

The Treasury

Budget 2017 Information Release

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[40]	Not in scope	

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Treasury Report: Vote Health Budget 2017 Ministerial Meeting

Date:	31 October 2016	Report No:	T2016/2043
		File Number:	DH-1-2-3-2-4-2016

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Bill English)	Read this report in advance of your meeting with the Minister of Health.	2 November 2016

Contact for Telephone Discussion (if required)

Name	Position	Telephone		1st Contact
[34]	Graduate Analyst	[39]	N/A (mob)	✓
Ben McBride	Manager, Health and ACC	[39]	[23]	

Actions for the Minister's Office Staff (if required)

Return the signed report to Treasury.
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Note any feedback on the quality of the report

Enclosure: No

Treasury Report: Vote Health Budget 2017 Ministerial Meeting

Executive Summary

You have your first Budget 17 bilateral with the Minister of Health on 2 November

This meeting is to discuss the health portfolio in the context of determining priorities for Budget 17. It is also an opportunity for you to outline your expectations for the Budget process.

The Minister of Health is expected to outline what the health sector is achieving with Vote Health's baseline resources; discuss cost pressures the sector is facing and what the options are for managing these; and provide early visibility on the Budget initiatives that are likely to be submitted and how they align to Health's Four Year Plan and government priorities.

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Recommended Action

We recommend that you:

- a **note** that the Ministry of Health has not shared its draft four-year plan or Budget bids with us yet
- b **raise** the following points in your discussion with Minister Coleman:
- What Budget bids do you intend to submit and how do they align with your Four Year Plan and government priorities? How robust is the quality of evidence/supporting information for these and which ones do you intend to submit as social investment initiatives (Track 1)?
 - We're not convinced that there's value in giving DHBs an early funding signal. What is the Minister's view on a funding signal for DHBs this year?
 - What work has the Ministry of Health done on improving its understanding of pressures in the system, cost drivers and sector performance?
 - [40]
 - What progress has been made on developing a social investment approach for the health sector? How is this connected with improving system outcomes and working with the wider social sector?
 - [40]
- c **indicate** whether you'd like us to report to you on our thinking on an investment approach in health.

Agree/Disagree

Ben McBride
Manager, Health and ACC

Hon Bill English
Minister of Finance

Treasury Report: Vote Health Budget 2017 Ministerial Meeting

Purpose of Report

1. This report provides contextual information for your first Budget 17 bilateral meeting with the Minister of Health, which is scheduled for 5pm on Wednesday, 2 November. The purpose of the meeting is to:
 - Discuss what is being achieved with baseline resources, what the cost pressures are, and what the options are to manage these,
 - Get early visibility of the Budget initiatives that are likely to come through, and

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2. The Ministry of Health's Chief Executive, Chai Chuah, and Chief Financial Officer, Stephen O'Keefe, are also expected to attend the meeting to support their Minister in the discussion.

Budget 17

The Ministry of Health has yet to share its Budget 17 thinking with us

3. At this point we understand that they will be submitting [] bids under Track 1 and between [33] bids under Track 2, although this number may be whittled down. [33]
4. The early funding signal given to DHBs has been subsequently adjusted in each of the last two Budgets, undermining its usefulness as a tool to facilitate planning and manage expectations. Our advice would be to avoid giving an early funding signal for either Vote Health generally or DHBs specifically in Budget 17, and instruct DHBs to plan on the basis of Budget 16.

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We understand that the Ministry has been progressing work to get a better bottom up view of cost pressures

7. We haven't seen anything yet and are not sure of their approach. Recently we attended a workshop with a number of DHB CFOs and heads of planning that accepted the invitation offered by the new Ministry CFO to bring DHBs into the Four Year Plan process. This is a very encouraging development, welcomed by the DHB participants, but given the timing, we expect the impact on this year's plan to be minimal. We gave the participants the budget context, and the need for health, as a whole, to tell a strong performance story.

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The Investment Approach

The Ministry's work on mental health reveals a narrow approach to social investment

13. The Ministry has a social investment programme in place focused on four areas: [33] . While these are constructive, we think the development of the investment approach should not take an overly narrow focus.
14. In the case of mental health, the Ministry is working with the SIU to prepare a mental health test case, this was endorsed by the SSB. Separately we have been working with DPMC to encourage the Ministry to recommend to Ministers that they set up a multi-agency and Ministerial mental health process along the lines of the work on the disability population. This would be an initial response to the pressure other sectors are feeling from people with mental health factors. We prepared a series of A3s on the mental health landscape to help the Ministry. You saw material from these A3s earlier in the budget process when you were considering specific budget priorities earlier in the year.
15. We have suggested that the Ministry provides a scene setting Cabinet paper that recognises the perspective of other sectors, and puts the forthcoming report back on the Prime Minister's Youth Mental Health project in context. This Cabinet paper would establish the process, and should include pretty much all the social sector (MSD, MVC, Justice, Corrections, Police, Education, ACC, as well as Health).
16. To date the Ministry's paper is very much a health perspective that seeks to agree priorities now, while further work continues. We're not sure whether this approach is the Ministry's or is at the direction of the Minister of Health's office. A process similar to the disability one is desirable because it forces the Ministry to take account of other perspectives, and gains buy-in from those agencies and Ministers. While the SIU work is valuable, we don't think it allows for the same engagement by relevant agencies.
17. The work to date, highlights the Ministry's isolated and narrow approach to social investment. It's not evident that they have developed an understanding of what social investment means in the health sector. For example, they haven't made connections to the Health Strategy's outcomes and performance frameworks noted above, nor articulated the differences in roles of the centre, and DHBs. We have shared our thinking on an investment approach in health with the Ministry but have received little interest in following it up with us.

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18. Earlier in the year we conducted an assessment of the Ministry's current strategic financial capability in a single scorecard. ¹⁴⁰¹
 - i. We plan to carry out another assessment by the end of the year and report back to you. This will be informed by the quality of the four year plan and budget bids as well as our observations of the Ministry's engagement and behaviours over the past six months.

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