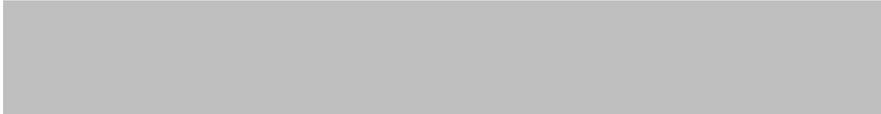


Reference: 20210596

3 March 2022



Dear 

Thank you for your Official Information Act requests, received on 15 December 2021. You made two requests; the first was for the following:

- *The original unredacted report T2021/383 titled “Treasury Report: Briefing for Vote Health Budget 2021 Bilateral Meeting – 15 March”*
- *The original unredacted Aide Memoire ref T2021/651 (SH-1-6-14) “Aide Memoire: Budget 2021 – further information on Health and Disability Reform Initiatives”*

The second request was for:

*all original communications regarding the following information:*

- *Briefing for Vote Health Budget 2021 Bilateral Meeting- 15 March” report No: T2021/383*

We wrote to you on the 17 December 2021 advising that we will be combining your requests for response.

We clarified the request with you on 21 December 2021 to be for both the reports, and any communications relating to them.

On 1 February 2022, I decided to extend the time to respond to this request by 20 working days to allow for external consultation.

## Information being released

Please find enclosed the following documents:

Item	Date	Document Description	Decision
1.	10 March 2021	Email: Bilateral Advice Appendix - Vote Health.XLSX	Release in full
2.	10 March 2021	Email: Treasury Report Briefing for Vote Health Budget 2021 Bilateral Meeting - 15 March	Release in full
3.	11 March 2021	Email: RE TR Briefing for Vote Health B2021 Bilateral Meeting	Release in full
4.	11 March 2021	Email: RE TSY BAG Treasury Report 383 Briefing for Vote Health Budget 2021 Bilateral Meeting 15 March.pdf, Treasury Report T2021 383 Briefing for Vote Health Budget 2021 Bilateral Meeting 15 March.docx	Release in full
5.	11 March 2021	Treasury Report T2021/383: Briefing for Vote Health Budget 2021 Bilateral Meeting - 15 March	Release in part
6.	12 March 2021	Email: RE Treasury Report - health bilateral advice	Release in full
7.	15 March 2021	Aide Memoire T2021/651: Budget 2021 - further information on Health and Disability Reform Initiatives	Release in part
8.	17 March 2021	Email: RE Aide Memoire Budget 2021 - Health reform initiatives	Release in full
9.	17 March 2021	Email: RE Aide Memoire Budget 2021 - Health reform initiatives	Release in full

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

- section 9(2)(f)(iv) – to maintain the current constitutional conventions protecting the confidentiality of advice tendered by Ministers and officials,
- section 9(2)(g)(i) – to maintain the effective conduct of public affairs through the free and frank expression of opinions,
- section 9(2)(g)(ii) – to maintain the effective conduct of public affairs through protecting Ministers, members of government organisations, officers and employees from improper pressure or harassment,
- section 9(2)(j) – to enable the Crown to negotiate without prejudice or disadvantage, and
- section 9(2)(k) – to prevent the disclosure of information for improper gain or improper advantage.

Direct dial phone numbers of officials have been redacted under section 9(2)(k) in order to reduce the possibility of staff being exposed to phishing and other scams. This is because information released under the OIA may end up in the public domain, for example, on websites including Treasury's website.

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

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

Yours sincerely

Jess Hewat  
**Manager, Health and ACC**

# TOIA 20210596

## Table Of Contents

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1.	<a href="#">10 March 2021 Email: Bilateral Advice Appendix - Vote Health.XLSX</a>	1
2.	<a href="#">10 March 2021 Email: Treasury Report Briefing for Vote Health Budget 2021 Bilateral Meeting - 15 March</a>	2
3.	<a href="#">11 March 2021 Email: RE TR Briefing for Vote Health B2021 Bilateral Meeting</a>	3
4.	<a href="#">11 March 2021 Email: RE TSY BAG Treasury Report 383 Briefing for Vote Health Budget 2021 Bilateral Meeting 15 March.pdf, Treasury Report T2021 383 Briefing for Vote Health Budget 2021 Bilateral Meeting 15 March.docx</a>	5
5.	<a href="#">Treasury Report T2021/383: Briefing for Vote Health Budget 2021 Bilateral Meeting - 15 March</a>	7
6.	<a href="#">12 March 2021 Email: RE Treasury Report - health bilateral advice</a>	25
7.	<a href="#">Aide Memoire T2021/651: Budget 2021 - further information on Health and Disability Reform Initiatives</a>	26
8.	<a href="#">17 March 2021 Email: RE Aide Memoire Budget 2021 - Health reform initiatives</a>	31
9.	<a href="#">17 March 2021 Email: RE Aide Memoire Budget 2021 - Health reform initiatives</a>	32

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**From:** Niki Lomax [TSY]  
**Sent:** Wednesday, 10 March 2021 4:56 pm  
**To:** Justin Alsleben [TSY]  
**Subject:** Bilateral Advice Appendix - Vote Health.XLSX  
**Attachments:** 4428389\_Bilateral Advice Appendix - Vote Health.XLSX

For cross checking numbers

Also need you to check things add up correctly – in the body and annex of the report



**Niki Lomax** (she/her) | Kaitātari – Senior Analyst | Health and ACC | **Te Tai Ōhanga – The Treasury**  
Waea tōtika: s9(2)(k) | Waea pūkoro: s9(2)(g)(ii) | [niki.lomax@treasury.govt.nz](mailto:niki.lomax@treasury.govt.nz)

---

**From:** Henry Neas [TSY]  
**Sent:** Wednesday, 10 March 2021 6:43 pm  
**To:** Justin Alsleben [TSY]  
**Subject:** Treasury Report: Briefing for Vote Health Budget 2021 Bilateral Meeting - 15 March

Hi Justin, in case you don't have it, here's a link to the report for you to QA tmrw 😊

[Treasury Report: Briefing for Vote Health Budget 2021 Bilateral Meeting - 15 March \(Treasury:4421093v1\)](#) [Add to worklist](#)

Thanks,  
Henry

---

**From:** Henry Neas [TSY]  
**Sent:** Thursday, 11 March 2021 1:58 pm  
**To:** Jess Hewat [TSY]  
**Cc:** Niki Lomax [TSY]; Rose Boele van Hensbroek [TSY]; Justin Alsleben [TSY]  
**Subject:** RE: TR: Briefing for Vote Health B2021 Bilateral Meeting

Thanks Jess 😊

---

**From:** Jess Hewat [TSY] <Jess.Hewat@treasury.govt.nz>  
**Sent:** Thursday, 11 March 2021 12:24 pm  
**To:** Henry Neas [TSY] <Henry.Neas@treasury.govt.nz>  
**Cc:** Niki Lomax [TSY] <niki.lomax@treasury.govt.nz>; Rose Boele van Hensbroek [TSY] <Rose.BoelevanHensbroek@treasury.govt.nz>; Justin Alsleben [TSY] <Justin.Alsleben@treasury.govt.nz>  
**Subject:** RE: TR: Briefing for Vote Health B2021 Bilateral Meeting

Hi Henry,

Please find attached my final comments and track changes. There's nothing substantive in there; the biggest difference being that I've stripped back quite a bit of text in the annex where we were a bit repetitive around the risks. It needs one final look over once you accept my track changes to make sure it's all tidy, but I don't need to see it again and will push through Moto.

I'm really impressed with the quality of the briefing and I think we have set MoF up well for the conversation on Monday. Great work Vote team 😊

Jess

---

**From:** Henry Neas [TSY] <[Henry.Neas@treasury.govt.nz](mailto:Henry.Neas@treasury.govt.nz)>  
**Sent:** Thursday, 11 March 2021 11:37 AM  
**To:** Jess Hewat [TSY] <[Jess.Hewat@treasury.govt.nz](mailto:Jess.Hewat@treasury.govt.nz)>  
**Subject:** RE: TR: Briefing for Vote Health B2021 Bilateral Meeting

---

**From:** Jess Hewat [TSY] <[Jess.Hewat@treasury.govt.nz](mailto:Jess.Hewat@treasury.govt.nz)>  
**Sent:** Thursday, 11 March 2021 11:36 am  
**To:** Henry Neas [TSY] <[Henry.Neas@treasury.govt.nz](mailto:Henry.Neas@treasury.govt.nz)>  
**Subject:** RE: TR: Briefing for Vote Health B2021 Bilateral Meeting

Hi Henry,

Can you send me a locally-saved version. I can't seem to open through iManage.

Thanks,  
Jess

---

**From:** Henry Neas [TSY] <[Henry.Neas@treasury.govt.nz](mailto:Henry.Neas@treasury.govt.nz)>  
**Sent:** Thursday, 11 March 2021 11:24 AM

**To:** Jess Hewat [TSY] <[Jess.Hewat@treasury.govt.nz](mailto:Jess.Hewat@treasury.govt.nz)>  
**Subject:** TR: Briefing for Vote Health B2021 Bilateral Meeting

Hi, see link below

[Treasury Report: Briefing for Vote Health Budget 2021 Bilateral Meeting - 15 March \(Treasury:4421093v1\)](#) [Add to worklist](#)

Thanks,  
Henry

---

**From:** Rose Boele van Hensbroek [TSY]  
**Sent:** Thursday, 11 March 2021 2:08 pm  
**To:** Jess Hewat [TSY]; Niki Lomax [TSY]; @Health [TSY]  
**Subject:** RE: TSY BAG: Treasury Report 383 Briefing for Vote Health Budget 2021 Bilateral Meeting 15 March.pdf, Treasury Report T2021 383 Briefing for Vote Health Budget 2021 Bilateral Meeting 15 March.docx

GO Henry!!! Amazing!!

**Rose Boele van Hensbroek** | Analyst, Health and ACC | **Te Tai Ōhanga – The Treasury**  
Tel: s9(2)(k) | Mobile: s9(2)(g)(ii) | Email/IM: [Rose.BoelevanHensbroek@Treasury.govt.nz](mailto:Rose.BoelevanHensbroek@Treasury.govt.nz)



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**From:** Jess Hewat [TSY] <[Jess.Hewat@treasury.govt.nz](mailto:Jess.Hewat@treasury.govt.nz)>  
**Sent:** Thursday, 11 March 2021 1:59 PM  
**To:** Niki Lomax [TSY] <[niki.lomax@treasury.govt.nz](mailto:niki.lomax@treasury.govt.nz)>; @Health [TSY] <[Healthtsy@treasury.govt.nz](mailto:Healthtsy@treasury.govt.nz)>  
**Subject:** RE: TSY BAG: Treasury Report 383 Briefing for Vote Health Budget 2021 Bilateral Meeting 15 March.pdf, Treasury Report T2021 383 Briefing for Vote Health Budget 2021 Bilateral Meeting 15 March.docx

Woohoo! Great work!! 😊 😊 😊

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**From:** Niki Lomax [TSY] <[niki.lomax@treasury.govt.nz](mailto:niki.lomax@treasury.govt.nz)>  
**Sent:** Thursday, 11 March 2021 1:56 PM  
**To:** @Health [TSY] <[Healthtsy@treasury.govt.nz](mailto:Healthtsy@treasury.govt.nz)>  
**Subject:** FW: TSY BAG: Treasury Report 383 Briefing for Vote Health Budget 2021 Bilateral Meeting 15 March.pdf, Treasury Report T2021 383 Briefing for Vote Health Budget 2021 Bilateral Meeting 15 March.docx

Congrats Henry on getting this out! And to everyone who helped!

**Niki Lomax** | **Health & ACC** | **Te Tai Ōhanga – The Treasury**

Waea tōtika: s9(2)(k) | Waea pūkoro: s9(2)(g)(ii)

-----Original Message-----

**From:** Henry Neas [TSY] <[Henry.Neas@treasury.govt.nz](mailto:Henry.Neas@treasury.govt.nz)>  
**Sent:** Thursday, 11 March 2021 1:52 pm  
**To:** Ministerial Services Inbox [TSY] <[Ministerial.Services@treasury.govt.nz](mailto:Ministerial.Services@treasury.govt.nz)>  
**Cc:** Niki Lomax [TSY] <[niki.lomax@treasury.govt.nz](mailto:niki.lomax@treasury.govt.nz)>; Jess Hewat [TSY] <[Jess.Hewat@treasury.govt.nz](mailto:Jess.Hewat@treasury.govt.nz)>  
**Subject:** FW: TSY BAG: Treasury Report 383 Briefing for Vote Health Budget 2021 Bilateral Meeting 15 March.pdf, Treasury Report T2021 383 Briefing for Vote Health Budget 2021 Bilateral Meeting 15 March.docx

Kia ora,

This needs to be uploaded today.

The appropriate MS Teams group is Budget Papers.

Thank you,

Henry Neas (he/him) | Kaitātari - Graduate Analyst, Health & ACC | Te Tai Ōhanga – The Treasury  
Tel: s9(2)(k) | Email/IM: Henry.Neas@treasury.govt.nz



## Treasury Report: Briefing for Vote Health Budget 2021 Bilateral Meeting - 15 March

<b>Date:</b>	11 March 2021	<b>Report No:</b>	T2021/383
		<b>File Number:</b>	DH-1-2-3-2

### Action sought

	Action sought	Deadline
Hon Grant Robertson <b>Minister of Finance</b>	<p><b>Discuss</b> the contents of this briefing with the Minister of Health at your bilateral meeting on 15 March 2021.</p> <p><b>Indicate</b> any changes you would like to make to the recommended Budget 2021 health package.</p>	Ahead of the Vote Health Budget bilateral on 15 March 2021.

### Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Henry Neas	Vote Analyst, Health	s9(2)(k)	N/A (mob) ✓
Niki Lomax	Vote Manager, Health		N/A (mob)
Jess Hewat	Manager, Health	s9(2)(g)(ii)	

### Minister's Office actions (if required)

**Return** the signed report to Treasury.

Note any feedback on the quality of the report

**Enclosure:** Annex 1: Treasury recommended 'minimum viable' health package

## Treasury Report: Briefing for Vote Health Budget 2021 Bilateral Meeting - 15 March

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### Executive Summary

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This briefing is provided ahead of your Budget 2021 bilateral with the Minister of Health on Monday 15 March. We recommend you use this time to discuss the Treasury's recommended 'minimum viable' package for Vote Health.

s9(2)(f)(iv)



We suggest you discuss the following points with the Minister of Health:

- The priority for Budget 2021 should be ensuring that the **Health and Disability System Reform** has the resources it needs to succeed and that critical reform enablers are progressed. The package should include initiatives deemed 'HDSR critical', including investment in implementation of the new system operating model, first steps towards establishing locality networks, additional investment in hauora Māori services and foundational investments in data and digital infrastructure and capability.
- **Critical cost pressures** should be met at a level that supports the health sector through the reforms. Further scaling of the recommended 'minimum viable' package carries risks for service delivery and may undermine implementation of reform.
- All **manifesto commitments** that are not highly time-sensitive should be deferred to future Budgets so that there is room within allowances to prioritise the HDSR critical initiatives and fund critical cost pressures.
- DHBs have **capital intentions** over the next four years exceeding s9(2)(f)(iv). We have noted long-standing issues with the pace at which health capital projects are delivered. However, there is a clear need to invest, and allocating further capital in Budget 2021 helps spread the costs of capital investment over time and provides a clear signal that projects, such as the major hospital redevelopment in either Whangārei or Nelson, should progress.

The body of this report does not provide detail on all individual initiatives in the package. **Annex 1** provides the Vote team's assessment of each initiative including the key risks of scaling below the recommended 'minimum viable' package.

## Recommended Action

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We recommend that you:

- a **discuss** the contents of this report with the Minister of Health on Monday, 15 March, and
- b **indicate in Annex 1** any changes you would like to make to the Treasury's recommended minimum viable Budget 2021 package for Vote Health.

Jess Hewat  
**Manager, Health & ACC**

Hon Grant Robertson  
**Minister of Finance**

## Treasury Report: Briefing for Vote Health Budget 2021 Bilateral Meeting - 15 March

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### Purpose of Report

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1. You are meeting with the Minister of Health on Monday 15 March for the second Vote Health bilateral for Budget 2021. This briefing is provided to support that discussion.
2. We recommend you use this time to discuss the Treasury's recommended 'minimum viable' package for Vote Health with the Minister of Health and to consider whether you support this package or, alternatively, to indicate any changes you would like to make to it.
3. The body of this report does not provide detail on all individual initiatives in the package. **Annex 1** provides the Vote team's assessment of each initiative including the key risks of scaling below Treasury's recommended 'minimum viable' package.

### Vote Health Budget 2021 package – overview

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4. s9(2)(f)(iv)
- 

### Strategic considerations for Budget 2021

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5. As highlighted in our advice for the December Vote Health bilateral (T2020/3595 refers), a key challenge in Budget 2021 is striking a balance between constraint within

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<sup>1</sup> Figures may not sum due to rounding

the tight fiscal environment, keeping pace with the significant financial pressures in the sector and progressing much-needed sector reforms. DHBs are currently operating with significant deficits (with some requiring large cash injections), and financial risk is exacerbated by the uncertainty of COVID-19 and the transitional period with reform. The health sector is also experiencing other acute pressures for which there is limited discretion over funding short of significant policy decisions to withdraw or scale key services. Given this context, Treasury's key high-level advice for Budget 2021 is to:

- a Position yourself for Health and Disability System Reform (HDSR) by ensuring that the reform programme has the resources it needs to succeed and that critical reform enablers are progressed. We have identified six 'HDSR critical' initiatives that we do not recommend are scaled further than what has been recommended in the Treasury package.
- b Ensure that critical cost pressures are met at a level that supports the health sector through the reforms. As such, we consider the recommended package to be a 'minimum viable' cost pressure package. There are significant risks involved in any further scaling of cost pressure initiatives which are discussed in paragraphs 15-25.
- c Defer all manifesto commitments that are not highly time-sensitive so that there is room within allowances to prioritise the HDSR critical initiatives and fund critical cost pressures.

## Health and Disability System Reform

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6. The Treasury is strongly supportive of the case for health system reform (T2021/419 refers) and agrees that there is a need to address the governance and accountability issues, inequities, and fragmentation in the current system.

### **Budget 2021 reform costs**

7. There are six HDSR critical initiatives in the Budget process.
  - a *Health and Disability System Review – System Operating Model* (Vote Prime Minister and Cabinet) (s9(2)(f)(iv) average operating per annum and \$0.61 million total capital)
  - b *Health and Disability System Review – Locality Health and Wellbeing Networks and Hauora Māori* (\$43.20 million average operating per annum)
  - c *Health Sector Agreements and Payments Programme* (\$14.18 million average operating per annum and \$59.93 million total capital)
  - d *Investment in foundational data and infrastructure and capability to enable Health System transformation* (s9(2)(f)(iv) average operating per annum and (s9(2)(f)(iv) total capital)
  - e *Hira programme* (formerly the National Health Information Platform) (s9(2)(f)(iv) average operating per annum and (s9(2)(f)(iv) total capital)
  - f *Accelerating Health Infrastructure Unit work programme* (\$4.24 million average operating per annum)
8. Initiatives (a) and (b) above directly relate to implementation of health reform. It is necessary that the new institutions are set up to succeed, and experience from recent reforms (s9(2)(g)(i) underscores the importance of adequately resourcing the transition and implementation

phases of this work. We have tested costing assumptions within these bids and are comfortable they are broadly in line with those seen with other large reforms. Scaling options are unlikely to be viable and deferring these initiatives would delay implementation of reform.

- 9. Furthermore, the ambition of health reform cannot be achieved without significant new investment in health digital assets. Initiatives (c), (d) and (e) above aim to ensure that critical digital infrastructure does not fail; and that data and digital infrastructure and capability are in place to support and deliver more value from health reform. The Hira programme (initiative (e)) seeks to provide key elements of the data and digital transformation envisaged by HDSR, including better access to and use of health system data.
- 10. Foundational data and digital investment (initiative (d)) will help mitigate urgent operational IT risks in the sector from vulnerable legacy systems; lift data and digital maturity; and achieve full benefit from Hira investment. We have proposed scaled funding of \$400m (held in contingency) across the Hira and Investment in Foundational Data initiatives (initiatives d and e above). A single contingency across both initiatives, tightly targeted to the core investment needed for health reforms and underpinned by a health data and digital strategy and implementation plan, is recommended so that potential investments can be further developed and prioritised.
- 11. Deferring any of these six initiatives would delay or impede the delivery of benefits from health reform.

s9(2)(f)(iv)

12. s9(2)(f)(iv)

13.

### Other manifesto commitments

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- 14. Excluding HDSR and *Achieving Smokefree 2025*, we have recommended deferring all the other manifesto commitments submitted in Budget 2021 as they are not time-sensitive. We have recommending progressing the initiative *Achieving Smokefree 2025* as, without immediate significant investment directed at priority groups, Smokefree 2025 targets will likely not be met. However, we recommend scaling this initiative to s9(2)(f)(iv) to help manage pressures on allowances which decreases the likelihood of meeting this target. If you want to progress additional manifesto commitments in Budget 2021, we recommend that these are funded in addition to the HDSR critical and critical cost pressure initiatives.

### Critical cost pressures

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- 15. We have supported a large majority of the critical cost pressures submitted. In general, further scaling of initiatives will result in the need to make significant policy decisions to

withdraw or scale key services. Providing adequate cost pressure funding is also a critical enabler to reform. s9(2)(f)(iv)

This represents a 'minimum viable' package for Budget 2021.

### **District Health Board operating cost pressure**

16. s9(2)(f)(iv) per annum of the operating cost pressure funding recommended is to support DHBs cost pressures and limit deficit growth. The Ministry of Health considers s9(2)(f)(iv) to be sufficient to halt deficit growth in 2021/22 (one-off costs aside), although this would need to be supported by an increased focus on managing DHB financial performance. This includes a need to manage the heightened risk to DHBs over the reform transition period (refer to T2021/493 for further advice on managing these risks).

17. s9(2)(f)(iv)

18. In the long-term, health reform provides a critical opportunity to reset the funding and budget management settings for the health sector and to address DHB deficits. s9(2)(f)(iv)

### **Disability Support Services**

19. To manage pressures on budget allowances, the initiative *Disability Support Services – Cost Pressure* included in the minimum viable package is scaled to \$84.4 million operating per annum from the Vote team's initial scaled recommendation of s9(2)(f)(iv) operating per annum. Further scaling increases the risk of service reductions.
20. The Minister of Health has also submitted an initiative (*Transforming the cross-government disability support system*) to provide ongoing funding to continue and improve the existing Enabling Good Lives (EGL) pilots and to fund the detailed design and development of an implementation plan. Deferring or scaling this funding would not be in line with the Government's strategic direction regarding EGL and, in the case of the design and development work, would delay the nationwide rollout.

21. s9(2)(f)(iv)

### **Primary, community and public health cost pressures**

22. A large proportion of the cost pressure initiatives included in the Budget 2021 package aim to maintain the level of key primary, community and public health services, vital for improving equitable health outcomes.<sup>2</sup> Scaling, deferring or not funding these initiatives

<sup>2</sup> See a list of these initiatives in Annex 1 on page 12-15  
T2021/383 Briefing for Vote Health Budget 2021 Bilateral Meeting - 15 March

risks reducing the level of health services across primary, community and public health. Many providers in this space have signalled that, if full funding is not received, they would need to cut services, request policy setting changes to reduce coverage or not enter contracts due to financial viability concerns. There is also a risk of service disruption (including to the COVID-19 response), government expectations not being met, growing health inequities and rising acute demand.

**Other cost pressures**

- 23. There are also two cost pressures - for the Health and Disability Commissioner and the Health Quality & Safety Commission - that were not included in the Treasury recommended packages in order to manage pressures on allowances but were supported in the Vote Team initiative assessment.<sup>3</sup> If more funding was allocated to Vote Health, we would recommend funding these initiatives as there is a risk of service reduction if they are not funded at Budget 2021.

**He Ara Waiora – equity considerations**

- 24. Consideration was given to He Ara Waiora when the health initiatives were assessed. Many of the cost pressure initiatives included in this package directly contribute to improving Māori health outcomes, primarily through increasing access to, and participation in, health services. Any further scaling is not recommended, as it risks cutting services, reducing targeted support for Māori and increasing health inequities.
- 25. The biggest opportunity to address the persistent health inequities is through health system reform, in particular the proposals to establish a Māori Health Authority, strengthen Iwi/Māori Partnership Boards, and provide targeted investment to strengthen hauora Māori capability both within the Māori health provider sector and across the wider health workforce. The proposals offer the potential for a strengthened model for Tiriti-based governance, ensuring that iwi/Māori exert greater leadership, voice and control over how the health system is configured and how the health services will be delivered to best serve the needs of Māori.

**Health physical capital investment**

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- 26. We have recommended providing s9(2)(f)(iv) total capital into the Health Capital Envelope for *District Health Boards' Capital Investment*.
- 27. DHBs recently indicated four-year capital intentions exceeding s9(2)(f)(iv) and ten-year intentions exceeding s9(2)(f)(iv)

- a s9(2)(f)(iv)

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<sup>3</sup> See Annex 1 page 16-17

b s9(2)(f)(iv)

28. We have noted long-standing issues with the pace at which the health capital projects are delivered. However, we also consider it necessary to manage known capital costs across several Budgets and ensure funding provides the appropriate signals to DHBs and the market. Treasury therefore supports a further s9(2)(f)(iv) to be provided to the Health Capital Envelope through Budget 2021. Business cases would be submitted to you and the Minister of Health for approval before funding could be drawn down. s9(2)(f)(iv)
29. There is a need to ensure that health system reforms deliver a step change in the effectiveness and efficiency of the health capital system. Furthermore, the initiative *Accelerating Health Infrastructure Unit work programme* provides an opportunity to strengthen national oversight and prioritisation of health capital projects, which is essential for a more effective health capital system and will help lay the groundwork for HDSR reforms.
30. Further advice on health capital system settings will be provided to you in the coming weeks, alongside our advice on the New Dunedin Hospital Detailed Business Case.

## Talking Points

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- The priority for Budget 2021 should be ensuring that the **Health and Disability System Reform** has the resources it needs to succeed and that critical reform enablers are progressed. It is important that the package include initiatives deemed 'HDSR critical', including investment in implementation of the new system operating model, first steps towards establishing locality networks, additional investment in hauora Māori services and foundational investments in data and digital infrastructure and capability.
- **Critical cost pressures** should be met at a level that supports the health sector through the reforms. Further scaling of the recommended 'minimum viable' package carries risks for service delivery and may undermine implementation of reform.
- All **manifesto commitments** that are not highly time-sensitive should be deferred to future Budgets so that there is room within allowances to prioritise the HDSR critical initiatives and fund critical cost pressures.
- DHBs have **capital intentions** over the next four years exceeding s9(2)(f)(iv). Allocating further capital in Budget 2021 helps spread the costs of capital investment over time and provides a clear signal that projects, such as the major hospital redevelopment in either Whangārei or Nelson, should progress.

Treasury recommended 'minimum viable' draft package – Vote Health											
Initiative ID	Priority Area	Initiative title	Department (\$m)			TSY Draft Package (\$m)			Risks of deferring or further scaling	Vote team assessment	Minister of Finance comment
			Annual Opex Average	Opex Total	Capex Total	Annual Opex Average	Opex Total	Capex Total			
		<b>Total</b>	<b>1,511.09</b>	<b>6,044.34</b>	<b>3,424.55</b>	<b>1,235.77</b>	<b>4,943.08</b>	<b>1,018.30</b>			
<b>HDSR-critical</b>											
13221	Manifesto Commitment Source	Health and Disability System Review - System Operating Model (Vote Prime Minister and Cabinet)	s9(2)(f)(iv)		0.613	s9(2)(f)(iv)		0.613	Deferring any of these six initiatives would delay or impede the delivery of benefits from health reform.  The top two initiatives in this table are interdependent and are both related to the implementation of health reform. We have scrutinised the costings and believe them to be robust. Experience from other recent reforms s9(2)(q)(i) underscores the importance of adequately resourcing the transition and implementation phases of this work.	<b>Support in full.</b> This funding will provide for the transition and establishment entities for the new health system operating model. These reforms will reduce fragmentation, strengthen leadership and accountability, address persistent system inequities, and support delivery of a financially sustainable health system. This is the first tranche of funding required for reform – s9(2)(f)(iv) Ministers should note that there are dependencies between the two HDSR Budget initiatives, the other being for Locality Networks and Hauora Māori.	
13223	Manifesto Commitment Source	Health and Disability System Review - Locality Health and Wellbeing Networks and Hauora Māori	43.195	172.781	-	43.195	172.781	-		<b>Support in full.</b> This funding will provide initial investment to progress reform of primary and community health service delivery/coordination (via Locality Networks), an initial commissioning budget for the Māori Health Authority and funding to build Māori health provider capability and capacity. These elements of reform are critical to delivering the population health vision of the overall reform programme and addressing health system inequities. This is the first tranche of funding required for reform – s9(2)(f)(iv) There are key dependencies between the two HDSR bids, the other being for the System Operating Model.	
13165	Cost Pressure Driver	Health Sector Agreements and Payments Programme	14.178	56.711	59.933	14.178	56.711	59.933	Furthermore, the ambition of health reform cannot be achieved without significant new investment in health digital assets - both to ensure critical IT infrastructure does not fail and to release more value from health data and health expenditure. We are already proposing scaled funding of \$400m (held in contingency) across the Hira and Investment in Foundational Data initiatives. Scaling this contingency further would mean we would have to substantially reconfigure the initiatives.	<b>Support in full in contingency.</b> There is no scope to delay or scale funding, s9(2)(q)(i) We recommend holding funding in contingency, pending Joint Ministers' approval of the Detailed Business Case which is expected in June 2021. The Minister of Health is expected to seek Cabinet approval for the Programme Business Case and the proposed funding approach in late March 2021.	
13164	Cost Pressure Driver	Hira programme (previously referred to as the national Health Information Platform)	s9(2)(f)(iv)							<b>Support scaled in contingency</b> (a health data and digital contingency shared by the Hira and Investment in foundational data initiatives). A single contingency across both initiatives, tightly targeted to the core investment needed for health reforms and underpinned by a health data and digital strategy and implementation plan, is recommended so that potential investments can be further developed and prioritised. An assessment and approval process, similar to the current Capital Investment Committee approach, is recommended to review investments once they are developed. A detailed business case for the Hira programme is expected in the coming months.	
13190	Cost Pressure Driver	Investment in foundational data and digital infrastructure and capability to enable Health System transformation	s9(2)(f)(iv)			32.500	130.000	70.000	Finally, not funding the initiative Accelerating Health Infrastructure Unit work programme will delay work to strengthen national oversight and prioritisation of health capital projects, which is essential for a more effective health capital system and will		
13161	Cost Pressure Driver	Accelerating Health Infrastructure Unit work programme	4.240	16.960	-	4.240	16.960	-		<b>Support in full in contingency.</b> Achieving the goals of health system reform will require stronger health service and capital planning and capability at the centre. Current funding is insufficient for this purpose. To maintain consistency with wider system reform as well as confirm costs and feasibility, it is recommended that funding be held in contingency, with drawdown conditional on Joint Ministers' approval of a costed	

Treasury recommended 'minimum viable' draft package – Vote Health											
Initiative ID	Priority Area	Initiative title	Department (\$m)			TSY Draft Package (\$m)			Risks of deferring or further scaling	Vote team assessment	Minister of Finance comment
			Annual Opex Average	Opex Total	Capex Total	Annual Opex Average	Opex Total	Capex Total			
									help lay the groundwork for HDSR reforms.	implementation plan. Information gathered from the proposed asset assessments should be shared with other government entities as appropriate (for example, the Government Chief Digital Officer) and should inform future health service and infrastructure (including digital) planning and funding requests.	
Other Manifesto Commitments											
13180	Manifesto Commitment Source	Achieving Smokefree 2025	s9(2)(f)(iv)		-	s9(2)(f)(iv)			Without significant investment, Smokefree 2025 targets will likely not be met. Scaling decreases the likelihood of meeting this target. s9(2)(q)(i)	<b>Support in full.</b> This manifesto commitment is time sensitive as, without significant investment now, New Zealand will not achieve the Smokefree 2025 targets. s9(2)(f)(iv)	
Critical Cost Pressures											
District Health Boards											
13158	Cost Pressure Driver	Supporting District Health Boards Cost Pressure	s9(2)(f)(iv)		-	s9(2)(f)(iv)			Scaling this initiative will likely lead to additional deficit growth and increase the need for cash injections in the short-term (further undermining regional equity of funding and risking health sector buy-in ahead of system transformation) s9(2)(f)(iv)	s9(2)(g)(i)	
13159	Cost Pressure Driver	District Health Boards' Capital Investment	-	-	s9(2)(f)(iv)	-	-	s9(2)(f)(iv)	s9(2)(q)(i) s9(2)(f)(iv) s9(2)(q)(i)	<b>Support scaled.</b> DHBs' four-year capital intentions s9(2)(f)(iv) and further funding is needed to enable new health capital projects to progress. Joint Ministers will be asked to agree priority projects and approve business cases before funding can be drawn down. s9(2)(f)(iv) s9(2)(g)(i)	
13174	Cost Pressure Driver	Planned Care Initiative - Cost Pressure	48.620	194.480	-	48.620	194.480	-	Scaling or deferring this price cost pressure would likely result in wait-list growth due to DHBs reducing intervention numbers (with flow on effects for any	<b>Support in full.</b> Funding for this initiative will be used to maintain the existing 84,746 centrally funded Planned Care interventions per annum by addressing the anticipated national price increase. In Budget 2020, District Health Boards received a one-off injection of \$232.5m for planned care catch ups after COVID-19. This one-off did not include funding for price	

Treasury recommended 'minimum viable' draft package – Vote Health											
Initiative ID	Priority Area	Initiative title	Department (\$m)			TSY Draft Package (\$m)			Risks of deferring or further scaling	Vote team assessment	Minister of Finance comment
			Annual Opex Average	Opex Total	Capex Total	Annual Opex Average	Opex Total	Capex Total			
									remaining COVID-19 wait list catch ups) in order to avoid further deterioration of their financial position.	increases. Scaling or deferring this price cost pressure would likely result in wait-list growth due to DHBs reducing intervention numbers (with flow on effects for any remaining COVID-19 wait list catch ups) in order to avoid further deterioration of their financial position.	
<b>Disability Support Services</b>											
13175	Cost Pressure Driver	Disability Support Services - Cost Pressure	s9(2)(f)(iv)	-	-	84.400	337.600	-	s9(2)(a)(i)	<b>Support scaled.</b> We support funding in full the basic price and volume pressure of \$84.4m pa to maintain current service levels. Furthermore, we support funding in full the \$15.4m pa for unfunded cost and wage pressures over the last two years to give providers some relief from their continuing sustainability issues. s9(2)(f)(iv)	
13181	Cost Pressure Driver	Transforming the cross-government disability support system	18.198	72.790	-	18.198	72.790	-	Scaling or deferring this initiative would not be in line with the Government's strategic direction regarding EGL and, in the case of the design and development work, would delay the nationwide rollout.	<b>Support in full.</b> Funding for the existing Enabling Good Lives (EGL) pilots ends after the 2020/21 financial year. This initiative provides ongoing funding to continue and improve the existing EGL pilots, and provides funding for detailed design and development of an implementation plan for national scale expansion of the EGL model. We support funding in full as doing so is in line with the Government's strategic direction with regard to EGL and represents value for money. s9(2)(f)(iv)	
<b>Primary, Community and Public Health</b>											
<b>Public Health – COVID-19 related</b>											
13157	Cost Pressure Driver	Sustainable funding for public health units	s9(2)(f)(iv)	-	-	13.315	53.260	-	This initiative is already scaled in the Treasury recommended package. Scaling further would inhibit smooth running of critical public health programmes, including the COVID-19 Immunisation Programme.	<b>Support scaled</b> s9(2)(f)(iv) funding to address price and volume pressures in Public Health Units and provide full funding for public health medicine registrar training to build capacity within the Public Health system. The s9(2)(f)(iv) scaled option recognises the capacity issue in PHUs and the need for more funding this year to ensure that critical public health programmes, including the COVID-19 Immunisation Programme, run smoothly. It also recognises the uncertainty around expectations for PHUs in the context of Health Reform and the role of a future Public Health Agency. This scaled option aims to provide funding at a level which will avoid locking in large numbers of new FTE when future expectations are unclear. Our recommendation supports around 75 of the s9(2)(f)(iv) FTE sought. s9(2)(f)(iv)	

Treasury recommended 'minimum viable' draft package – Vote Health											
Initiative ID	Priority Area	Initiative title	Department (\$m)			TSY Draft Package (\$m)			Risks of deferring or further scaling	Vote team assessment	Minister of Finance comment
			Annual Opex Average	Opex Total	Capex Total	Annual Opex Average	Opex Total	Capex Total			
13182	Cost Pressure Driver	Supporting the National Immunisation Programme	6.258	25.030	-	6.258	25.030	-	If this initiative is scaled or deferred, there is a risk that the programme will not deliver at expected levels. Lack of success in immunisation programmes generally could have adverse flow on implications in a year when the government is trying to achieve a successful COVID immunisation programme.	<b>Support</b> the National Immunisation Programme (NIP) cost pressure to cover existing contracts and provide ongoing funding for the additional MMR vaccination event for 12-month-olds. Since 2012, the Ministry has had to fund core contracts and services from underspends or one-off sources, which they expect to become unsustainable. It is appropriate to realign funding this year to ensure that all immunisation campaigns have the best chance of succeeding at a time when the government is trying to encourage high rates of vaccine uptake (especially for COVID-19). s9(2)(a)(i) but we support this cost pressure to reduce the risk of any difficulties arising due to insufficient funding.	
<i>Public Health - Screening</i>											
13156	Cost Pressure Driver	Breast Screening Aotearoa (BSA) Critical Infrastructure Replacement	7.468	29.870	25.730	7.468	29.870	25.730	s9(2)(a)(i)	<b>Support in full.</b> Appropriate 5.353m to support phase 1 of the project, which is establishment and IT design (first half of the 2021/22 financial year) and hold the remainder in a tagged contingency s9(2)(f)(iv) s9(2)(a)(i)	
13183	Cost Pressure Driver	To address the price, volume, and COVID-19 catch up pressures faced by the National Breast Screening Programme	2.502	10.006	-	2.502	10.006	-	If this initiative is scaled or deferred, there is a risk that service provision may be reduced e.g. policy settings may need to change to reduce coverage to manage within existing funding, support for Māori and Pacific women may be deprioritised, providers may exit the contract due to financial viability concerns and screening may be delayed.	<b>Support in full.</b> This initiative seeks funding to address volume, price, personnel and COVID-19 pressures faced by the National Breast Screening Programme.	
13155	Cost Pressure Driver	Implementing human papillomavirus (HPV) primary screening for the National Cervical Screening Programme (NCSP)	10.243	40.970	12.022	10.243	40.970	12.022	If this initiative is scaled or deferred, the IT system for national cervical screening will remain unsustainable and s9(2)(a)(i) and the expected reduction in incidence of and mortality from cervical cancer, with particular benefits expected for Māori women, will not be achieved. Progressing only the IT component of this initiative may cost more over the long term and carries workforce risks.	<b>Support in full,</b> funding Phase 1 development costs (\$3.683m operating and \$0.994m capital) up front and holding remaining funding in contingency pending Cabinet approval of the Single Stage Business Case, which is expected this financial year. The initiative will fund a legislatively compliant and sustainable information technology solution that is expected to link to the existing screening platform; and a more effective, World Health Organisation-endorsed screening approach that allows for reduced screening frequency and is expected to help address barriers to screening for Māori women. 20-year costs are estimated at \$31.249 million due to out-year savings in laboratory and IT support costs.	

Treasury recommended 'minimum viable' draft package – Vote Health											
Initiative ID	Priority Area	Initiative title	Department (\$m)			TSY Draft Package (\$m)			Risks of deferring or further scaling	Vote team assessment	Minister of Finance comment
			Annual Opex Average	Opex Total	Capex Total	Annual Opex Average	Opex Total	Capex Total			
13185	Cost Pressure Driver	National Cervical Screening Programme Sustainability	7.055	28.220	-	7.055	28.220	-	If this initiative is scaled or deferred, there is a risk of service cuts as several service providers may exit from the contract in 2021 and policy settings may also need to be adjusted to reduce the number of eligible people. Funding is also critical for implementing the new cervical screening programme.	<b>Support in full.</b> This initiative seeks funding to address the price cost pressures associated with delivering the current National Cervical Screening Programme (NCSP).	
13162	Cost Pressure Driver	National Bowel Screening Programme Implementation Year 4	16.004	64.014	-	16.004	64.014	-	If this initiative is scaled or deferred, there is a risk that timeframes for implementation will not be met and targeted support for Māori and Pacific peoples to access screening will be deprioritised.	<b>Support in full.</b> This initiative is also a time-sensitive manifesto commitment. Funding this initiative will help to improve access to bowel screening for Māori and Pacific peoples aged 60-74 years. We recommend holding a portion of this funding (\$50.6 million out of the \$64.0 million sought) in a tagged contingency until an implementation business case has been approved by Joint Ministers. This is expected to be provided to joint Ministers by the end of March.	
<b>Primary and Community</b>											
13152	Cost Pressure Driver	Primary Care Cost and Volume Pressures	46.652	186.608	-	46.652	186.608	-	If this initiative is scaled or deferred, co-payments may increase, and general practices may choose to opt out of these schemes, reducing access to primary care.	<b>Support in full.</b> Funding for this initiative will enable general practices to continue to provide low-cost primary care to priority populations, by addressing price and volume pressures. It will also enable general practices to keep co-payments below \$20 as requested by the previous Minister of Health for Very Low Cost Access practices and eligible Community Service Card holders.	
13150	Cost Pressure Driver	Continuing Section 88 primary maternity funding to enable ongoing access to free maternity services for NZ women	4.306	17.224	-	4.306	17.224	-	If this initiative is scaled or deferred, there will likely be an inability to maintain the current level and quality of service. Scaling or deferring also poses a risk to the maintenance of a stable maternity workforce, which supports that service level and quality.	<b>Support in full.</b> The price and volume pressure component of this bid supports the continuation of critical maternity services with low barriers to access, supporting positive health outcomes for pregnant people and children. The Business Contribution Funding for one year is an interim measure that has been implemented each since 2018 while work continues towards fair and reasonable pay for Lead Maternity Carers (LMCs). This component supports a stable maternity workforce.	
13160	Cost Pressure Driver	Well Child Tamariki Ora price and volume pressures	4.200	16.800	-	4.200	16.800	-	If this initiative is scaled or deferred, there is a risk that the current level and quality of service provision will not be able to be maintained.	<b>Support in full.</b> This is a price and volume pressure to maintain existing services for the Well Child Tamariki Ora (WCTO) programme, which supports the health and wellbeing of young children and their families. A Cabinet paper reporting back on the WCTO Review is expected for consideration this year and will need to be considered alongside health and disability system reforms.	
13173	Cost Pressure Driver	Strengthening viability and sustainability across the NGOs sector for population health and prevention service delivery	s9(2)(f)(iv)		-	0.844	3.376	-	This initiative has already been scaled. If scaled further or deferred, there is a risk of reduced service provision in terms of scope or geographic coverage of services, including for NGOs which	<b>Support in full.</b> Support the price and volume cost pressure component. s9(2)(f)(iv)	

Treasury recommended 'minimum viable' draft package – Vote Health											
Initiative ID	Priority Area	Initiative title	Department (\$m)			TSY Draft Package (\$m)			Risks of deferring or further scaling	Vote team assessment	Minister of Finance comment
			Annual Opex Average	Opex Total	Capex Total	Annual Opex Average	Opex Total	Capex Total			
									reach vulnerable communities.	s9(2)(f)(iv)	
13178	Cost Pressure Driver	Continuing Mana Ake – Stronger for Tomorrow	1.918	7.670	-	1.650	6.600	-	s9(2)(g)(i)	<b>Support in full.</b> Mana Ake provides mental wellbeing support to children aged 5-12 years in schools across Canterbury. Funding for Mana Ake comes to an end after the 2020/21 financial year. This initiative continues funding for Mana Ake for one more year. Mana Ake is currently being externally evaluated s9(2)(f)(iv)	
13153	Cost Pressure Driver	Improving equitable access to sexual and reproductive health services through Family Planning New Zealand	0.941	3.764	-	0.941	3.764	-	If this initiative is scaled or deferred, there is a risk of reduced service provision (reduce staff numbers, clinic numbers and the scale and quality of services) or increased co-payments, resulting in increased barriers to health care.	<b>Support in full.</b> Family Planning's contract renewals have only included one annual price adjustment since 2011. These services are important for vulnerable groups who are disproportionately affected by sexually transmitted infection and who need access to contraception without increasing costs exacerbating barriers to access.	
<b>Other Critical Cost Pressures</b>											
<b>Ambulance</b>											
13187	Cost Pressure Driver	Supporting Emergency Road Ambulance Services for New Zealand (includes Vote Labour Market funding and funding from ACC levies)	20.758	83.032	-	20.758	83.032	-	Providing funding below the full amount requested will not be sufficient to maintain the current level of service delivery.	<b>Support in full.</b> s9(2)(i)	
13189	Cost Pressure Driver	Additional funding for emergency air ambulance	4.316	17.264	-	4.316	17.264	-	Scaling or deferring this initiative below the funding sought will incur contractual and legal risks, as well as risks to safety and possible service reduction.	<b>Support in full.</b> This funding is sought to meet the costs of existing contractual obligations. The costs arise from annual fixed cost increases that were not accounted for in baselines and two contractual variations that were made urgently in the 2020/21 year. There is no room to fund this out of baselines.	
<b>Other</b>											
13151	Cost Pressure Driver	Assisted Dying Services / End of Life Choice (EOLC)	s9(2)(f)(iv)	-	-	s9(2)(j)	-	-	s9(2)(q)(i)	<b>Support, scaled.</b> This legislation driven cost pressure seeks funding to implement and deliver assisted dying services by 7 November 2021 as specified in the End of Life Choice (EOLC)	

Treasury recommended 'minimum viable' draft package – Vote Health											
Initiative ID	Priority Area	Initiative title	Department (\$m)			TSY Draft Package (\$m)			Risks of deferring or further scaling	Vote team assessment	Minister of Finance comment
			Annual Opex Average	Opex Total	Capex Total	Annual Opex Average	Opex Total	Capex Total			
		Act 2019 Implementation							s9(2)(a)(i)	Act 2019. The cost of delivering this service is highly dependent on service design. We recommend appropriating only the funding required to undertake the policy work in 2021/22	
13188	Cost Pressure Driver	Implementing the In-Between Travel Settlement	s9(2)(f)(iv)		-	20.456	81.822	-	s9(2)(a)(i)	<b>Support, scaled.</b> This initiative seeks funding to address the price cost pressures arising from commitments made in the 2015 In-Between Travel Settlement (IBT) for the home and community support workforce. s9(2)(f)(iv)	
		<b>Total</b>	<b>1,511.09</b>	<b>6,044.34</b>	<b>3,424.55</b>	<b>1,235.77</b>	<b>4,943.08</b>	<b>1,018.30</b>			

Initiatives not in Treasury's recommended package											
Initiative ID	Priority Area	Initiative title	Department (\$m)			TSY Draft (\$m)			Key risks	Vote team assessment	Minister of Finance comment
			Annual Opex Average	Opex Total	Capex Total	Annual Opex Average	Opex Total	Capex Total			
<b>Cost Pressures</b>											
13176	Cost Pressure Driver	HQSC Historic Cost Pressure resolution to enable continued oversight of system quality, safety and equity during change	s9(2)(f)(iv)		-	-	-	-	Although we have excluded this from the minimum viable package, we recommend including this in the final package if allowances allow. If deferred, there is the risk that the Commission will not be able to maintain current levels of work while maintaining oversight of quality, safety and equity of the whole system. The information and skillsets of HQSC will be critical to supporting monitoring of system transformation.	Support. This bid will support the Health Quality & Safety Commission (HQSC) to sustain their work programmes in response to government and sector demands and respond to emerging quality issues. HQSC provides a quality, safety and equity overview of the whole of system and has not received any new funding since it was established in 2011/12. Addressing HQSC's underfunding is particularly important this year as New Zealand recovers from the Covid-19 response, undertakes the largest vaccination programme in history and progresses health and disability system reforms.	
13177	Cost Pressure Driver	Urgently addressing the sustainability of HDC and ensuring funding for expansion of scope	s9(2)(f)(iv)		-	-	-	-	Although we have excluded this from the minimum viable package, we recommend including this in the final package if allowances allow. If deferred, resolution times	Support scaled. In 2021/22, recommend only funding half the component relating to the predicted increase in complaint volumes and complexity as a result of the new End of Life Choice Act to reflect the fact that the EOLC Act only comes into force in November 2021. Fully fund the rest of the bid as not doing so will likely result in either service reduction or increased	

		due to new legislation							will increase, and services may be reduced. There is also an expectation that demand will increase as a result of the End of Life Choice Act.	wait times or the Health and Disability Commissioner being unable to fulfil its educational role as part of the EOLC Act implementation.	
s9(2)(f)(iv)											
<b>Manifesto Commitments</b>											
13184	Manifesto Commitment Source	Increase in the Combined Pharmaceutical Budget	50.000	200.000	-	-	-	-	These initiatives have not been included in the minimum viable package as they are not highly time-sensitive as we consider that they can still be delivered within the electoral term if they are not funded at Budget 2021.	Defer to Budget 2022 or 2023 so that the findings of the independent review of PHARMAC can be considered before committing this funding. There is no way to scale this initiative and still deliver on the manifesto commitment as the manifesto specifically mention the \$200 million figure.	
s9(2)(f)(iv)											
13186	Manifesto Commitment Source	Ola Manuia: Pacific Health and Well-being Action Plan 2020-2025 implementation plan and activities	s9(2)(f)(iv)		-	-	-	-		Defer initiative to Budget 2022 or 2023. s9(2)(q)(i)	
13191	Manifesto Commitment Source	Cochlear Implants	7.080	28.320	-	-	-	-		Defer to Budget 2022 or 2023 as this initiative is not highly time-sensitive. s9(2)(q)(i)	



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**From:** Kevin Davies <Kevin.Davies@health.govt.nz>  
**Sent:** Friday, 12 March 2021 9:48 am  
**To:** Niki Lomax [TSY]; Fergus Welsh; Haiou Wang; Andrew Powell  
**Cc:** Henry Neas [TSY]; Justin Alsleben [TSY]; Rose Boele van Hensbroek [TSY]  
**Subject:** RE: Treasury Report - health bilateral advice

Thanks for sending this through, Niki.

Kind regards,  
**Kevin Davies**

Deputy CFO | Financial Strategy and Monitoring | Finance | Corporate Services | Ministry of Health  
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**From:** Niki Lomax [TSY] <niki.lomax@treasury.govt.nz>  
**Sent:** Friday, 12 March 2021 9:35 am  
**To:** Kevin Davies <Kevin.Davies@health.govt.nz>; Fergus Welsh <Fergus.Welsh@health.govt.nz>; Haiou Wang <Haiou.Wang@health.govt.nz>; Andrew Powell <Andrew.Powell@health.govt.nz>  
**Cc:** Henry Neas [TSY] <Henry.Neas@treasury.govt.nz>; Justin Alsleben [TSY] <Justin.Alsleben@treasury.govt.nz>; Rose Boele van Hensbroek [TSY] <Rose.BoeleVanHensbroek@treasury.govt.nz>  
**Subject:** Treasury Report - health bilateral advice

Kia ora koutou – please find attached our briefing for MOF ahead of the Health bilateral on Monday. No changes from the package we discussed last week. Would be grateful to see your advice in advance of the meeting on Monday.

See you at 12. We will have to leave at 12.45 to get back for a meeting at TSY at 1pm.

Niki



**Niki Lomax** (she/her) | Kaitātari – Senior Analyst | Health and ACC | **Te Tai Ōhanga – The Treasury**  
 Waea tōtika: s9(2)(k) | Waea pūkoro: s9(2)(g)(ii) | [niki.lomax@treasury.govt.nz](mailto:niki.lomax@treasury.govt.nz)

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Reference: T2021/651 SH-1-6-14

Date: 15 March 2021

To: Minister of Finance (Hon Grant Robertson)

Deadline: Ahead of the Finance Priorities Meeting on 18 March

## Aide Memoire: Budget 2021 – further information on Health and Disability Reform Initiatives

On 15 March you met with the Minister of Health and officials to discuss the health package for Budget 2021. This aide memoire provides additional information you requested at that meeting on the components of the initiatives seeking funding to implement health reforms. The Treasury Health team supports both of these initiatives in full, and acknowledges that further investment will be required in Budget 2022 to implement health reform (T2021/419 and T2021/383 refer).

The table below provides a breakdown of the key components across the two interdependent initiatives that provide for the implementation of health reform. An explanation of each component is provided below.

### Health and disability system reform initiatives submitted in Budget 2021

\$million	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26 (& outyears)	Total Operating (forecast period)	Total Capital
<b>Initiative 13221 - Health and Disability System Review – System Operating Model</b>								
Transition Unit	s9(2)(f)(iv)							
Health New Zealand establishment entity	s9(2)(f)(iv)							
Additional Ministry of Health costs	0.240	0.958	0.491	-	-	-	1.689	-
Workforce capability building	-	2.965	4.253	4.260	2.467	2.467	13.945	-
Māori Health Authority	s9(2)(f)(iv)							
Iwi/Māori Partnership Boards	-	1.596	6.626	4.777	4.830	4.830	17.829	-
Subtotal (initiative 13221)	s9(2)(f)(iv)							
<b>Initiative 13223 - Health and Disability System Review – Locality Health and Wellbeing Networks and Hauora Māori</b>								
Hauora Māori	-	15.800	37.000	37.000	37.000	37.000	126.800	-
Locality Health and Wellbeing Networks	-	9.642	12.217	12.296	11.826	11.826	45.981	-
Subtotal (initiative 13223)	-	25.442	49.217	49.296	48.826	48.826	172.781	-
Total (both initiatives)	s9(2)(f)(iv)							

**Transition Unit, Health New Zealand establishment entity, and additional Ministry of Health costs**

<i>\$million</i>	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26 (& out years)	Total Operating (forecast period)	Total Capital
Transition Unit	s9(2)(f)(iv)							
Health New Zealand establishment entity	s9(2)(f)(iv)							
Additional Ministry of Health finance and HR costs	0.240	0.958	0.491	-	-	-	1.689	-

Time-limited funding (s9(2)(f)(iv) over 4 years) is sought to implement the proposed structural changes to the health sector. The changes will see the disestablishment of 20 DHBs and the consolidation of their functions, as well as some functions currently delivered by the Ministry of Health, into a single entity – Health New Zealand (HNZ). It is proposed that an early establishment HNZ entity will operate from September 2021 as a departmental agency within the Ministry of Health. The establishment HNZ entity will be supported by the Transition Unit, which will lead and oversee the initial phases of transformation. HNZ will formally be established under legislation as a separate new Crown entity in mid-2022.

The majority of funding sought is for staff resourcing required to deliver sector-wide change for the New Zealand health system. It has been assumed that initially, across all the activities required for transition, 75% of the functions will sit with the Transition Unit and 25% with the HNZ establishment entity in 2021/22. s9(2)(f)(iv)

s9(2)(f)(iv)

A small amount of funding is also sought to for additional Ministry of Health costs to support its human resource and finance functions over an 18 month period. The initiative also builds in some contingency for unknown costs.

s9(2)(f)(iv)

s9(2)(f)(iv)

Key areas where these additional staff will be required to design and deliver change include:

- planning and commissioning including the development of the New Zealand Health Plan, tools, frameworks and best practice guidance;
- coordinating and building capacity for a stronger data, insights and intelligence function across the system;
- leadership and performance improvement support to transform functions that are expected to shift from the Ministry of Health to HNZ<sup>2</sup>; and
- specialist change management, finance and HR resource to implement and manage transition.

While it is expected that some of the staff will sit nationally, a significant component will be needed at the regional level to support DHB change management. s9(2)(f)(iv)

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] The Transition

Unit has built this into the budget bid costings.

The costs associated with this period of transition, given the scale of change proposed and the complexity of the health system, are comparable to other large reform programmes. For example, the cost of the design and implementation of the Oranga Tamariki reforms was approximately \$75 million over 3 years. The Reform of Vocational Education (RoVE) cost \$130m over 3 years. Comparatively, the scale of change proposed for the health system is larger than these reform programmes, which accounts for the additional cost. Experience from these recent reforms underscores the importance of adequately resourcing the transition and implementation phases of this work.

The Treasury is working with the Transition Unit to understand whether there are any opportunities to scale the Transition Unit and HNZ establishment costs. Options might include reducing the contingency built into the bid and considering options to reduce FTE requirements. Although this scaling is unlikely to materially change the total quantum of funding sought, we consider that more significant scaling will create significant risks to the delivery of reform at the pace outlined in the draft Cabinet paper.

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<sup>2</sup> Where the current way of operating within these functions is insufficient to meet the requirements of the future health system, some functions will need to undergo a review and change process (e.g. digital and facilities, and DHB performance improvement).

**Workforce Capacity building**

\$million	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26 (& outyears)	Total Operating (forecast period)	Total Capital
Workforce Capability Building	-	2.965	4.253	4.260	2.467	2.467	13.945	-

A small portion of the funding is sought to provide targeted investment to strengthen workforce capability in the transition to new roles, functions and entities in areas where existing capability in the sector is limited and overall capability will require uplift to deliver the key shifts as part of the new operating model. In particular, this work will focus on strengthening commissioning, cultural competence, Māori service design and delivery, and data and digital capabilities.

**Māori Health Authority, Iwi/Māori Partnership Boards, and Hauora Māori**

\$million	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26 (& outyears)	Total Operating (forecast period)	Total Capital
Māori Health Authority	s9(2)(f)(iv)							
Iwi/Māori Partnership Boards	-	1.596	6.626	4.777	4.830	4.830	17.829	-
Hauora Māori	-	15.800	37.000	37.000	37.000	37.000	126.800	-

There are three interrelated components across the two initiatives seeking an investment of s9(2)(f)(iv) over the forecast period to initiate transformation of the governance, commissioning and delivery of hauora Māori. The Transition Unit considers this investment a critical step to addressing the persistent health inequities that Māori experience and ensuring that the new system operating model upholds the principles of Te Tiriti o Waitangi. The three components are:

- Ongoing funding for the establishment of the Māori Health Authority (MHA) from mid-2021. s9(2)(f)(iv)
- Ongoing funding for the establishment of strengthened iwi/Māori partnership boards, which will operate at a sub-national level to support an effective Te Tiriti o Waitangi partnership. The design of these boards will be determined following engagement with Māori. s9(2)(f)(iv)
- Ongoing funding for hauora Māori to build Māori provider capability and capacity, and to provide an initial commissioning budget for the MHA focused on growing the range of and access to kaupapa Māori services. This includes funding for a scholarship programme from 2021/22 and a hauora Māori innovation fund.

The MHA is a core part of the proposed system operating model and it will not be possible to defer these components in isolation from the rest of the reform programme. Scaling investment in these components of reform would undermine deliverability and the impact of this investment.

**Locality Health and Wellbeing Networks**

<i>\$million</i>	<i>2020/21</i>	<i>2021/22</i>	<i>2022/23</i>	<i>2023/24</i>	<i>2024/25</i>	<i>2025/26 (&amp; outyears)</i>	<i>Total Operating (forecast period)</i>	<i>Total Capital</i>
Locality Health and Wellbeing Networks	-	9.642	12.217	12.296	11.826	11.826	45.981	-



**Niki Lomax, Senior Analyst, Health and ACC,** s9(2)(k)  
**Jess Hewat, Manager, Health and ACC,** s9(2)(g)(ii)

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**From:** Jess Jenkins [TSY]  
**Sent:** Thursday, 23 December 2021 10:31 am  
**To:** Justin Alsleben [TSY]  
**Subject:** FW: Aide Memoire: Budget 2021 - Health reform initiatives  
**Attachments:** 4430078\_1.doc\_HA edits.doc

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**From:** Hanna Alder Ovenden [TSY] <Hanna.AlderOvenden@treasury.govt.nz>  
**Sent:** Wednesday, 17 March 2021 1:12 pm  
**To:** Niki Lomax [TSY] <niki.lomax@treasury.govt.nz>; Jess Jenkins [TSY] <Jess.Jenkins@treasury.govt.nz>  
**Subject:** RE: Aide Memoire: Budget 2021 - Health reform initiatives

Ok Jess,

Over to you – I've done a QA. Would be glad of your eye over it too. Can you also check the formatting in line with what's expected for an aide memoire. Once done, can you MOTO it (my computer still refusing to do what I want it to)?

Thanks

Hanna

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**From:** Niki Lomax [TSY] <[niki.lomax@treasury.govt.nz](mailto:niki.lomax@treasury.govt.nz)>  
**Sent:** Wednesday, 17 March 2021 12:36 pm  
**To:** Hanna Alder Ovenden [TSY] <[Hanna.AlderOvenden@treasury.govt.nz](mailto:Hanna.AlderOvenden@treasury.govt.nz)>; Jess Jenkins [TSY] <[Jess.Jenkins@treasury.govt.nz](mailto:Jess.Jenkins@treasury.govt.nz)>  
**Subject:** Aide Memoire: Budget 2021 - Health reform initiatives

Hi both – couple of outstanding comments I will check w Jill at 1pm. If you have any thoughts on them chuck em in. Otherwise – grateful for general QA. Need to get final version to Jess probs by 1.45pm

[Aide Memoire: Budget 2021 - Health reform initiatives \(Treasury:4430078v1\)](#) [Add to worklist](#)



**Niki Lomax** (she/her) | Kaitātari – Senior Analyst | Health and ACC | **Te Tai Ōhanga – The Treasury**  
Waea tōtika: [s9\(2\)\(k\)](#) | Waea pūkoro: [s9\(2\)\(g\)\(ii\)](#) | [niki.lomax@treasury.govt.nz](mailto:niki.lomax@treasury.govt.nz)

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**From:** Jess Hewat [TSY]  
**Sent:** Friday, 24 December 2021 7:43 am  
**To:** Justin Alsleben [TSY]  
**Subject:** FW: Aide Memoire: Budget 2021 - Health reform initiatives  
**Attachments:** T2021-651 Aide Memoire\_ Budget 2021 - Health reform initiatives.doc

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**From:** Niki Lomax [TSY] <niki.lomax@treasury.govt.nz>  
**Sent:** Wednesday, 17 March 2021 2:23 pm  
**To:** Jess Jenkins [TSY] <Jess.Jenkins@treasury.govt.nz>; Hanna Alder Ovenden [TSY] <Hanna.AlderOvenden@treasury.govt.nz>  
**Cc:** Jess Hewat [TSY] <Jess.Hewat@treasury.govt.nz>  
**Subject:** RE: Aide Memoire: Budget 2021 - Health reform initiatives

Thanks Jess and Hanna!! Jess H – final version attached. Happy to make any further edits. Then I'll send

**Niki Lomax | Health & ACC | Te Tai Ōhanga – The Treasury**

Waea tōtika: s9(2)(k) | Waea pūkoro: s9(2)(g)(ii)

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**From:** Jess Jenkins [TSY] <Jess.Jenkins@treasury.govt.nz>  
**Sent:** Wednesday, 17 March 2021 1:22 pm  
**To:** Hanna Alder Ovenden [TSY] <Hanna.AlderOvenden@treasury.govt.nz>; Niki Lomax [TSY] <niki.lomax@treasury.govt.nz>  
**Cc:** Jess Hewat [TSY] <Jess.Hewat@treasury.govt.nz>  
**Subject:** RE: Aide Memoire: Budget 2021 - Health reform initiatives

Hi Jess –

This has Hanna's edits integrated. We're in a meeting until 2/230 ish, and I'm happy to whip through for a final QA after that.

For now I think it's ready for your final review (I wouldn't do anything other than punctuation/grammar).

[Aide Memoire: Budget 2021 - Health reform initiatives \(Treasury:4430078v1\)](#) [Add to worklist](#)

Happy to sort moto stuff at 230.

Jess



**Jess Jenkins (she/her) | Vote Analyst ACC, DHB Performance | Health & ACC**  
Tel: s9(2)(k) | Email/IM: [jess.jenkins@treasury.govt.nz](mailto:jess.jenkins@treasury.govt.nz)

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**From:** Hanna Alder Ovenden [TSY] <Hanna.AlderOvenden@treasury.govt.nz>  
**Sent:** Wednesday, 17 March 2021 12:37 PM

**To:** Niki Lomax [TSY] <[niki.lomax@treasury.govt.nz](mailto:niki.lomax@treasury.govt.nz)>; Jess Jenkins [TSY] <[Jess.Jenkins@treasury.govt.nz](mailto:Jess.Jenkins@treasury.govt.nz)>  
**Subject:** RE: Aide Memoire: Budget 2021 - Health reform initiatives

On it

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**From:** Niki Lomax [TSY] <[niki.lomax@treasury.govt.nz](mailto:niki.lomax@treasury.govt.nz)>  
**Sent:** Wednesday, 17 March 2021 12:36 pm  
**To:** Hanna Alder Ovenden [TSY] <[Hanna.AlderOvenden@treasury.govt.nz](mailto:Hanna.AlderOvenden@treasury.govt.nz)>; Jess Jenkins [TSY] <[Jess.Jenkins@treasury.govt.nz](mailto:Jess.Jenkins@treasury.govt.nz)>  
**Subject:** Aide Memoire: Budget 2021 - Health reform initiatives

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[Aide Memoire: Budget 2021 - Health reform initiatives \(Treasury:4430078v1\)](#) [Add to worklist](#)



**Niki Lomax** (she/her) | Kaitātari – Senior Analyst | Health and ACC | **Te Tai Ōhanga – The Treasury**  
Waea tōtika: s9(2)(k) | Waea pūkoro: s9(2)(g)(ii) | [niki.lomax@treasury.govt.nz](mailto:niki.lomax@treasury.govt.nz)