26.07.26

Closing the medicines gap

No New Zealander should have to empty their savings, uproot their family, or leave the country to access medicines Australians receive as a matter of course. ACT will put New Zealand on an achievable pathway to close the medicines funding gap with Australia by 2033.

The medicines gap

New Zealand currently spends just 4.9 per cent of its health budget on medicines. Australia spends 12.2 per cent, while the OECD average is 13.3 per cent.

Australia funds 142 modern medicines that are not funded in New Zealand. Thirty-eight per cent of those are cancer medicines.

Often, the medicine a patient needs is already on Pharmac's Options for Investment list. Pharmac has assessed it as a treatment worth funding, but it remains unavailable because the medicines budget has run out.

Pharmac is not the problem. It negotiates hard, secures low prices, and identifies medicines that deliver real health gains. The problem is that successive governments have expected Pharmac to deliver first-world healthcare with a second-rate medicines budget.

Pharmac's cost-effectiveness has effectively been punished. In Budget 2026, the health system received a $1.5 billion funding uplift, but Pharmac received only $13.5 million. While Pharmac is required to extract the greatest possible value from every dollar, the wider health system does not always face the same discipline.

The Government has made more medicines available than any recent government. However, that is cold comfort to a family whose loved one is still waiting for treatment.

Medicines promises cannot be made lightly. Desperate patients have too often been let down by political commitments that were not credible or achievable. New Zealand needs a clear, sustainable funding pathway that can command support across Parliament and endure beyond a single term of government.

ACT's commitment: A pathway to parity

ACT will put New Zealand on a pathway to close the seven-percentage-point medicines funding gap with Australia.

The proportion of the health budget spent on medicines will increase by one percentage point each year until New Zealand reaches parity with Australia in 2033.

This will mean more New Zealanders receive medicines that Pharmac has already identified as worth funding, rather than remaining on waiting lists because the budget has been exhausted.

Authorised by Todd Stephenson MP, Parliament Buildings, Wellington

The policy will steadily change the composition of a growing health budget. It will not increase total health spending beyond what is already expected, require additional taxes, or reduce the size of the non-medicines health budget.

Health spending has grown by an average of eight per cent a year over the past five years. ACT would direct one percentage point of annual growth toward medicines.

Had the policy applied in Budget 2026, the medicines budget would have increased by approximately $320 million. The remainder of the health system would still have received an increase of around $1.2 billion.

This is a gradual and achievable approach. It recognises that governments must make choices within the health budget and gives Pharmac a reliable pathway to fund more modern treatments over time.

Why fund Pharmac?

Pharmac plays a vital role in New Zealand's health system. It negotiates prices, assesses clinical benefits, and decides which medicines will produce the greatest health gains from the funding available.

Its Options for Investment list contains medicines Pharmac considers suitable for funding when sufficient budget becomes available. Increasing the medicines share of the health budget will allow more of those treatments to reach patients.

Modern medicines can also reduce pressure elsewhere in the health system. Effective treatment can prevent hospital admissions, allow people to remain healthier for longer, and help patients continue working and paying taxes.

The policy is therefore not simply about spending more. It is about spending smarter and recognising the wider value created when patients receive effective treatment earlier.

ACT will seek cross-party support for this pathway. Medicines funding affects families across every community, and patients deserve confidence that progress will continue regardless of changes in government.

Every hospital admission prevented is better for the patient and better for taxpayers. Closing the medicines gap means fewer families being forced to beg for relief, sacrifice their savings, or leave New Zealand for treatment. It means a health system that values modern medicines, keeps people healthier, and gives New Zealanders the same hope that patients across the Tasman already receive.

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Costing

This policy would increase the medicines budget as a proportion of the health budget by one percentage point each year for seven years reaching 12% in 2033/34. This is estimated to result in the medicines budget reaching $5-6 billion (a growth of just over $3-4 billion from the 2026/27 budget of ~$1.8 billion). On average additional medicines spending per year will be between $500-650 million.

FY	Health Expenditure	Medicines Share of Health Expenditure	Expenditure on Medicines	Additional Medicines Spending per Year
2026/27	$32.6bn–$34.4bn	~5%	$1.8bn (current)	—
2027/28	$33.4bn–$36.6bn	6%	$2.0bn–$2.2bn	+$200m–$400m
2028/29	$34.3bn–$38.8bn	7%	$2.4bn–$2.7bn	+$400m–$550m
2029/30	$36.2bn–$41.1bn	8%	$2.9bn–$3.3bn	+$500m–$600m
2030/31	$38.2bn–$43.5bn	9%	$3.4bn–$3.9bn	+$550m–$650m
2031/32	$40.4bn–$45.9bn	10%	$4.0bn–$4.6bn	+$600m–$700m
2032/33	$42.6bn–$48.4bn	11%	$4.7bn–$5.3bn	+$650m–$750m
2033/34	$44.9bn–$51.0bn	12%	$5.4bn–$6.1bn	+$700m–$800m

The lower end of the health expenditure forecast is based on the Treasury's 2025 Long-term Fiscal Model, while the upper end is calculated by applying the Treasury's 2025 Overlapping Generations model's projected health-spending share to nominal GDP forecasts and projections.