

## Annex 6: Vote Health Expenditure and Other Reviews

### Line-by-Line Review of Ministry DE and NDE

1. During January/February 2009 the Ministry undertook a line-by-line review of all Ministry of Health Departmental Expenditure (DE) and NDE to identify:
  - a. Immediate savings to create headroom to manage pressures within Vote Health as part of preparation for Budget 2009
  - b. programmes that may not align with Government priorities or be value for money.
2. The review identified significant savings. The DE savings were achieved by capping Full-Time Equivalents (FTEs), efficiency gains and programme delays. NDE savings were released from realigning programmes with Government priorities by either scaling back or stopping them (e.g. HEHA and a primary health care men's initiative) or re-phasing expenditure (eg, ambulance services and introduction of a new information system for Diabetes Get Checked). The savings also included a reduction in the sector risk reserve (of \$51.226 million in 2009/10)

#### Line-by Line Review Savings Realised

Savings realised	2008/09	2009/10	2010/11	2011/12	2012/13
	\$ M	\$ M	\$ M	\$ M	\$ M
DE	18.758	8.471	1.838	1.508	1.508
Ministry NDE	84.507	77.206	69.306	57.172	39.234
<b>Total</b>	<b>103.265</b>	<b>85.677</b>	<b>71.144</b>	<b>58.680</b>	<b>40.742</b>

### Programme Specific Reviews

3. The Ministry has also undertaken several reviews of specific programmes for consistency with the Government's priorities:
  - a. The HEHA suite of initiatives. The Mission On and Feeding Our Futures campaigns were discontinued in February 2009 and the HEHA programme subsequently disestablished. The administrative component of Fruit in Schools was recently discontinued and future strategy in this area is currently under Ministerial consideration.
  - b. Social marketing advertising campaigns (sexual health, Like Minds Like Mine, Feeding our Future, Breastfeeding, Sun Smart, Healthline & well child, problem gambling, tobacco control, HPV immunisation, and cervical and breast screening).
  - c. Sanitary Works Subsidy Scheme (SWSS) and the Drinking Water Assistance Programme – both currently under Ministerial consideration.
  - d. B4 School Checks (the eighth Well Child check), which, following MRG comment, is being reviewed and will be subject to ministerial decision in January 2010.
  - e. Smoking cessation, including a review of the Quitline services, Aukati Kaipapa quit smoking services, Pacific and pregnancy quit smoking services; and development of a purchasing framework for national quit smoking services (due for completion by the end of November).

- f. *[information deleted to enable the Crown to negotiate without disadvantage or prejudice]*
- g. Achieving the goal of Whanau Ora and improving outcomes for Maori. The Ministry is in the process of developing a set of headline indicators for measuring progress in maximising the health and wellbeing of Maori.
- h. Ministry of Health corporate value for money 2009/10 work programme. So far reviews of vehicles and taxis have been completed; and reviews of Ministry stationary, video conferencing, Corporate Express/RAPS interface, and print stationary are underway. Reviews of reprographics and office equipment have been started, but put on hold and reviews of catering and postal purchasing have yet to start.
- i. Capital asset management and decision-making processes to develop a national asset management strategy that better reflects national priorities.

### **The Ministerial Review Group (MRG) report**

- 4. The Government has already accepted and started implementing several of the MRG recommendations:
  - a. establishing a National Health Board (NHB), as a unit within the Ministry of Health (the Ministry) to provide more focused national supervision of the \$9.7 billion spend on hospital and primary health services
  - b. creating a Shared Services Establishment Board to begin consolidation of administrative functions such as payroll and purchasing currently spread across 21 District Health Boards (DHBs) and regional shared agencies
  - c. strengthening regional cooperation in service planning and delivery (which will require legislation)
  - d. devolving programmes of funding of up to \$2.5 billion, currently managed by the Ministry, where appropriate, to DHBs.
- 5. These decisions will result in greater coordination of DHBs and stronger planning decisions in relation to infrastructure, especially IT, workforce and capital. Other significant work underway includes:
  - a. re orientating the National Health Committee to focus on improving value for money and prioritising new health technology and interventions
  - b. the Ministry of Health, in consultation with the Treasury and State Services Commission, reporting by the end of the year on:
    - i. expanding the remits of PHARMAC and MEDSAFE to include the prioritisation and procurement of medical devices
    - ii. establishing a separate Quality Improvement Agency
  - c. reviewing funding and pricing systems to ensure they support national, regional and local services in order to improve the efficiency of the health care system including national, tertiary, secondary, community and primary care services.
  - d. Improving value for money and fiscal control in the health care system through tight prioritisation of new health technology and interventions, including assessment of the MRG proposal that such prioritisation be implemented through the National Health Committee.

- e. Progressing MRG recommendations on increasing clinical leadership and clinical networks.
6. Cabinet noted that after consolidation of back office functions and collective procurement has been fully implemented (which might take up to four years) there might be up to \$700 million reduction in the rate of growth of health spending over a five year period (this does not take into account set up costs).

### **Living Within Our Means**

7. Living Within Our Means (LWOM) provided the Ministry's advice to the Minister of Health on how the health sector can live within a tighter funding path over the next 3-5 years [HR20091181 refers]. In particular, LWOM responded to the likely scale of the funding path (including scenarios) and the options for controlling spending for Budget 2010.
8. LWOM illustrated that living within a lower growth path, will require a mix of immediate actions along with medium term, more fundamental changes to some key system settings.
9. A reduction in the rate of growth of new funding will have to be matched by reductions in new spending. Supporting the sector to live within this budget constraint requires improvements in productivity, performance and quality; improved prioritisation at every level; and changes to policy settings and service configuration designed to deliver improved value for money. The LWOM report identified the need for:
- a. productivity gains through a reasonable efficiency adjustor applied to Future Funding Track and Demographic growth (FFT/Demo) from 2010/11
  - b. improved system performance including: controlling the growth of labour costs, reducing the growth of spending on clinical and non-clinical consumables and devices, improving hospital productivity, improving clinical quality and reducing errors, improving business practices, including further reduction in losses from fraud, and enhanced clinical involvement in decisions, and using performance management and incentives to promote fiscal probity and productivity improvement.
  - c. improved prioritisation throughout the sector. This includes improving the use of economic analysis in prioritisation decisions through the Budget process, reviewing the Service Planning and New Health Intervention Assessment (SPNIA) process, and providing DHBs with the tools, support, information and incentives to prioritise properly.
  - d. further prioritisation exercises by conducting in-depth service reviews (starting with services funded from Ministry NDE) and by continuing line by line reviews.
  - e. reviewing broader system policy settings, including strengthening primary care, considering further devolution of Ministry Non-Departmental Expenditure (NDE), accelerating changes in service reconfiguration and new models of care, considering how best to leverage gains from integrating purchasing and providing functions, and other policy options such as selectively increasing excise taxes.
  - f. targeting new operating investment in Budget 2010 strategically to areas which can produce downstream savings, or accelerate step changes in models of care which will create long-term benefit.
  - g. using capital investment as a key driver of improved models of care. Work is underway to improve Capital and Asset Management (CAM) processes. LWOM

recommended only considering capital improvements that are critical for legislative or safety reasons, or which demonstrate they support improved regional and national service reconfiguration to meet population needs, and which prove a clear role for the life of the asset.