.

If you choose not to accept this Variation, the terms and conditions of your ICPSA will remain unchanged.

Summary of key changes in Variation 7

Funding Uplift

(a) a 3% ($24.7 million) funding uplift for cost pressures to be applied across the Handling Fee (base), Case Mix initial and repeat service fees, and the Per Pack Fee.

(b) a reduction in the APAS payment pool from the 2024/25 level of $34.532 million to $19.165 million per annum, with $15.367 million per annum (or 44.5% of the total APAS funding pool) redistributed and paid across the service lines listed above.

This formula recognises the pharmacy sector's ongoing desire to move APAS funding into the service line fees with a staged approach to better represent where service-based cost pressures associated with community pharmacy activity arise in practice.

See Appendix 1 of this letter for detail on fee increases to each of the service lines listed in (a) above.

Immunisation Services

Immunisation administration fees will be increased in line with changes agreed with general practice, continuing the practice of paying the same amount for delivery of administration regardless of the provider. This includes a funding uplift for all immunisations, a differential funding uplift for childhood vaccinations, bringing Covid-19 vaccine administration into the ICPSA and including a fee of $20.52 on all co-administered vaccinations.

The immunisation administration fee for all immunisations excluding influenza and COVID-19 will increase 11.65% from $41.20 to $46.00 (excluding GST). Administration fees for influenza and COVID-19 will increase by 4.02% from $36.05 to $37.50 (excluding GST), and an immunisation co-administration fee will be introduced on all co-administered vaccines[1]. The total impact will depend on uptake of childhood immunisations in pharmacy settings.

Table 1 Summary of immunisation administration pricing under this offer.

Example	Current Rate	Proposed Change	Updated Rate
Influenza	$ 36.05	4.02% uplift	$ 37.50
General	$ 41.20	11.65% uplift	$ 46.00
Childhood*	$ 41.20	11.65% uplift + co-admin fees	$ 87.04
Flu + Zoster	$ 56.57	4.02% uplift [Zoster is base fee]	$ 66.52
COVID-19	$ 36.05	4.02% uplift	$ 37.50
Flu + COVID-19	$ 72.10	4.02% uplift on base, only 1 base payment + $20.52 co-admin fee	$ 58.02
Other combinations**	NA	4.02% uplift on base, only 1 base payment + $20.52 co-admin fee	varies

* Childhood vaccinations are commonly administered together in one session per the Well Child schedule. This will be funded at $46.00 + co-administration fee of $20.52 per additional vaccine. This generates revenue of $87.04 for each of the 6-week to15-month immunisations.

** Includes Flu + COVID + Tdap + Zoster; Flu + COVID + Tdap; Flu + Tdap; COVID + Tdap + Zoster; Tdap + Zoster; COVID + Zoster; COVID + Tdap

[1] The payment mechanism to calculate base and co-administration fee payments will commence 1 April 2026. Claiming mechanisms for immunisations remain unchanged for Providers until 31 March 2026. Immunisation data will be used to calculate the appropriate back-payment.

Covid-19 Antiviral Services

There will be a staged approach to bring Covid-19 Antivirals (Paxlovid) into the ICPSA, in conjunction with Pharmaceutical Schedule listing of Paxlovid from 1 October 2025.

1. From 1 October 2025 until 31 January 2026 (Until Variation 7 is activated)

(a) Pharmacies will continue to claim for Paxlovid Community Pharmacy Services through the Schedule in the National Public Health Service, Communicable Diseases and Novel Virus Outbreak Response Services Agreement (NPHS Master Services Agreement) as follows:

Pricing item	Description	Charges (GST excl.)
Pharmacist-initiated Paxlovid Supply	Direct supply by a pharmacist (as a pharmacist-only medicine).	$37.50 per dispensing
Prescriber-initiated Paxlovid Supply	Supply by a pharmacist pursuant to a prescription.	$11.98 per dispensing

(b) Paxlovid (PCT, Pharmacode 2711613) has been listed in the Pharmaceutical Schedule from 1 October 2025 and available for purchase.

(c) Pharmacies will dispense and claim for reimbursement of purchased Paxlovid through their PhMS.

i. The Handling Fee will be $1.20
ii. The Handling Fee Multiplier (HFM) will be 1.00.
iii. The Markup will be 4%
iv. The Per Pack Fee will be $0.28
v. Case-mix will be $5.30

2. From 1 February 2026 (Activation of Variation 7)

(a) Pharmacies will dispense and claim for reimbursement of purchased Paxlovid and Paxlovid Community Pharmacy Services through their PhMS:

i. The Handling Fee will be $1.28
ii. A Handling Fee Multiplier of 9.98
iii. The Markup will be 4%
iv. The Per Pack Fee will be $0.30
v. Case-mix will be $5.61

(b) Plus, when supply is initiated by a pharmacist, a Pharmacist-Initiated Paxlovid service fee of $37.50 will be paid.

3. **Wash-up**

   Health NZ will back-date and pay the difference between the Handling Fee, Per Pack Fee and Case-mix rates paid in 2 and 1 above for all PhMS-claimed supply (i.e. not previously claimed through the NPHS Paxlovid Community Pharmacy Services Schedule) up until 31 January 2026.

   A summary of the elements of the offer, including the financial impact and related services changes are shown in Table 2 and Table 3.

Table 2 Supply of Paxlovid Pursuant to a Prescription

Prescriber-initiated Paxlovid Supply	Current (ex GST)	Proposed (ex GST)	
Handling Fee	$ 11.98		$ 1.28
Handling Fee Multiplier		9.98 x HF =	$ 12.77
Pack Fee			$ 0.30
Margin		4%	$ 50.96
Case-mix			$ 5.61
Total	**$ 11.98**		**$ 69.64**
Est Annual Impact ~90% (30500)	$ 365,390		$ 2,124,020
Paxlovid list price			$ 1,274

Table 3 Pharmacist Initiated Supply of Paxlovid

Prescriber-initiated Paxlovid Supply	Current (ex GST)	Proposed (ex GST)	
Handling Fee			$ 1.28
Handling Fee Multiplier		9.98 x HF =	$ 12.77
Pack Fee			$ 0.30
Margin		4%	$ 50.96
Case-mix			$ 5.61
Pharmacist-initiated Paxlovid Supply Service Fee	$ 37.50		$ 37.50
Total	**$ 37.50**		**$ 107.14**
Est Annual Impact ~90% (30500)	$ 127,500		$ 364,276
Paxlovid list price			$ 1,274

Future Direction

Health New Zealand is committing to delivering a programme of work relating to scope of services and related funding and contracting policy settings for community pharmacy.

The workstreams and objectives are set out below.

Community pharmacy performing a greater role in delivering clinical services

Enhancing the role of community pharmacy as a first point of contact for those seeking clinical care supporting the Government's priorities relating to timely access to quality health services (including achievement of health targets) and a greater emphasis on proactive care.

Commitment: To design and implement a national clinical service programme to support the delivery of extended pharmacy services. This will be supported by an initial investment of $5 million per annum from 2025/26 and will be developed with the sector. This funding may be used for staff training and IT costs to help expand community pharmacy services.

Sustainable Funding Review

The funding model for community pharmacy is overly complex. Health NZ has set aside the necessary resources to ensure a comprehensive sustainable funding review of the community pharmacy contract is fully delivered in 2026/27 that supports the delivery of high-quality services within Health NZ's agreed fiscal envelope. The sustainable funding model review will rethink funding arrangements for community pharmacy services. It will aim to simplify the funding model, ensure that it incentivises appropriate and efficient care and supports maintaining fair and reliable access to essential services.

Commitment: To undertake a comprehensive sustainable funding review of the community pharmacy contract in 2026/2027 for community pharmacy services by rethinking the funding arrangements, simplifying the funding model and recommending fund levels. Health NZ will resource and initiate the comprehensive funding review as soon as the uplift offer is endorsed. The process will be staged, undertaken in close partnership with NAAR sector representatives, and is expected to be completed by July 2026.

National Community Pharmacy commissioning policy.

Commitment: To develop a national principles-based and legally robust policy to guide Health NZ decision making on awarding new contracts to applicants for ICPSAs

Increasing prescription lengths to 12 months

Commitment: There will be no adverse service fee impact on community pharmacy providers, resulting from the change of mix of initial and repeat dispensing service fee payments for community pharmacy.

In addition, any consequential new future volume uplift resulting from this policy will not be funded from any financial offset against:

- existing ICPSA service fee funding
- National Annual Agreement Review (NAAR)-agreed ICPSA annual cost-pressure uplifts to existing service fees from FY 2025/26 onwards

GP Online Access Grant for Community Pharmacy

The 24/7 Online GP service aims to provide timely access to GP-level care for people who cannot see their usual doctor, -especially those who are unenrolled or need after-hours support. Health NZ wish to integrate this into community pharmacy settings to extend the reach of the service and complement the community pharmacy clinical services provision. In addition to the workstreams described above, Health NZ will work to with NAAR sector representatives to enable this integration through appropriate resourcing, for instance to support setup costs (room / booth set up / video enabled equipment, Wi-Fi, signage, etc).

Extending the Maximum Prescription Length to 12 Months

Health NZ is responsible for implementation of the government policy change and consequential law change as announced. Amendments to the ICPSA that are necessary to implement 12-Month prescriptions will be by way of a Compulsory Variation under ICPSA Clauses C.25 and C.26. You have already received the first of two Compulsory Variations, which covered technical changes. A second Compulsory Variation will be needed in 2026 once a payment solution that ensures there is no adverse service fee impact on community pharmacy providers is agreed.

Accepting the Offer

By signing the Variation, you are agreeing to the terms set out within it.

The signatory page is on page 5 of the Variation.

- Please ensure your signatory signs the section headed with your provider name and includes their name, position and date of signing

If your acceptance of the Variation is received after 5pm 30 January 2026, you will not receive the backdated payments for the period 1 July 2025 to 30 January 2026, and application of the new higher service line fees will be delayed depending on when your acceptance of the Variation is received.

Please sign, scan and email the signed Variation to <Local Health NZ Email> by 5pm, 30 January 2026. We will then sign it and return a completed copy for your records.

Ngā mihi

<Regional Pharmacy Commissioning Manager or other Health NZ signatory>
<Position title>
<Region>

Appendix 1

Modelling for the application of the 3% price uplift and redistribution of APAS funding

Please note that this modelling is based on past dispensing volume and is an estimate of the potential impact.

The formula was built by the following steps:

1. Health NZ has forecast the total spend in financial year 2025/26 under the current terms of the ICPSA (June 2025). The forecasted spend must be 3% higher than what it would have been had no changes been made.
2. All changes are to take effect from 1 July 2025 (which will require backdating).
3. Figures in the agreement should be a whole number of cents, for ease of understanding, calculation, and forecasting.
4. Implementing a 3% price uplift and redistribute APAS funding by:
    - Decreasing the APAS payment pool from $34.532 million to $19.165 million.
    - Increasing the Per Pack Fee.
    - Increasing the Handling Fee (base).
    - Increasing the Case Mix initial service fee.
    - Increasing the Case Mix repeat service fee.
    - Adjust all of the above funding lines until the following goals are met:
        - the uplift of total service expenditure has been increased by at least 3% over the forecast figure before these changes; and
        - that the lowest uplift forecast to be faced by any individual pharmacy is still positive.
    - The adjustments ensure that the overall service expenditure forecasts a 3% increase for the coming year.

Table. Changes to the ICPSA

Item or input	Current	New (percentage difference)	
Handling Fee (base)	$1.20	$1.28	(+6.67%)
Per Pack Fee	$0.28	$0.30	(+7.14%)
Case Mix initial base service fee	$5.30	$5.61	(+5.85%)
Case Mix repeat base service fee	$3.45	$3.66	(+6.09%)
APAS Payment Pool	$34.532 m	$19.165 m	(-44.5%)

The predicted effect of these changes on the total service revenue for individual pharmacies is provided below.

The model predicts that all pharmacies would see an increase in revenue, from the overall 3% cost pressures uplift, and prior to additional funding impacts arising from forecast volume increases.

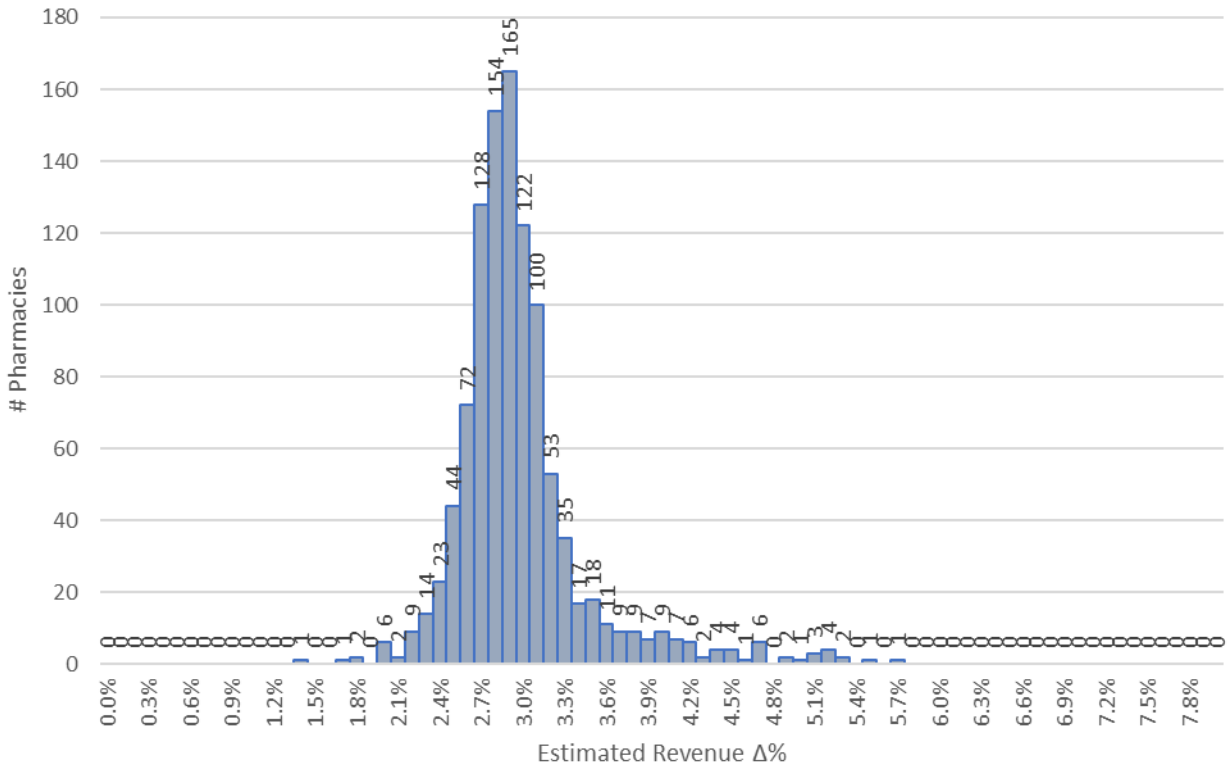

Figure 1 Percentage difference in total service revenue predicted for individual pharmacies over ICPSA Variation 6 (2024/25)

Appendix 2

Methodology for implementing the funding changes for washups and back payments under the Integrated Community Pharmacy Services Agreement (ICPSA) the Variation

General notes

1. To ensure all valid dispensing is included for washups and back payments, calculations will not be performed until at least mid-January 2026 with most of these payments scheduled for May-June 2026.
2. Sector Operations will only include dispensing transactions with a dispensing date that have been approved on or prior to **31 January 2026**.
3. As set out in the letter of offer, the Variation will take effect on 1 February 2026. There will need to be some washups and back payments in respect of the Funding Changes described in the agreement. These are described below.

1. Handling Fee

Sector Operations/ Health Sector Agreement and Payments (HSAAP) will run a query over the payments processing system for the period (e.g., 1 July 2025 to 31 January 2026) for all dispensing activity for each individual pharmacy for payments made.

- Identify all Pharmacy Items that have been accepted for payment with a dispensing date between 1 July 2025 to 31 January 2026 inclusive.
- Calculate the difference in Handling Fees between what should have been paid (new) and what has been paid (current).
- Group total amount payable by approval month for each Pharmacy.

Handling Fee	**New (Variation 7) Handling Fee** = $1.28	**Old (Variation 6) Handling Fee** $1.20	**Difference** **= $0.08**
Amount to be paid	= Total number of dispensings <u>by each dispensing</u> type (Handling Fee Multiplier) paid for the period (for example, 1 July 2025 to 31 January 2026), by month	= Each Handling Fee Multiplier + GST	x $0.08

Health NZ will undertake these calculations and make the necessary payments to providers.

2. Per Pack Fee

Sector Operations/HSAAP will run a query over the payments processing system for the period (eg, 1 July 2025 to 31 January 2026) for all dispensing activity for each individual pharmacy for payments made.

- Identify all Pharmacy Items that have been accepted for payment with a dispensing date between 1 July 2025 to 31 January 2026 inclusive.

- Calculate the difference in Per Pack Fees between what should have been paid (new) and what has been paid (current).
- Group the total amount payable by approval month for each Pharmacy.

Per Pack Fee	**New (Variation 7) Per Pack Fee** = $0.30	**Old (Variation 6) Per Pack Fee** $0.28	**Difference** **= $0.02**
Amount to be paid	= Total number of dispensings by each dispensing type (Per Pack Fee Multiplier) paid for the period (for example, 1 July 2025 to 31 January 2026), by month	= Per Pack Fee Multiplier + GST	x $0.02

Te Whatu Ora will undertake these calculations and make the necessary payments to providers.

3. Case Mix initial and repeat base service fee

Once a month, community pharmacies receive a service fee payment based on the number of items dispensed to patients in a given Service Month. Only dispensings covered under the Core (Schedule 1) and Long-Term Condition service are eligible for the payment.

Payments are calculated in advance of the pharmacy actually dispensing medication to patients. This advance payment is calculated using a pharmacy's historical dispensing information for a given Service Month. The second payment (the 'actual' payment) is calculated three months later using the actual dispensing information for the Service Month.

For example, the following table provides the applicable dates for each service fee payment. The first row under the 'Advance Payment' heading shows that dispensings with a date between 01/11/2025 to 30/11/2025 are used to calculate the advance service fee payment for 2 February 2026. On 1 May 2026, the service fee payment will be based on actual dispensings for February 2026 (the Service Month).

	Advance payment		**Actual payment**	
Service month	**Based on data From / To**	**Payment date**	**Based on data From / To**	**Payment date**
February 2026	01/11/2025 to 30/11/2025	2 February 2026	01/02/2026 to 28/02/2026	1 May 2026
March 2026	01/12/2025 to 31/12/2025	2 March 2026	01/03/2026 to 31/03/2026	1 June 2026
April 2026	01/01/2026 to 31/01/2026	1 April 2026	01/04/2026 to 30/04/2026	1 July 2026

The advance service fee payment is reversed in full at the same time as the service fee based on actual dispensings for the Service Month is paid. The case mix system

(CPSA4_prod) calculates the advance and actual service fee payments for each community pharmacy.

At the end of each year there is an annual washup where each month's Case Mix is reprocessed to capture late scripts and change of pharmacy ownerships. This process will ensure that the new amounts paid for initial base service fees, and repeat base service fees, are paid to providers.

The washup will address back payment to 1 July 2025.

4. Additional Professional Advisory Services (APAS) payments

Back-payments for APAS will be handled by new payments and a one-off set of reversals for July 2025 to March 2026. These will be completed in June 2026. A pharmacy's proportion of the APAS Payment Pool will not be recalculated, only the size of the pool.

As the Variation provides for a redistribution of funding currently paid as part of the APAS Payment Pool to other fees, the reversal payment will be larger than the new payment for all pharmacies. As set out in the Variation 7, that amount will be set off from payments to be made to providers, in the usual way.

5. Immunisation Services Fee

Sector Operations will run a query over the payments processing system for the period (e.g., 1 July 2025 to 31 March 2026) for all Immunisation Administration Fees accepted for payment for each individual pharmacy.

This query will:

- Identify all Immunisation Administration Fees that have been accepted for payment with a claiming date between 1 July 2025 and 31 March 2026 inclusive.
- Identify all Immunisations provided between 1 July 2025 and 31 March 2026 inclusive.
- Calculate the difference in Immunisation Administration Fees between what should have been paid (new) and what has been paid (current).
- Group the total amount payable by approval month for each Pharmacy.

Immunisation Administration Fees	**New (Variation 7)**		**Old (Variation 6)**	
	Influenza	$ 37.50	Influenza	$ 36.05
	COVID-19	$ 37.50	COVID-19	$ 36.05
	General	$ 46.00	General	$ 41.20
	Co-administration fee paid per additional vaccine(s)	$ 20.52	Flu + Zoster	$ 56.57
			Flu + COVID-19	$ 72.10
	Highest Immunisation administration fee is used as base fee			

Amount to be paid	= Total number of Immunisation Administration Fees (paid for period (1 July 2025 to 31 March 2026), by month	= Amount to be invoiced + GST

Immunisation administration fees for Covid-19 immunisations that were co-administered between 1 July 2025, and 31 January 2026 will not be included in the wash-up.

6. Covid-19 Antiviral Services

Sector Operations/HSAAP will run a query over the payments processing system for the period (e.g., 1 October 2025 to 31 January 2026) for all dispensing activity for each individual pharmacy for payments made.

- Identify all Pharmacy Items that have been accepted for payment with a dispensing date between 1 October 2025 to 31 January 2026 inclusive.
- Calculate the difference in Per Pack Fees between what should have been paid (new) and what has been paid (current).
- Group the total amount payable by approval month for each Pharmacy.

Covid-19 Antiviral Services Fee	**Variation 7**	**1 October 2025 to 31 January 2026**	**Difference**
	= Handling Fee $ 1.28 = Per Pack Fee $ 0.30	= Handling Fee $ 1.20 = Per Pack Fee $ 0.28	**= $ 0.08** **= $ 0.02**
Amount to be paid	= Total number of dispensings by each dispensing type (Handling Fee/Pack Fee) paid for the period (1 October 2025 to 31 January 2026), by month	= Each Handling Fee Multiplier + GST	x $ 0.08 x $ 0.02

Appendix 3 – Schedule of payments and washups

Item	July 2025 to January 2026	February 2026	March 2026	April 2026	May 2026	June 2026	Other
Handling Fee	Paid at Variation 6 rate	New Handling Fee will be paid on all items with dispensing date of 1 February 2026 or later	New Handling Fee	New Handling Fee	New Handling Fee	New Handling Fee	
Pack Fee	Paid at Variation 6 rate	New Pack Fee will be paid on all items with dispensing date of 1 February 2025 later	New Pack Fee	New Pack Fee	New Pack Fee	New Pack Fee	
Immunisation Fee	Paid at Variation 6 rate	Paid at Variation 6 rate	Paid at Variation 6 rate	New Admin Fee will be paid on all items with dispensing date of 1 April 2026 or later	New Admin Fee	New Admin Fee	
Immunisation Fee – Co admin fees				New Co-admin fees will be paid for items with a dispensing date of 1 April 2026 or later	New co-admin fees	New co-admin fees	
APAS	Payments are calculated using the Variation 6 Payment Pool	Payments are calculated using the Variation 6 Payment Pool	Payments are calculated using the Variation 6 Payment Pool	Payments are calculated using the Variation 7 Payment Pool	Payments are calculated using the Variation 7 Payment Pool	Payments are calculated using the Variation 7 Payment Pool	
Case Mix	Actuals for April, to October paid at Variation 6 rate	Actual November 2025 Case Mix paid at Variation 6 rate Case Mix Advance based on November 2025 Actual	Actual December 2025 Case Mix paid at New Rate Case Mix Advance based on December 2025 Actual	Actual January 2026 Case Mix paid at New Rate Case Mix Advance based on January 2026 Actual	Actual February 2026 Case Mix paid at New Rate Case Mix Advance based on February 2026 Actual	Actual March 2026 Case Mix paid at New Rate Case Mix Advance based on March 2026 Actual	
Wash Up: Handling/Pack Fees						EOM - Difference paid from current to new fees from 1 July 2025- to 31 January 2026	
Wash Up: Immunisation Admin Fees/ Including co-administration							Difference paid from current to new fees from 1 July 2025- to 31 March 2026. Paid on 31 August 2026.

Item	July 2025 to January 2026	February 2026	March 2026	April 2026	May 2026	June 2026	Other
Wash Up: **Antiviral Per Pack fee, Handling Fee for PhMS-claimed Paxlovid**						EOM - Difference paid from current to new fees from 1 October 2025 to 31 January 2026	
Wash Up: **APAS**						EOM – difference deducted from current to new $ pool for July through March 2026 – clawback set for June 2026. The APAS wash up is in June 2026 offsetting the negative APAS payment against the other positive payments and when the new funding is paid out.	
Wash Up: **Case Mix**						July – November 2025 End of Year Final Actual Case Mix Wash Up paid at new rate	Rest of months would be BAU wash up