

Reference: 20160163

8 July 2016



Thank you for your Official Information Act request, received on 18 May 2016. You requested the following:

1. *“Copies of all reports, aide memoires, briefings, advice, correspondence (emails) sent to the Minister of Finance’s office or Associate Ministers offices on the Ministry of Health’s Health Payment systems project or where the project is a substantial part of what is being discussed (a paragraph or more) since January 2016*
2. *Copies of all reports, briefings, advice, aide memoires, correspondence (emails) sent to the Minister of Finance’s office or Associate Ministers offices, or DPMC on the National Infrastructure Project or where the project is a substantial part of what is being discussed since January 2016*
3. *A copy of the report to SEC on HPL’s establishment and the status of its major work programmes that was anticipated in April as noted in Aide Memoire to the Minister of Finance on 18 March 2016 (T2016/488).*

*Where information is withheld, I request you provide the title and date of the communication/document withheld, the reason for refusal and the grounds in support of that reason as required by section 19(a)(i) and (ii) of the Official Information Act.”*

For ease of administration we have broken your request into three separate requests. This report refers to the first part of the request, namely:

1. *“Copies of all reports, aide memoires, briefings, advice, correspondence (emails) sent to the Minister of Finance’s office or Associate Ministers offices on the Ministry of Health’s Health Payment systems project or where the project is a substantial part of what is being discussed (a paragraph or more) since January 2016”.*

On 8 June 2016 I extended the time limit for deciding on your request by an additional 20 working days.

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## Information Being Released

Please find enclosed the following documents:

Item	Date	Document Description	Decision
1.	01/04/2016	Q&A for the Major Projects Performance Report November 2015 – February 2016	Release in part
2.	29/04/2016	Aide Memoire: Additional information on the Major Projects Performance Report November 2015 – February 2016	Release in part
3.	12/05/2016	Treasury Report: Major projects to be exited from active monitoring	Release in part
4.	08/06/2016	Letter: Expectations of Health Payment Systems following exit from major projects monitoring	Release in full

I have decided to release the relevant parts of the documents listed above, subject to information being withheld under one or more of the following sections of the Official Information Act, as applicable:

- personal contact details of officials, under section 9(2)(a) – to protect the privacy of natural persons, including deceased people, and
- names and contact details of junior officials and certain sensitive advice, under section 9(2)(g)(i) – to maintain the effective conduct of public affairs through the free and frank expression of opinions.

Please note that document 1 includes a reference to \$100m+ of potential fraud in the system. However, the 2008 business case that provided this estimation has since been superseded and it should be noted that the figure was an estimate only.

## Information Publicly Available

The following information is also covered by your request and is publicly available on the Treasury website:

Item	Date	Document Description	Website Address
5.	15/04/2016	Major Projects Performance Report November 2015 to February 2016	<a href="http://www.treasury.govt.nz/statesector/investmentmanagement/publications/majorprojects">http://www.treasury.govt.nz/statesector/investmentmanagement/publications/majorprojects</a>

Accordingly, I have refused your request for the above document under section 18(d) of the Official Information Act – the information requested is or will soon be publicly available.

Some information that is not relevant to your request has been removed from the document listed and we believe this information should continue to be withheld under the Official Information Act, on the grounds described in the document.

In making my decision, I have considered the public interest considerations in section 9(1) of the Official Information Act.

Please note that this letter (with your personal details removed) and enclosed documents may be published on the Treasury website.

This fully covers the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely

Jason Webber  
**Manager, Investment Management and Asset Performance**

# Information for Release

## 20160163

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1.	<a href="#"><u>Q&amp;A MPPR Nov 2015 - Feb 2016</u></a>	1
2.	<a href="#"><u>Aide Memoire Additional Information on the Major Projects Performance Report November 2015 - February 2016</u></a>	3
3.	<a href="#"><u>Major projects to be exited from active monitoring</u></a>	7
4.	<a href="#"><u>Letter of expectations exit for Health Payment Systems</u></a>	11

**COMMERCIAL-SENSITIVE**

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**Ministry of Health – Health Payment Systems**

*This has been around for years, why is it on hold?*

- Due to a shortage of capital funding, the Ministry has used the funding from this project to fund a critical dependency – a project to upgrade to Oracle 12.
- The Ministry will consider this project in a future internal investment funding round.

*Is funding the only thing that is holding this up?*

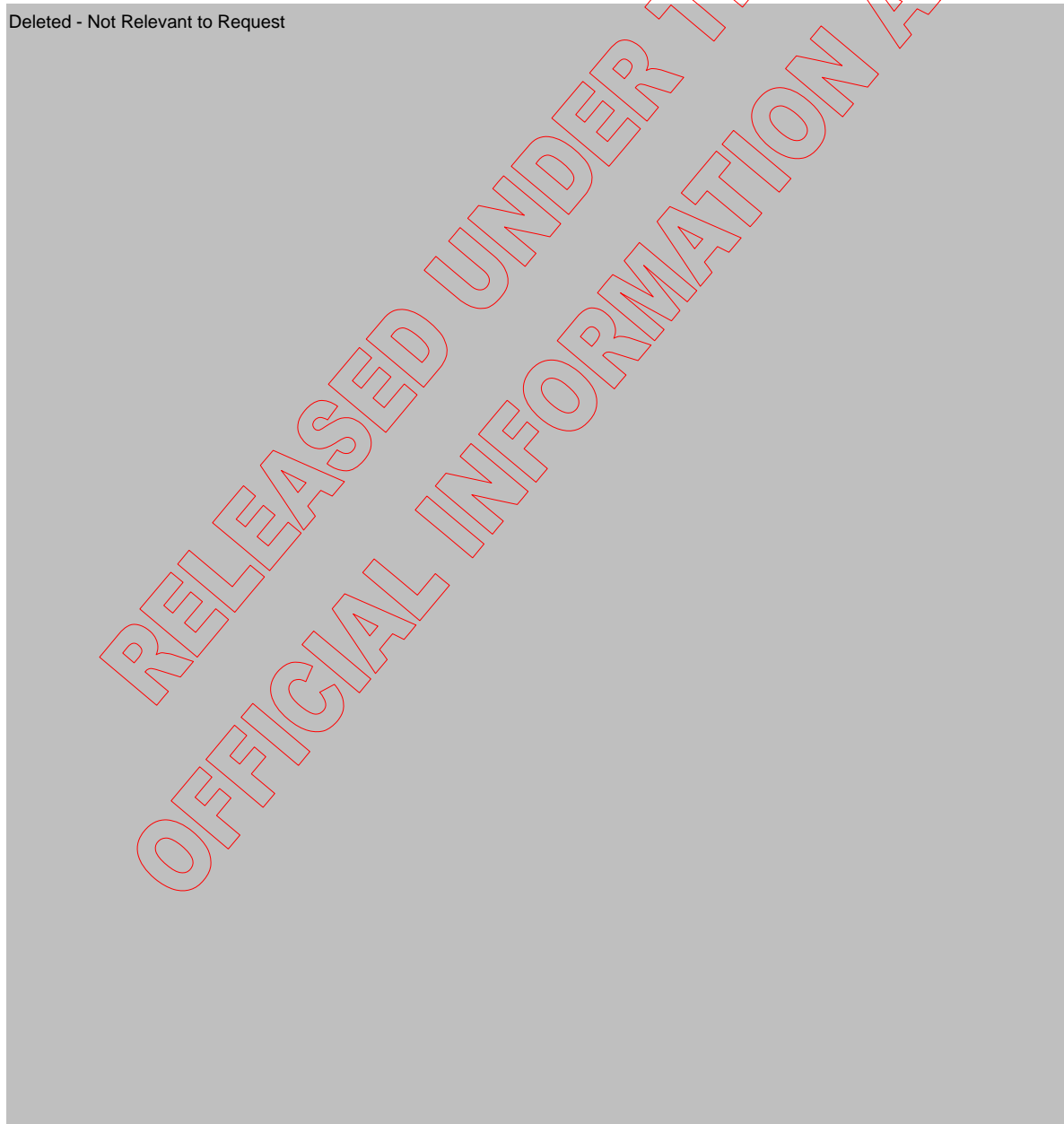
- No. The Ministry needs to upgrade its systems to Oracle 12 before it can carry out further work on the Health Payment Systems.
- The upgrade to Oracle 12 is expected to go live in early 2017.

**COMMERCIAL-SENSITIVE**

*Why not stop this? If it isn't a priority for the Ministry of Health, why are doing it?*

- There current system lacks controls to minimise intentional and unintentional overpayments.
- Figures from the Ministry's 2008 business case suggest there could be \$100m+ each year of fraud in Health Payment Systems transactions.
- Although there is an Audit and Compliance Team to identify and target risk areas in the current system, the proposed system changes will reduce the opportunity for overpayments and enable this team to better target risk areas.

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Remainder of document not relevant to request

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Reference: T2016/704

ST-4-8-2-3-18

Date: 29<sup>th</sup> April 2016

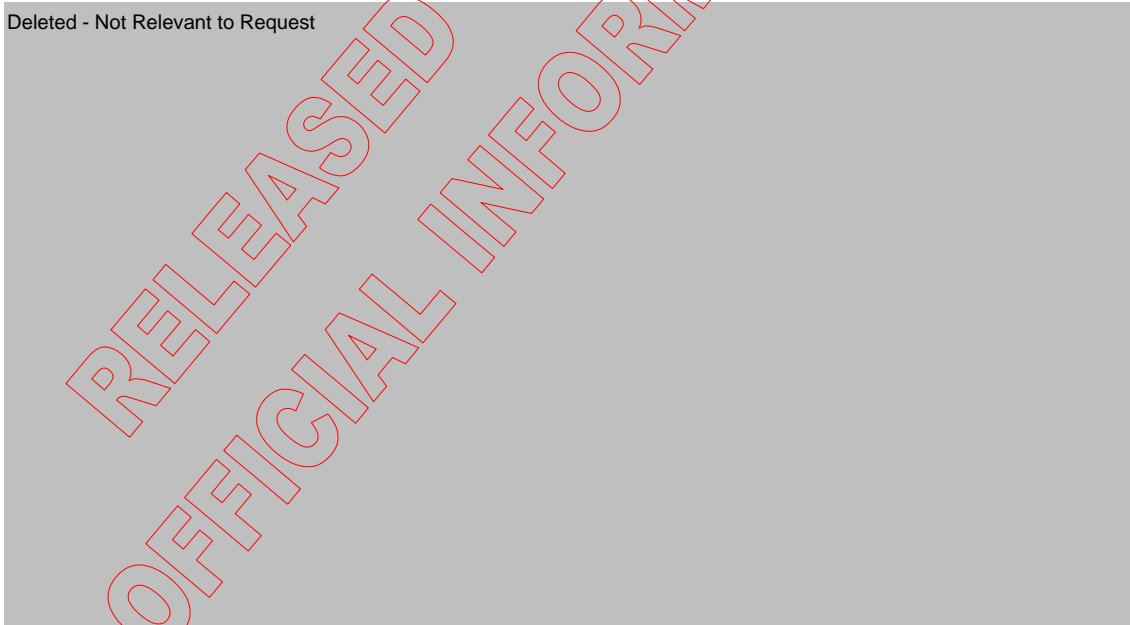
To: Minister of Finance  
(Hon Bill English)

Deadline: None  
(if any)

**Aide Memoire: Additional Information on the Major Projects Performance Report November 2015 - February 2016**

This Aide Memoire is to respond to comments you made on the Major Projects Performance Report November 2015 – February 2016.

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**Ministry of Health’s Health Payment Systems project**

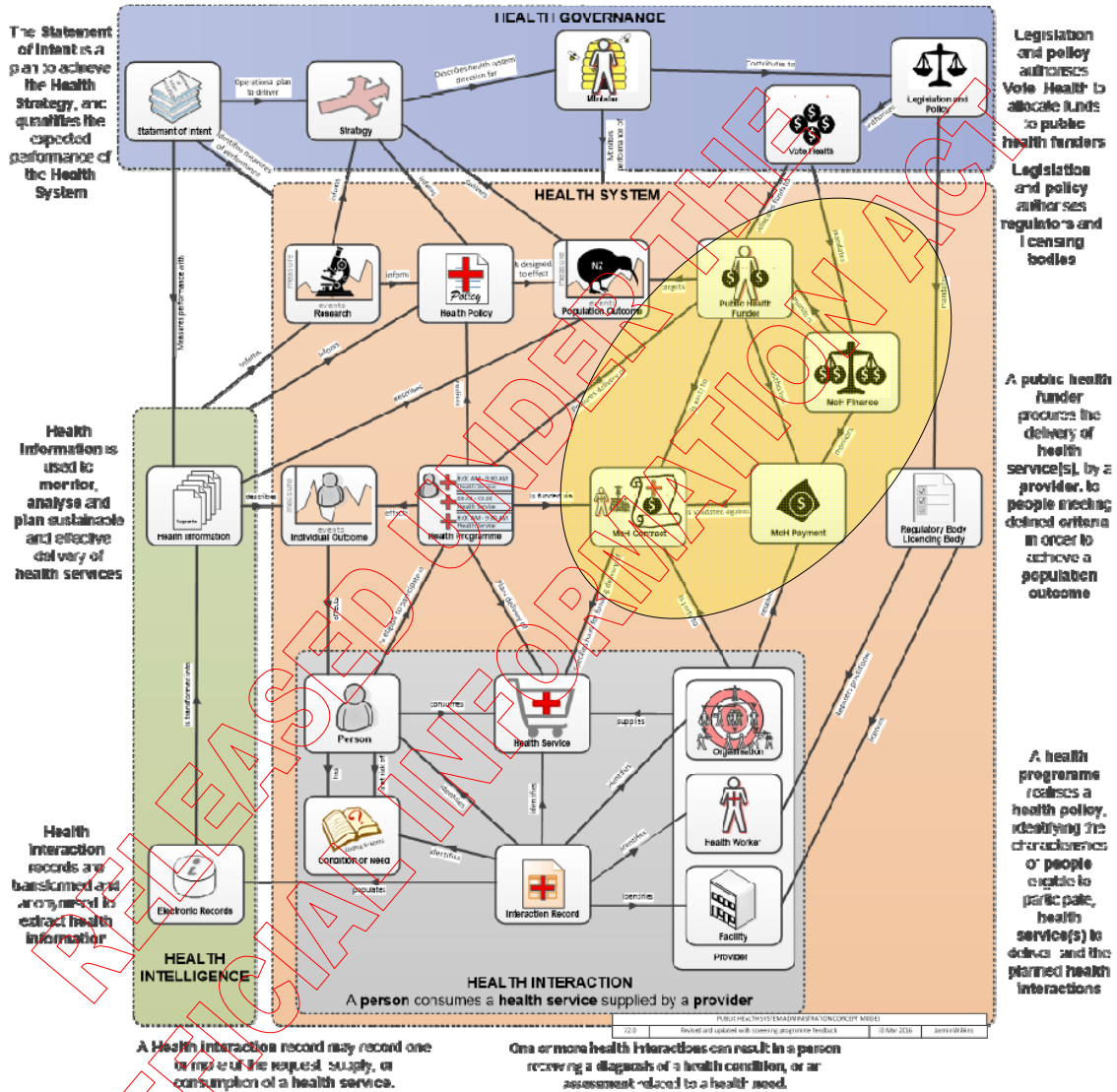
***National Contracting System***

You asked to be shown the national contracting system.

Below is a schematic of the health system with contracts in relation to the other elements including payments and finance. The highlighted area shows the relevant contracting, payment, funding and finance functions.

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If you would like further briefing on the how the system operates the Ministry is happy to respond with a meeting or further material.



**Concentration of risk**

You asked how the Ministry is dealing with the concentration of risk in in 'one big system.'

There are three systems used to process claims and manage contracts. The Contract Management System (CMS) is over 20 years old and the Payment Processing Systems (CCPS and Proclaim) are between 15 and 20 years old. Current risk mitigations include:



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- Disaster recovery and fail over plans for CMS and CCPS, and a disaster recovery plan for Proclaim.
- The key mitigation to reduce risk is to replace these aging systems and business cases are being prepared to propose replacement options.

A more modern digital system will:

- Address a number of the weaknesses in the current system
- Deliver efficiencies for providers and the Ministry
- Be composed of parts that are 'loosely coupled' rather than functioning as 'one big system'
- Make change easier and lower cost, and be implemented in small increments, rather than in one 'big bang'

The Ministry is working through options at present. When completed it will give an indication of likely time frames for presentation of a business case.

***Payments is a commodity***

You noted that payments is a commodity.

The Ministry agrees that payments is a commodity service and that many things have changed from the original business case:

- The Ministry is exploring options around cloud services for financial functions, procurement and contracting software.
- Business cases are being prepared to reflect other available alternatives.
- Future options for the delivery of the service are being considered including outsourcing.

Care is taken when considering options as payment is an integral part of delivering services in the health system. The payment process includes the capture of information on the delivery of services to monitor service delivery and the evaluation of service effectiveness. Changes to payment must take account of the whole process to manage risk and ensure the information required to monitor and evaluate health services is not compromised.

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s9(2)(g)(i)

Jason Webber, Manager, Investment Management & Asset Performance, 04 917 6203

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**Treasury Report: Major projects to be exited from active monitoring**

<b>Date:</b>	12 May 2016	<b>Report No:</b>	T2016/726
		<b>File Number:</b>	ST-4-8-2

**Action Sought**

	<b>Action Sought</b>	<b>Deadline</b>
Minister of Finance (Hon Bill English)	<b>Agree</b> to the projects being exited from active monitoring	Friday 27 May 2016
Associate Minister of Finance (Hon Steven Joyce)	<b>Note</b> the projects being exited from active monitoring	
Associate Minister of Finance (Hon Paula Bennett)	<b>Note</b> the projects being exited from active monitoring	

**Contact for Telephone Discussion (if required)**

<b>Name</b>	<b>Position</b>	<b>Telephone</b>	<b>1st Contact</b>
Geoff Shaw	Senior Advisor, Investment Performance	04 917 6158 (wk)	s9(2)(a) ✓
Jason Webber	Manager, Investment Management and Asset Performance	04 917 6203 (wk)	

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

**Return** the signed report to Treasury.

**Refer** a copy of the report to the Ministers of Defence, Health, Revenue, and Immigration.

Note any feedback on the quality of the report

**Enclosure:** No

**IN-CONFIDENCE****Treasury Report: Major projects to be exited from active monitoring****Purpose of Report**

1. The purpose of this report is to recommend the Treasury exits active monitoring of investment projects<sup>1</sup> that are of low risk, or on hold, and/or nearing completion of delivery.

**Analysis**

2. Following each *Major Projects Performance Report*, The Treasury considers the make-up of its major projects portfolio, and identifies projects that could be exited from active monitoring.
3. An exit from active monitoring transfers responsibility back to agencies, relying on their internal governance and assurance processes. The Treasury continues to receive regular information about each projects' performance against schedule, budget, and benefits.
4. The Treasury issues a letter to each agency setting out expectations and residual obligations for each project going forward, and will not include the exited projects in the next *Major Projects Performance Report*.
5. This review has identified five projects that no longer require active monitoring:

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**Health Payment Systems (Ministry of Health)**

9. This project has been placed on hold by Ministry of Health as it is dependent on completion of a database software upgrade project. The Ministry expects to prepare a revised business case to inform an investment decision in the 2016/2017 financial year.
10. Should this investment proceed, the Treasury may apply monitoring to it at the time it submits a revised risk profile assessment.

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<sup>1</sup> For the purposes of this report, the word projects is used to mean both projects and programmes

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**Risks**

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- 15. There is a risk that the transition of monitoring responsibilities back to the responsible agencies will mean that issues or challenges with implementation of the projects are not identified to the Corporate Centre or Ministers in a timely manner.
- 16. The Treasury considers that regular reporting on the projects' progress through the GPP three times per year will provide sufficient information on the projects' status, and effectively mitigates this risk.
- 17. Deleted - Not Relevant to Request

**Next Steps**

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- 18. If you agree to our recommendations then we will finalise and send letters of expectations to the lead agencies.
- 19. The next *Major Projects Performance Report* to Investment Ministers will note that the programmes detailed in this Treasury report have exited from major projects monitoring.

**Recommended Action**

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We recommend that you:

- a **note** that the five projects in the Major Projects Portfolio stated in this report are approaching completion, or have been placed on hold, therefore the Treasury considers active monitoring is no longer required;
- b **agree** that the Treasury exits active monitoring of the following projects:

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d. Health Payment Systems programme (Ministry of Health);

*Agree/disagree*

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c **note** that the Treasury will continue to receive information on each projects' costs, benefits and risks three times each year;

d **note** that if you agree to exit these projects, a letter outlining Treasury's ongoing expectations will be sent to each chief executive;

e **refer** this report to the Ministers of Deleted - Not Relevant to Request Health

Deleted - Not Relevant to Request

*Refer/not referred*

Jason Webber  
**Manager, Investment Management and Asset Performance**

Hon Bill English  
**Minister of Finance**

Hon Steven Joyce  
**Associate Minister of Finance**

Hon Paula Bennett  
**Associate Minister of Finance**



08 June 2016

Director-General and Chief Executive  
Ministry of Health  
PO Box 5013  
WELLINGTON 6140

Attention: Chai Chuah

**Exit of the Health Payment Systems Project from Treasury's *Major Projects Performance Report***

This note is to advise you that following the Ministry of Health's decision to place the Health Payment Systems project on hold, the Treasury has decided to exit the project from inclusion in the *Major Projects Performance Report*. This letter also details some further expectations for the project that you should share with the project team, should the Ministry make a decision to re-start the project at a future date.

The Treasury reviews its major projects portfolio periodically to ensure monitoring and reporting is applied appropriately. According to our understanding, The Ministry of Health has placed this project on hold. As a result of placing the project on hold, we have recommended that the project is exited from the *Major Projects Performance Report*.

Expectations

Although the project will no longer feature in the report, you may wish to make your team aware of the following expectations:

- Should the Ministry make a decision to re-start the project, we expect that the project team will provide an updated Risk Profile Assessment (RPA) to the Treasury so that we can identify the risk profile of the initiative, and support consideration, review, and reporting on the proposal.
- Please continue to engage with your Treasury Vote Analyst as required, particularly in advance of any plans to submit budget bids for this initiative.

Please let me know if you or the project team have any further questions.

Kind Regards,

Jason Webber  
Manager, Investment Management and Asset Performance

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fax. 64-4-473-0982

[www.treasury.govt.nz](http://www.treasury.govt.nz)

cc: Giles Southwell, Senior Responsible Owner Health Payment Systems  
Ferg Welsh, Chief Financial Officer Ministry of Health, Business Owner Health  
Payment Systems

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OFFICIAL INFORMATION ACT