The Treasury

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THE TREASURY
Kaitohutohu Kaupapa Rawa

Treasury Report: Ministerial Engagement on Health Budget Package and Mental Health

Date:	14 March 2017	**Report No:**	T2017/555
		File Number:	DH-1-2-3

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Steven Joyce)	Read prior to meeting with Hon Coleman on 16 March	Thursday 16 March
Associate Minister of Finance (Hon Simon Bridges)	None. For information.	Not applicable
Associate Minister of Finance (Hon Amy Adams)	Read prior to meeting with Minister Coleman on mental health	Thursday 16 March

Contact for Telephone Discussion (if required)

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

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

Return the signed report to Treasury.

Note any feedback on the quality of the report	

Enclosure: No

Treasury Report: Ministerial Engagement on Health Budget Package and Mental Health

Executive Summary

This paper briefs you for two meetings: a meeting with the Minister of Health on the health budget package, and a meeting on the mental health budget package involving the Ministers of Health, Social Development, Justice, and Education.

- The **draft health package** circulated to Minister Coleman is tight. It does require some trade-offs, but is manageable. The quantum is less than last year, but with the addition of TerraNova, would be substantially larger. Following the pattern of prior years, we expect Minister Coleman to seek a quantum ([33]

  We have provided options for additional spending beyond the draft package, which are largely aimed at mitigating risks associated with cost pressures facing the sector.

- [33]

Recommended Action

We recommend that you:

a. **note** that we have provided speaking points on the individual budget proposals in the attached spreadsheet of operating (and separate spreadsheet for capital) initiatives for your discussion with Minister Coleman

b. **agree** to push for the establishment of a cross agency mental health strategy overseen by relevant social sector ministers, rather than a health-led strategy, and

Agree/disagree
Minister of Finance

c. [33]

Ben McBride
Manager, Health

Steven Joyce
Minister of Finance

Treasury Report: Ministerial Engagement on Health Budget Package and Mental Health

Purpose of Report

1. This report briefs you on:

   - the draft package for Vote Health, including the risks, trade-offs and implications associated with this quantum for your meeting with Minister Coleman, and
   - [33] for his meeting with the Ministers of Education, Social Development, Justice, and Housing.

2. We have provided a table of the Minister's bids for the basis of your discussion with Minister Coleman with an additional column with our comments on each bid.

Health Bids in the Draft Package

3. The current draft package for health is [33] This is lower than the $550 million per annum provided in Budget 16, although the gross figure including Terranova would be considerably larger. The package includes:

   - [33] for DHBs, which is the same as last year and [33] less than bid for. This is tight but should be manageable.
   - [33] for other cost pressures (primary care, disability and ambulance services)
   - [33] for new initiatives including electives, bowel screening, maternity services, disability support and pharmaceuticals.

4. The most significant unfunded pressures in our minimum package are in primary care [33] and disability support ([33]), which we would recommend funding if possible. [33]

[38]

[37]

Track 1

6. Health submitted one Track 1 initiative to provide free long-acting reversible contraceptives (LARCs) to low income women and beneficiaries. This bid stacks up well against social investment principles and was supported in full by the Social Investment Panel. There is strong evidence supporting the impact of unwanted pregnancies on the life course and this initiative seeks to reduce this by removing

barriers to this contraceptive type. This intervention is supported by both national and international data and is supported alongside MSD work to address access to LARCs. This initiative is $4.375 million per annum on average and not included in the draft package, and is additional to the $973 million for the social sector package.

The main risks associated with the scaled initiatives in the minimum package arise from cost pressures initiatives.

7. As mentioned both the primary care and disability support initiatives have been significantly scaled down. The scaled amount comes from only supporting volume and wage associated cost pressures. However, this runs the risk of putting real constraints on these services. Pressures in primary care are driven by low cost schemes (e.g., free under 13 GP visits). If they go underfunded there is the risk general practices will drop out of the schemes leaving individuals facing increased costs to access primary care. In disability support, underfunding runs the risk of services being provided to a more narrow population group and waiting lists increasing.

As previously advised, we understand Minister Coleman is likely to seek a higher figure, these are the areas we think he might push on

8. [34]

There are a few key areas we think the Minister might push on which we will discuss below.

Table 1 Bids Minister Coleman might push for

Initiative	Full funding requested	Draft package	Tsy comment
DHBs	[33]		
Primary care cost pressures	$9.585 million	[33]	
Disability support cost pressures	$44.562 million		
Electives	[33]		
[33]			
Total	[33]		

DHBs

9. The total estimated cost pressures facing DHBs are [33] per annum assuming no efficiency gains. The Ministry have bid for $439 million requiring 0.75% efficiencies [33] We have recommended funding [33] which is tight, but should be manageable. With more headroom we would recommend providing DHBs with additional funding.

Table 2 DHB Cost Pressure Breakdown

Cost pressure type	Amount
Volume	[33]
Wage	
Price	
Total	

Disability Support and Primary Care

10. For both the primary care and disability support cost pressure bids we have scaled them to exclude price pressures. For primary care the draft package includes [33] million of the requested $9.585 million and disability support has [33] million of the $44.5 million requested.

11. The Ministry of Health has been signalling financial pressures in the disability area for a couple of years, but has not clearly articulated the extent of these pressures or how they have arisen [34] ıg

are not unsympathetic to the request for new funding, but we do think it is important to get a comprehensive sense of existing and short-term funding pressures at the same time as considering medium-term reform so we have a clear idea of where we're starting from.

Electives

12. The electives initiative has also been scaled from [33] to $6 million per annum. [33] of this is for cost pressures and the remaining [33] is to deliver additional electives. Additional funding was provided last year ($24 million) even though the sector has been exceeding the electives target each year, and the [33]

The draft package $6 million represents supporting the on average target increase in electives by 4000.

[33]

[33]

If you wanted to provide additional funding to Vote Health…

16. We have previously provided you advice on funding options should you want to provide an additional $100 million to the social sector package (TR2017/463). We advised which health initiatives we would recommend scaling up or including. As outlined in the previous advice, the suggested additional funding would largely mitigate the risks identified earlier. This would include full funding for the disability and primary care pressures along with some good value spend on pharmaceuticals and ambulance services.

17. With a bit more headroom we would also suggest funding the full DHB cost pressure bid [33] This would push the social sector package out to [33] billion or [33] billion after pre-commitments and the the Health package would increase to [33]

18. As stated earlier we understand Minister Coleman is likely to seek a higher figure and work back from here for what is funded. [33]

after pre-commitments and the unused MVCOT contingency) or require difficult trade-offs across the social sector.

19. If you wanted to provide Vote Health with increased funding of $650 million per annum we would advise full support for cost pressures in:

    1. (9780) DHBs [33]

    2. (9782) Pharmaceuticals [33]

    3. (9786) Ambulance services ($13m)

    4. (9738) Primary care ($9.5m)

    5. (9785) Health workforce [33]

    6. (9781) Disability support services ($44.5m)

20. There are promising new initiatives that could be included in the package:

    - [33]
    -

21. These initiatives are discretionary but will invest in improving outcomes for children. This would leave you with [33] additional headroom which could be used to provide additional funding to DHBs.

The Health Package at Budget 17

22. The Ministry is seeking new funding for reform in a number of key areas, including [33] We support reform in these areas.

. Work in the disability area is more advanced, although detailed design work leading to a preferred (costed) option, as well as a clearer story about baseline cost pressures, is needed.

[33]

Capital

25. The DHB capital investment pool bid, [33] does not require out year funding at this time, leaving a $ (reduced to [33] due to a revision in the balance of the health capital envelope to $121 million). Discussions with the Ministry and DHBs are on-going, to test the likelihood of investment-ready business cases emerging in 2017/18 (annex two outlines the current status of the business cases). [33] subject to broader capital constraints.

Mental Health

There is growing pressure to get a better handle on mental health…

26. Mental health is a common thread across social investment and, understandably, a priority area for social sector agencies struggling with developing a response to achieving outcomes for vulnerable populations. [34] with funding for specialist mental health and addiction services within DHBs ring fenced since 2001 to protect it from appropriation by DHBs for other health pressures. Expenditure is heavily weighted to the severe/acute end of the spectrum, with little capacity, given the nature of their needs, for reprioritisation further along the spectrum. This means that there has been little ability to increase investment in the early years of life, even though the evidence shows that increased intervention can prevent the development of problems later in life, particularly those that impact on other sectors.

27. The Ministry has not been able to articulate a clear picture of the mental health landscape, including the mental health population (and how it overlaps across agencies), unmet need, the workforce (including capacity), and the nature and effectiveness of interventions available. Other social sector agencies have been frustrated that the concerns they are experiencing from people with mental health related conditions have been inadequately recognised. [33]

…but the response has been slow

28. We have advised you previously that the Ministry has been slow to respond to these pressures. The Ministry looked to the Social Investment Unit to undertake work on the mental health population, but for various reasons (including disruption to StatsNZ from the Kaikōura earthquake) this work wasn't able to be completed, and no other cross agency data exercise was attempted. At the November check-in, the Social Investment Panel advised the Ministry to develop an overarching mental health narrative grounded in the literature, which wasn't medico-centric and that all agencies could identify with. This work was not undertaken by the time that the Social Investment Panel considered the Track 1 bids at the end of February, and the panel was disappointed with the lack of progress since the check-in.

29. In the last month the Ministry has started working on a mental health strategy, which it aims to report to Cabinet in early May for approval for public consultation. It also prepared a number of A3s as a way of showing how the budget bids fit into a coherent mental health package, after agencies had developed their bids.

30. But as has been reported (T2017/547 refers), the Social Investment Panel did not consider that the presentation of bids amounted to a coherent package. Furthermore, they and said that substantially more time would be required to develop with the wider social sector, and then consult, on a mental health strategy if Ministers wanted to see the change in the sector that was needed to achieve the Government's social investment objectives. The Panel said that a lot more work was needed on the definition of mental health, unmet need and current access to services, workforce capability, how to shift ingrained attitudes in the medical workforce, and alternative methods of delivery such as E-therapy and preventative measures early in the life cycle. Careful consideration of an implementation strategy should also be undertaken alongside the development of the strategy proper.

The work hasn't been completed to make a major investment in mental health this budget…

31. The Social Investment Panel's views on the mental health package aligns with ours. Based on our experience of the NZ Health Strategy, we don't have confidence that the Ministry will develop an effective mental health strategy in the specified timeframes, if at all. We think that a mental health strategy needs to be cross sector, and overseen by a group of Ministers, not solely the Minister of Health. The work that the Ministry has prepared for the ministerial meeting on Thursday is in the direction signalled by the Social Investment Panel (in particular the Chief Science Advisors who have deep expertise in the area). But it has been developed by the Ministry in a very short space of time and then presented to other social sector agencies, rather than developed jointly with them, and with input of the appropriate health and social sector experts.

32. We don't think there is a strong case for a contingency given the state of where the work is at. We think that agencies, particularly the Ministry of Health, need to be incentivised to focus on a genuine cross sector mental health strategy, rather than working out what to spend money on. [33]

The other Track 1

[33]

33. However, should Ministers want a contingency there are a number of options:

- An **untagged contingency** could have the advantage of requiring agencies to develop genuine cross-agency bids, or existing bids to be worked up. The disadvantage of an untagged contingency is that it could divert agency effort on the work required to develop the strategy, both on joint bids, or the Track 1 bids already developed

- A **tagged contingency** could include any/all of these bids from Track 1 that failed to meet the threshold (or components that didn't), given that effort has already gone into developing these bids. The contingency could be drawn down on and approved by Ministers once they had been assessed by the Social Investment Panel. The advantage of a tagged contingency is that agencies who have developed bids for consideration could be rewarded for their efforts. The disadvantage of a tagged contingency is that it could divert agencies into focusing on their bids at the expense of cross agency activity.

34. The Ministry currently proposes that Cabinet will consider the mental health strategy for public consultation in May. We think you should take the opportunity of the discussion on the mental health budget package to push for the establishment of a genuine cross agency mental health strategy rather than assuming the model that the Minister of Health has proposed.

[33]

[33]

Initiative	Amount ($m per annum on average)	Comment
Track One		
Incredible Years expansion to children with autism (Education)	$1.048m	Currently included in Track 1 recommended bids
Individual Placement Support for clients with mental health needs (MSD)	$1.027m	
Transforming intervention for at-risk prisoners (Corrections)	$2.9m	
Track Two		
[33]		
Capital		
[33]		
Total supported	**$12.5m operating ($42.5m capital)**	
Additional options – not recommended, but Ministers may wish to consider		
[33]		

[33]

[33]

[33,37]