

# The Treasury

## Budget 2013 Information Release

### Release Document

July 2013

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- [1] 6(a) - to prevent prejudice to the security or defence of New Zealand or the international relations of the government
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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

## Treasury Report: Health Budget Options

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<b>Date:</b>	28 March 2013	<b>Report No:</b>	T2013/832
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### Action Sought

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	Action Sought	Deadline
Minister of Finance (Hon Bill English)	<p><b>Indicate</b> your preferred option for the Health Budget package</p> <p><b>Recommend</b> your preferred option for the Health Budget package to Budget Ministers at the Budget Ministers 3 meeting</p>	2 April 2013

### Contact for Telephone Discussion (if required)

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Name	Position	Telephone	1st Contact
[3]	Analyst	[3]	✓
John MacCormick	Senior Analyst, Health & Housing		

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

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<b>Return</b> the signed report to Treasury.
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## Treasury Report: Health Budget Options

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### Purpose of Report

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1. This report provides options for the Health Budget for the Budget Ministers 3 meeting on 2 April. Health's proposed Budget package balances to an average of \$350m per annum over the forecast period, within its indicative allocation. The initiatives also balance in outyears. The three options in this report could help manage the Health Budget in the context of decisions elsewhere across government within a constrained operating allowance.

### Family carers

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2. On 27 March 2013 the Cabinet Social Policy Committee (SOC) agreed to the preferred response to the family carers issue and that no further work be carried out on the broader issues raised (SOC Min (13) 5/7 refers). This manages costs within an estimated net \$23m which is factored into the Health Budget package. Cabinet will make a final decision at its next meeting.

3. If approved by Cabinet, this reduces uncertainty in the Health Budget package. It reduces the need to defer or decline initiatives to create room for a contingency to fund escalated family carers options. However, many proposed Health initiatives have been submitted with little supporting information.

### Our advice

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3. We have framed our advice as three options for Budget Ministers. These options are for initiatives deferred from the Budget Ministers 2 meeting:

i. **Devolved approach.** Approve Health's full set of initiatives as they fit within the \$350m indicative allocation, with the approval of five initiatives subject to a report back on the details of what is proposed.

ii. **Value-for-money approach (preferred option).** Approve minor initiatives and initiatives for which a strong case is made. Decline 14 initiatives where an inadequate case has been made in the Budget materials submitted. This would reduce the health allocation by an average of \$65m per annum to an average \$286.059m per annum. Funding is returned to the centre, freeing up the operating allowance. The Minister of Health could be invited to seek funding for some of the declined initiatives from the between-Budget contingency if these funds are not committed elsewhere in Budget decisions.

iii. **Value-for-money approach II.** Approve all initiatives apart from 5 initiatives where no information has been provided on the outputs to be purchased and how success will be measured. This would save an average of \$18m per annum from the operating allowance.

Funding required (including initiatives agreed at Budget Ministers 2):

(\$m)	Average annual Health operating funding required
Devolved approach	350.636
VFM approach	286.059
VFM approach II	331.550

## Recommended Action

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We recommend that you:

EITHER:

### **Devolved approach (\$350.636m per annum)**

**agree** to recommend to Budget Ministers all of Health's remaining operating initiatives;

*Agree/disagree.*

**invite** the Minister of Health to provide further details on the following initiatives:

- a) Electives – additional 2000
- b) Long Term Conditions – Green Prescriptions
- c) Long Term Conditions – CVD/Diabetes Achievement Incentive
- d) Electives – Maintain Existing Volumes
- e) Long Term Conditions – Diabetes Improvement Packages

*Agree/disagree.*

**note** that this Health package requires funding of \$350.636m per annum

OR **(Treasury-preferred option):**

### **Value-for-money approach (average \$286.059m per annum)**

**agree** to recommend to Budget Ministers the following minor initiatives and initiatives for which a strong case has been submitted in Budget materials:

ID	Initiative	Funding sought (\$m)				
		2013/14	2014/15	2015/16	2016/17	Highest outyear
7617	Cancer – Prostate Cancer Quality Improvement Programme	1.230	0.950	1.050	1.050	1.050
7618	Primary Care clinical integration and incentives	3.000	3.000	3.000	3.000	3.000
7619	CVD Health Target	1.000	1.000	1.000	1.000	1.000
7622	Family Caregivers	23.000	23.000	23.000	23.000	23.000
7693	Health & Disability Commission	0.750	0.750	0.750	0.750	0.750
7705	Sexual Health	0.228	0.228	0.228	0.228	0.228
7707	Reprioritisation from Risk Pool	(22.562)	(23.836)	(25.091)	(31.101)	(31.101)
7710	Cancer Services	0.500	0.500	0.500	0.500	0.500
7722	Phone Services	0.245	0.245	-	-	-
7764	Remote Video Interpreting Service	0.100	0.100	0.100	0.100	0.100
7776	Social Sector Trials	1.258	1.258	-	-	-
7810	Pre-employment Drug Testing	1.398	1.398	1.398	1.398	1.398
7811	Children's Action Plan	1.340	3.955	0.700	0.700	0.700

ID	Initiative	Funding sought (\$m)				
		2013/14	2014/15	2015/16	2016/17	Highest outyear
7813	Community Housing Rent Subsidies	4.659	-	-	-	-
7814	DHB deficit provision – reprioritisation	(5.000)	(5.000)	(5.000)	(5.000)	(5.000)
7815	Increase Risk Pool Funding to \$30m per year	(11.875)	-	16.734	46.514	6.246
7820	WellChild	0.030	0.030	0.030	0.030	0.030
7829	InteRAI Aged Care Roll Out	1.500	-	-	-	-
<b>Total</b>		<b>0.801</b>	<b>7.578</b>	<b>18.399</b>	<b>42.169</b>	<b>1.901</b>

*Agree/disagree.*

**decline** the following initiatives where there is an inadequate case made in the Budget materials submitted:

ID	Initiative	Funding sought (\$m)				
		2013/14	2014/15	2015/16	2016/17	Highest outyear
7621	Electives - Additional 2000	12.000	12.000	12.000	12.000	12.000
7623	Long Term Conditions - Green Prescriptions	1.250	1.550	1.900	2.500	2.500
7695	B4 schools check	1.748	1.748	1.748	1.748	1.748
7696	Disability Support Services	14.585	14.585	14.585	14.585	14.585
7700	Primary Health Care	3.200	3.200	3.200	3.200	3.200
7701	Immunisation	3.035	3.035	3.035	3.035	3.035
7702	NZ Health Survey	-	1.299	0.376	0.289	0.289
7703	Public Health Services	1.778	1.778	1.150	1.150	1.150
7704	Screening Services	6.283	6.283	6.283	6.283	6.283
7775	20 Additional Medical Places	0.527	1.491	2.487	3.496	8.000
7809	Aged Care & Dementia	9.000	9.500	8.700	8.000	8.000
7822	Long Term Conditions – Diabetes Care Improvement	5.255	3.200	2.200	1.200	0.000
7828	Electives – Maintain Existing Volumes	10.000	10.000	10.000	10.000	10.000
7837	Long Term Conditions - Diabetes Care Improvement Packages	3.100	3.100	3.100	3.100	3.100
<b>Total</b>		<b>71.761</b>	<b>72.769</b>	<b>70.764</b>	<b>70.586</b>	<b>73.890</b>

*Agree/disagree.*

**note** that this reduces Health’s indicative allocation by an average of \$65m per annum, bringing the Health Budget 2013 allocation to \$286.059m per annum

OR

**Value-for-money approach II (\$331.550m)**

agree to the following Health operating initiatives:

ID	Initiative	Funding sought (\$m)					Highest outyear
		2013/14	2014/15	2015/16	2016/17		
7617	Cancer – Prostate Cancer Quality Improvement Programme	1.230	0.950	1.050	1.050	1.050	
7618	Primary Care clinical integration and incentives	3.000	3.000	3.000	3.000	3.000	
7619	CVD Health Target	1.000	1.000	1.000	1.000	1.000	
7622	Family Caregivers	23.000	23.000	23.000	23.000	23.000	
7693	Health & Disability Commission	0.750	0.750	0.750	0.750	0.750	
7705	Sexual Health	0.228	0.228	0.228	0.228	0.228	
7707	Reprioritisation from Risk Pool	(22.562)	(23.836)	(25.091)	(31.101)	(31.101)	
7710	Cancer Services	0.500	0.500	0.500	0.500	0.500	
7722	Phone Services	0.245	0.245	-	-	-	
7732	Whole of Government Radio Network	0.636	0.636	0.636	0.636	0.636	
7764	Remote Video Interpreting Service	0.100	0.100	0.100	0.100	0.100	
7776	Social Sector Trials	1.258	1.258	-	-	-	
7810	Pre-employment Drug Testing	1.398	1.398	1.398	1.398	1.398	
7811	Children's Action Plan	1.340	3.955	0.700	0.700	0.700	
7813	Community Housing Rent Subsidies	4.659	-	-	-	-	
7814	DHB deficit provision – reprioritisation	(5.000)	(5.000)	(5.000)	(5.000)	(5.000)	
7815	Increase Risk Pool Funding to \$30m per year	(11.875)	-	16.734	46.514	6.246	
7820	WellChild	0.030	0.030	0.030	0.030	0.030	
7829	InterRAI Aged Care Roll Out	1.500	-	-	-	-	
7621	Electives - Additional 2000	12.000	12.000	12.000	12.000	12.000	
7695	B4 schools check	1.748	1.748	1.748	1.748	1.748	
7696	Disability Support Services	14.585	14.585	14.585	14.585	14.585	
7700	Primary Health Care	3.200	3.200	3.200	3.200	3.200	
7702	NZ Health Survey	-	1.299	0.376	0.289	0.289	
7703	Public Health Services	1.778	1.778	1.150	1.150	1.150	
7704	Screening Services	6.283	6.283	6.283	6.283	6.283	
7775	20 Additional Medical Places	0.527	1.491	2.487	3.496	8.000	
7828	Electives – Maintain Existing Volumes	10.000	10.000	10.000	10.000	10.000	
<b>Total</b>		<b>50.922</b>	<b>59.962</b>	<b>70.228</b>	<b>94.920</b>	<b>59.156</b>	

*Agree/disagree.*

**decline** the following initiatives where there is no information in the Budget materials submitted on what outputs are being delivered and how success will be measured:

ID	Initiative	Funding sought (\$m)				
		2013/14	2014/15	2015/16	2016/17	Highest outyear
7623	Long Term Conditions - Green Prescriptions	1.250	1.550	1.900	2.500	2.500
7701	Immunisation	3.035	3.035	3.035	3.035	3.035
7809	Aged Care & Dementia	9.000	9.500	8.700	8.000	8.000
7822	Long Term Conditions – Diabetes Care Improvement	5.255	3.200	2.200	1.200	0.000
7837	Long Term Conditions - Diabetes Care Improvement Packages	3.100	3.100	3.100	3.100	3.100
<b>Total</b>		<b>21.640</b>	<b>20.385</b>	<b>18.935</b>	<b>17.835</b>	<b>16.635</b>

*Agree/disagree.*

**note** that this reduces Health's indicative allocation by an average of \$18m per annum, bringing the Health Budget 2013 allocation to \$331.550m per annum

*Agree/disagree.*

**refer** this report to Budget Ministers

*Refer/not referred.*

John MacCormick  
**Senior Analyst, Health & Housing**

Hon Bill English  
**Minister of Finance**