



01 JUN 2024

Professor Lester Levy
Board Chair
Health New Zealand | Te Whatu Ora

Dear Lester

Delivering timely access to quality health care

As Minister of Health and your responsible Minister, this letter sets out my expectations for Health New Zealand | Te Whatu Ora (Health NZ) for the remainder of 2023/24 and for 2024/25.

This letter also sets out the expectations Hon Matt Doocey, Minister for Mental Health has for mental health and addiction services for Health NZ, which have the same standing as my expectations. We, along with my Associate Minister of Health colleagues, are anticipating your support and focus on delivering to my expectations as outlined.

Our Coalition Government is committed to ensuring that the wider public service and the health system works well for all New Zealanders. Your continued focus on delivering your statutory objectives will be crucial, and this needs to be undertaken in an efficient and fiscally responsible manner. The work carried out by Health NZ plays a critical role in achieving our collective goals for a healthier and more resilient society.

I am deeply concerned that the health system is in crisis, despite the ongoing commitment from frontline clinicians. Across various metrics, including access and timeliness, the system is struggling and has deteriorated over recent years. I expect the Board of Health NZ will provide strong leadership for a programme of change to achieve timely access to quality care and that necessary short-term improvements are part of a longer-term plan that stages the health system towards a sustainable future.

Our Coalition Government's priorities and health targets give you clear focus to support you to drive stronger performance and improve population outcomes. Strong governance of your entity will be essential in this environment. You must ensure that your executive leadership team are providing robust performance and decision support information to the Board. This will enable you to make the right strategic decisions, and to undertake assessment and learning activities to improve the performance of your Board members in their important role. I want to affirm that my intent in appointing Ken Whelan as Crown observer to your Board last year is to work with you and other members to ensure Health NZ delivers the outcomes expected by the Coalition Government.

You must focus on improving productivity to free up resources to support ongoing improvement to make progress in our areas of focus and to deliver my expectations set out in this letter. I expect you to cease programmes where the evidence shows they are not delivering effective services for patients as options to free up resources. I also expect to see

measurable progress by June 2025 with key activity confirmed in your planning documents and delivered within budget.

My priorities

My overarching vision for health is timely access to quality health care.

The Government Policy Statement on Health (GPS) 2024 - 2027 will be the primary direction setting vehicle for our health system and sets out more detail for my priorities for the next three years. I intend to publish the GPS in June 2024, and it will build on the initial expectations set out in this letter. The New Zealand Health Plan (NZHP) needs to actively respond to the priorities in the GPS.

The health system will focus on improvements in three priority areas relating to health services:

- **Access:** ensuring every person, regardless of where they live in New Zealand, has equitable access to the health care services they need.
- **Timeliness:** ensuring people can access the health care and services they need when they need it in a prompt and efficient way.
- **Quality:** ensuring the health care and services delivered in New Zealand are safe, appropriate, transparent, easy to navigate and continuously improving.

The health system will also focus on three priority areas to make improvements to critical enablers:

- **Workforce:** having a skilled and culturally capable workforce who are accessible, responsive and are used optimally to deliver safe and effective health care.
- **Targets:** these will focus direction, resources and accountability
- **Infrastructure:** ensuring the health system has the digital and physical infrastructure it needs to meet people's needs now and into the future.

The Coalition Government is also focused on responding to the five non-communicable diseases of cancer, diabetes, respiratory disease, heart disease and poor mental health.

Addressing the five modifiable factors of smoking, alcohol consumption, poor nutrition, lack of exercise, and adverse social and environmental factors will be important to these efforts and will involve working across government.

I expect that improvements will be achieved by continuing to support, develop and strengthen our workforce and workforce models, (our people) through strong accountability processes such as targets (our policies) and through continuing to develop our supporting infrastructure and making best use of technology (the parts).

Please ensure there is a focus on improving health outcomes for Māori and other high need groups with poorer health outcomes.

The NZHP must identify tangible and measurable actions that clearly show how you will deliver improvement across my priorities and each of my focus areas by appropriately prioritising the resources available to you. Plans need to be costed to give assurance of alignment between delivery and budgets. I can only receive a final version for my approval once it has been audited by the Auditor-General. Public transparency of planning is important, and I expect that you are working to a timeframe that enables me to receive, review and approve the NZHP so it can be published in August 2024. Any risks to meeting that timeframe need to be advised to be as soon as possible.

Mental health and addiction portfolio and priorities

With the establishment of a new mental health portfolio this Government has signalled that improving mental health and addiction outcomes for New Zealanders is a priority area of focus. As Minister for Mental Health, Hon Matt Doocey has oversight of mental health and addiction-related funding within Vote Health, including making policy and priority decisions relating to the mental health and addiction ringfence expectation within the Vote.

Hon Matt Doocey has identified the following priorities for mental health, addiction and suicide prevention:

- Increase access to mental health and addiction support: New Zealanders deserve better access to timely mental health and addiction support. Health NZ will stabilise and improve access to mental health and addiction services across the continuum of care, with an increased focus on community-based supports.
- Grow the mental health and addiction workforce: One of the key barriers to improving mental health and addiction services is workforce challenges. Health NZ must address the mental health and addiction workforce vacancies across the system, including through domestic training and upskilling, attracting offshore talent, and retaining our current workforce.
- Strengthen focus on prevention and early intervention: The health system should ensure people have access to timely treatment for mental health and addiction challenges, but we must also promote mental wellbeing, prevent issues from escalating and intervene early in the life course and in the course of distress. Health NZ will support mental health literacy, wellbeing promotion and suicide prevention efforts and will work with non-government partners to provide better early intervention services, including telehealth services, that will reduce the pressure on specialist services.
- Improve the effectiveness of mental health and addiction support: Along with timely access to services, New Zealanders deserve effective mental health and addiction support. Health NZ will work to enhance the effectiveness of mental health and addiction services across the continuum of care.

Health targets

I recently announced my five health targets for the system that will be in place from 1 July 2024. The aim of the health targets is to lift performance across my priority areas, provide a focus for effort and resource and to support all parts of the system to move together to achieve our goals.

To reflect the important role of health targets in driving performance I have asked that health targets be referenced in all your accountability documents, your Statement of Performance Expectations, Statement of Intent, Estimates measures and the NZHP. The health targets will be embedded within a strategic monitoring framework for the system that will include other monitoring such as GPS measures and Whakamaua - Māori Health Action Plan measures.

Specifically, I ask you to:

- Provide a clear implementation and delivery plan for each target, including mental health targets to me and the Ministry of Health | Manatū Hauora (the Ministry) so that it can be reviewed and formally endorsed by me and the Minister for Mental Health. I understand that draft versions have been prepared, but as incoming Board Chair, I'd like you to also

review these and work with the Ministry and me to iterate these as necessary so they can be finalised alongside the NZHP.

- Include measurable quarterly activities to meet the annual milestones I have identified. The activities must be informed by strong clinical engagement, be evidenced-based, fully costed and deliverable within budgets.
- Ensure the NZHP includes balancing and supporting measures for the health targets to monitor for any unintended consequences and provide contextual information to support analysis of progress.
- Attend and support attendance by Health NZ health target leaders (including clinical leaders) at formal quarterly engagements with me that have a specific focus on the targets programme.
- Provide clear leadership in situations where activities are off track or there is a need for dedicated recovery planning.

The longer-term goals and milestones for 2024/25 I expect you to deliver will be set in the GPS following confirmation of Budget 24. I look forward to working with you to ensure that those annual milestones balance achievability and ambition for improvement to health services.

I expect that you will work with the Ministry to confirm establishment processes for the health targets in the period to 30 June 2024 to support a smooth implementation from 1 July 2024. I require performance updates to be provided quarterly from that point.

Supporting and balancing measures are important to ensure equitable improvements in the target areas. I also expect you seek the advice of the Health Quality and Safety Commission | Te Tāhū Hauora (HQSC), as you are developing your approach particularly when identifying supporting and balancing measures.

Mental health and addiction targets

Hon Matt Doocoy, Minister for Mental Health, has set five targets for mental health and addiction which will be communicated shortly. These targets should be embedded within and implemented as part of my wider health targets regime in line with the expectations I have set out for the health targets.

This includes references in key accountability documents, establishment activities and implementation planning, clinical leadership and reporting and engagement. Mental health and addiction, including targets and supporting and balancing measures, will also need to be embedded within the comprehensive framework of accountability arrangements for monitoring the health system.

Financial management expectations

We are operating in a difficult fiscal and economic environment locally and internationally and we expect these conditions to be present in the longer term. The pressure to increase spending on publicly funded healthcare is expected to continue over time due to a range of price and volume driven cost drivers.

We note that a continued focus on savings targets and plans will be necessary to deliver commitments within budget, and with an overall priority on financial sustainability. The upcoming GPS which will set out the more specific expectations for achieving financial sustainability in the short to medium term.

I expect your prioritisation to be guided by my priorities, evidence-based and investments to be underpinned by analysis of effectiveness, value for money and affordability.

Over the past two years you have made important year on year improvements on your financial reporting. I acknowledge the challenges posed by merging the reporting of 20 district health boards. However, to aid transparency and enable the Ministry to monitor Health NZ on my behalf, I expect to continue to see improvements in financial performance reporting by quarter 1 2024/25 including, but not limited to:

- The extension of performance reporting to further output classes.
- Strengthening the granularity of reporting of spend within the mental health and addiction ringfence.
- Stronger links between financial and non-financial performance commentaries (e.g., the inclusion of Hospital & Specialist Services production volume information and efficiency/productivity metrics as part of standard monthly Board performance reporting to a regional level) and greater visibility of financial forecasts and quantification of financial risks.
- Delivery on commitments within budget whilst achieving break-even position.

Noting the current financial performance of Health NZ, I want to reconfirm the expectation from me and the Minister of Finance that you are ensuring that Hospital and Specialist Services costs are well understood and controlled, and that your planning will enable appropriate funding uplifts to be contracted with the commissioned sector. Your regular financial reporting to me should clearly show your delivery against budget at an output class level so I can be assured that funding is being used in the anticipated service areas, and not to smooth unmanaged cost escalations in one area or another.

Infrastructure

I want you to ensure that Health NZ proceeds with a strong focus on the delivery of all infrastructure projects previously prioritised or approved. If there are reasons why any of these projects cannot be progressed, joint approval of myself and the Minister of Finance will be required. You must prioritise setting clear milestones and timelines for each project.

I also expect you to take responsibility for the performance of your infrastructure portfolio to identify and mitigate risks as the projects proceed to ensure that the expected budget and timeframes are met. Please ensure the delivery of current infrastructure projects is within your existing capital budgets, including self-funding and the Health Capital Envelope.

I expect you to fully implement your Infrastructure Operating Model to ensure you have the right structures in place to support the improvements in investment and asset management.

This includes improving the quality, accuracy, and timeliness of your investment reporting and engaging with the Ministry and other monitoring agencies through the further development of the Investment Plan and Asset Management Strategy, and to report on progress.

Integration of the Māori Health Authority | Te Aka Whai Ora into Health NZ

The enactment of the Pae Ora (Disestablishment of Māori Health Authority) Amendment Bill shifts the operational functions for Māori health from the Māori Health Authority | Te Aka Whai Ora to Health NZ, taking formal effect on 1 July 2024, but with earlier transfer of operational functions and staff having already occurred from 31 March 2024.

I expect Health NZ to have a clear structural configuration and well communicated ways of working in place so that the staff and work programme of the Māori Health Services directorate are well integrated and can appropriately influence across the organisation.

Consolidation of operational functions within Health NZ, including responsibility of design and delivery of the health system for the whole population, will ensure the full range of perspectives can be considered in developing effective services that respond to the needs of the people who use them. Your new role in supporting iwi-Māori Partnership Boards (IMPBs) is a critical enabler to ensure the system is responsive to Māori health needs and aspirations. I expect to see clear commitment from Health NZ in terms of the support and resourcing for IMPBs to meet their cross-sector functional requirements.

I expect Health NZ to find opportunities for communities, including whānau, hapū, and iwi, to contribute to the design of services and activities that work for them to promote and protect their health.

I also expect that reporting from Health NZ to me on strategic and operational Māori health priorities is similar to the reporting I have previously been receiving from the Māori Health Authority | Te Aka Whai Ora. This reporting should assist your organisation with decision making and operational imperatives. Your regular performance reporting should clearly identify how planning, funding, commissioning and delivery of services that have transferred from the Māori Health Authority | Te Aka Whai Ora to the Māori Health Services directorate has transitioned, including how any risks are being managed.

The Hauora Māori Advisory Committee will have a greater monitoring role and I expect appropriate collaboration and information sharing between Health NZ, the Ministry and this Committee.

Resetting direction: localities, the delivery of primary and community care, and iwi-Māori Partnership Boards

A refresh in direction for localities and the delivery of wider primary and community care is needed. The provisions to determine localities and make locality plans in the Pae Ora (Healthy Futures) Act 2022 have been extended by five years through the legislative process to disestablish the Māori Health Authority | Te Aka Whai Ora. This will allow for time to determine the appropriate future model for primary and community care and how communities are involved in the design and delivery of services.

I have asked the Ministry to lead development of a policy programme which sets out a refreshed model for primary and community care. This will be complemented by work to understand current capability and capacity of IMPBs and determine a development pathway to strengthen their role in the system. I expect you to work closely with the Ministry on these areas and to ensure the NZHP highlights actions to give effect to the Government's policy aims in this area. I also expect to be briefed on work you are doing to support and engage with IMPBs, as a key voice for Māori perspectives on the design and delivery of local services for Māori.

General practice and primary care are important to my objectives. Within the NZHP I expect to see primary care workforce identified as an area of focus, supported by a roadmap of activities that intend to make progress in addressing recruitment, retention and remuneration challenges.

Accountability

After the two years of the start-up phase of your organisation, we are now entering a phase where business processes must be firmly established. As your organisation continues to mature, I expect Health NZ to focus on fully embedding the design of key functions, including clinical governance and leadership arrangements and your internal monitoring and assurance processes and frameworks.

I have already sought from Health NZ, and anticipate receiving shortly:

- Your internal performance framework, following endorsement by the Ministry and HQSC. This framework should go beyond just measurement and reporting, and include information on what internal management levers, escalation and intervention steps are in place and who is accountable for actioning recovery actions.
- A documented operating model, that outlines how parts of the organisation work and where accountability lies.
- A risk identification and management framework.

As incoming Board Chair I would like you to review and engage with me on these key organisational documents. I want to give you the opportunity to confirm your support for these, or to provide supplementary advice on these over the next six weeks. My expectation is that these will be finalised and implemented as soon as possible. You will note in the upcoming GPS that there is a dedicated measure to support this, with a timeframe for the end of 2024. This timeframe allows not only for these to be developed, but importantly, to be embedded into day-to-day practice.

The Ministry has responsibility as the steward of the health system, and for monitoring financial and non-financial performance. I expect you to continue to develop a good working relationship and provide the Ministry with timely access to information they request so they can fulfil their strategic legislative role alongside the operational role of Health NZ.

This includes my previously stated expectation to the former Board Chair that all Health NZ briefings and aides-memoires sent to me and my office, are also copied to the Ministry. Additionally, any advice provided which has financial, policy or system settings implications should be shared with the Ministry in advance of them coming to me. This will enable Health NZ to fully understand the perspective of the Ministry as my agent and to ensure that I am supported with rounded advice.

I have also appointed the Health Workforce and System Efficiencies Committee to provide advice to me on our health workforce and to consider system efficiency and patient flow. My appointment of this Committee should reinforce to you my priority in these areas and my need to see pace of change. I ask that you enable your team to engage openly with the Committee and to provide them full access to information they seek from you.

We are needing to do things differently to optimise our health resources and improve sustainability. The role of health research and intelligence should inform your operational decision-making and underpin your organisation's innovation agenda, working to mature our ability to operate effectively as a learning system.

Data integrity is important, and my expectation is that data will be timely, validated and of high fidelity. The Ministry and the Treasury need access to comprehensive and timely data. I remain concerned about the accuracy and timeliness of the health administrative datasets and in particular the National Collections. I appreciate the need to balance using time

sensitive operational information with your responsibility to collate data within National Collections for the wider system. However, accurate administrative data is important especially given the reporting requirements for the Government's targets outlined in this letter. I believe further priority needs to be given to maintain integrity in the Crown's data assets and that there is significant risk in this area.

I expect your support and governance to ensure this asset is maintained and prioritised, and I expect the cross-agency Data and Analytics Council will function as an oversight group for National Collections and any wider data issues.

Please ensure any actions from the interim NZHP 2022/24 that are not completed by 30 June 2024 continue to be reported through your 2024/25 quarterly reporting until they are completed.

I expect Health NZ to regularly present performance updates to the public at a national as well as a regional and district level to improve public accountability and visibility.

I also expect to see your continued progress on the code of Consumer Expectations, and for all regions and districts of Health NZ, as well as the national organisation separately, to self-assess their compliance using the tools developed by the HQSC. The NZHP must state expectations for the purpose of supporting consumer and whānau engagement in the health sector and for enabling consumer and whānau voices to be heard.

Lastly, I confirm the removal of formal status of Health System Indicators as being the leading Government health indicators. However, I expect the measures covered by the Health System Indicators to continue to be monitored as part of the wider framework for health system performance.

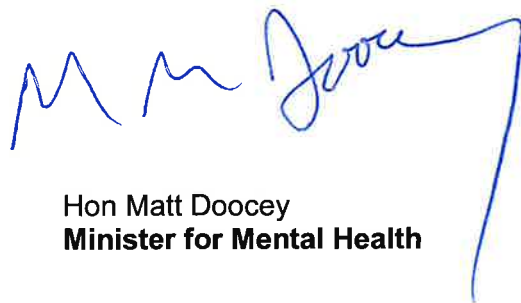
I trust you will need a few weeks to work through my expectations with your Board. My office will be in touch to set up a time for us to meet in late June so you can talk me through your response, organisational commitments and any questions you may have for me.

Thank you for your ongoing work and your support of me in my role as the Minister of Health and Hon Matt Doocey as the Minister for Mental Health. We look forward to meeting with you soon as we discuss progress. Together with our Associate Minister of Health colleagues we look forward to engaging on your plan for delivery of our targets and priorities.

Yours sincerely



Hon Dr Shane Reti
Minister of Health



Hon Matt Doocey
Minister for Mental Health