

The Treasury

Budget 2018 Information Release

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Treasury Report: Advice on Primary Health Care Funding

Date:	1 March 2018	Report No:	T2018/468
		File Number:	SH-1-6-11

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Grant Robertson)	Do not support the Cabinet paper on primary health care and table alternative recommendations.	2 March 2018
Associate Minister of Finance (Hon Dr David Clark)	This report is for your information.	2 March 2018

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
Bevan Searancke	Senior Analyst, Health [39]	N/A (mob)	✓
Carolyn Palmer	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: Advice on Primary Health Care Funding

Executive Summary

The Minister of Health was to be presenting a Cabinet paper on primary health care at the Cabinet Business Committee (CBC) meeting on 5 March 2018. We understand that CBC has been cancelled and the paper will be presented at another Cabinet meeting shortly.

[34]

indicative cost of the primary care package is [38]

The

[34]

As such, it pre-empts Budget decisions and restricts options available to Budget Ministers. This is of particular concern given the scale of the primary care initiatives, the size of the submitted budget package for Vote Health, and the broader pressures across the state sector.

We have the following additional concerns:

- investing in primary health care settings in Budget 18 may make it more difficult if the Government wants to make substantive changes to these proposals following the primary care review (the review) and the mental health inquiry.
- committing significant investment now risks not having sufficient funding left over to put together a balanced reform package following the review.

Our first best advice, when doing a major review, would normally be to defer implementation of any initiatives until the outcomes of the review can be considered. However, we recognise the public debate that has been taking place and the public manifesto commitments the Government has made in relation to primary care. In the context of the primary care package submitted as part of Budget 18, our advice is to provide a small amount of targeted funding in Budget 18. This would leave the majority of notional primary care funding available to put together a balanced reform package following the review.

The paper provides one limited phasing option. However, in order for Ministers to be fully informed on choices and trade-offs we think there needs to be a range of options presented. We think there should also be a whole of system approach taken in the paper which includes the broader implications for ACC and the Ministry of Social Development.

Accordingly, we consider that further consideration of phasing options is needed for implementing the primary care initiatives outlined in the paper and have provided alternative recommendations in **Appendix 1** that you could table to that effect.

Recommended Action

We recommend that you **note** our advice that the Minister of Finance should not support the recommendations in the Cabinet paper and table alternative recommendations that are attached in Appendix 1 to this report.

Carolyn Palmer
Manager, Health

Hon Grant Robertson
Minister of Finance

Treasury Report: Advice on Primary Health Care Funding

Purpose of Report

1. The Minister of Health was to be presenting a paper titled *'Improving Primary Health Care: A Review of Primary Health Care and Initiatives to Reduce Cost Barriers to Access'* (the paper) at the Cabinet Business Committee (CBC) meeting on 5 March 2018. We understand that CBC has been cancelled and the paper will be presented at another Cabinet meeting shortly.
2. This report recommends that further consideration of phasing options is needed for implementing the primary care initiatives outlined in the paper. We have provided alternative recommendations in **Appendix 1** that you could table to that effect.

Primary Health Care Cabinet Paper

3. The paper is seeking Cabinet's agreement to advance implementation of five primary care initiatives that have been submitted as Budget 18 manifesto bids:
 - reducing general practitioner (GP) fees by \$10
 - extending low cost GP fees rates to those with a Community Services Card (CSC)
 - additional GP training places ^[33]
 - free doctor's visits for Under 14s (Under 13s are already free), and
 - one free health check (including eye check) for SuperGold card holders (this will be scoped in 2018/2019 financial year).
4. There is significant funding required for Vote Health (^[38]), to implement the initiatives. Additional funding of ^[38] and ^[38] is also required, for Vote Labour Market and Vote Social Development respectively, so ACC and the Ministry of Social Development can implement the proposals.
5. ^[38]
6. The paper has presented one phasing option to implement the proposals from 1 October 2018 rather than from 1 July. This would reduce the fiscal impact in 2018/19 by \$59.3 million but does not materially reduce the overall proposed funding.

Treasury Comment

7. While the paper does not formally seek funding, it is effectively a pre-commitment against the Budget 2018 allowance. As such, it pre-empts Budget decisions and restricts options available to Budget Ministers.

8. This is of particular concern given the scale of the primary care initiatives and that the submitted package for Vote Health does not fit within the signalled amount in the Fiscal Plan, even before considering other emerging pressures such as pay equity and DHB deficits. We highlighted this in our advice to support the first bilateral meeting on Vote Health (report T2018/300 refers).
9. In addition, there are broader pressures across the state sector and Budget Ministers will need to make trade-offs and choices in the context of wider Government priorities and the fiscal strategy.
10. We raise the following additional concerns:
 - investing in primary health care settings in Budget 18 may make it more difficult if the Government wants to make substantive changes to these proposals following the primary care review (the review) and the mental health inquiry.
 - committing significant investment now risks not having sufficient funding left over to put together a balanced reform package following the review.
11. We acknowledge that the paper provides one phasing option but we consider that this does not go far enough.
12. Our first best advice, when doing a major review, would normally be to defer implementation of any initiatives until the outcomes of the review can be considered.
13. However, we recognise the public debate that has been taking place and the public manifesto commitments the Government has made. Accordingly, in the context of the primary care package submitted as part of Budget 18, our advice is to provide significantly scaled and targeted funding for primary care in Budget 18. One potential option would be to fund:
 - free doctor's visits for Under 14s
 - the first tranche of additional GP training places ^[33]
 - scoping work for the one free health check (including eye check) for SuperGold card holders.
14. The cost of these three initiatives would be around ^[38] over four years. This would need to go through the Budget 18 process in the context of determining the Vote Health budget package.
15. This approach would leave the majority of funding ^[38] available to put together a balanced reform package following the findings from the review. It would also support meeting coalition agreement commitments. Both the free doctor's visits for Under 14s and the free health check for SuperGold card holders are in the Coalition Agreement.
16. We consider that there are potentially other phasing options that could be developed. In order for Ministers to be fully informed on choices and trade-offs we think there needs to be a range of options presented in the paper.
17. There are also broader implications for ACC and the Ministry of Social Development and we think there should be a whole of system approach taken, rather than, for example, ACC putting up a separate Cabinet paper on primary care.
18. Accordingly, we recommend that you table the following alternative recommendations in **Appendix 1**. These would replace recommendations 4 and 10 in the paper.

Appendix 1

Proposed Alternative Recommendations

New Recommendation 4

note that five primary health care Budget 2018 initiatives have been submitted:

- 4.1 reducing general practitioner (GP) fees by \$10
- 4.2 extending low cost GP fees (Very Low Cost Access (VLCA)) rates to those with a Community Services Card (CSC)
- 4.3 additional GP training places ^[33]
- 4.4 free doctor's visits for Under 14s (Under 13s are already free)
- 4.5 one free health check (including eye check) for SuperGold card holders (this will be scoped in 2018/2019 financial year)

New Recommendation 10

direct the Minister of Health to report back to Cabinet by 21 March 2018 on further phasing options for implementing the primary health care initiatives including implications for ACC and the Ministry of Social Development.