

Briefing

Adjusting funding cap for Medicine programme

Date due to MO:	5 December 2023	Action required by:	N/A
Security level:	IN CONFIDENCE	Health Report number:	H2023033205
To:	Dr Shane Reti, Minister of Health		
Consulted:	Health New Zealand: <input checked="" type="checkbox"/> Māori Health Authority: <input checked="" type="checkbox"/>		

Contact for telephone discussion

Name	Position	Telephone
Dr Diana Sarfati	Director-General of Health	s 9(2)(a)
Maree Roberts	Deputy Director-General, Strategy Policy and Legislation	s 9(2)(a)

Minister's office to complete:

- | | | |
|---|------------------------------------|--|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Decline | <input type="checkbox"/> Noted |
| <input type="checkbox"/> Needs change | <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn | |

Comment:

Adjusting funding cap for Medicine programme

Security level: IN CONFIDENCE **Date:** 05 December 2023

To: Dr Shane Reti, Minister of Health

Purpose

1. This briefing provides you with advice on achieving your objective of training more doctors by increasing the funding cap applied to medical school enrolments and seeks your agreement to discuss this with officials.

Summary

2. You have signalled your immediate priorities to train more doctors through increasing the funding cap for Medicine programme.
3. The Government invests in tertiary education annually. The Education agencies (Tertiary Education Commission and Ministry of Education) administer the funding mechanism for degree-level and above courses which imposes equivalent full-time study (EFTS) funding cap for Medicine.
4. Government funding of Medicine programme is limited by a cap because of the high cost of training medical students, including student support costs and associated salaries for clinical placements.
5. Any changes to the funding cap for Medicine would require additional funding sought as part of the Budget process and appropriated to Vote Tertiary Education to cover the tuition subsidy and sixth-year trainee intern grant costs, and to Vote Social Development and Vote Revenue for student support costs.
6. The process to secure funding for an increase in the funding cap is usually led by the Minister of Health in consultation with the impacted portfolio Ministers, with final decisions made by Cabinet.
7. Working closely with relevant stakeholders such as the Treasury, Health New Zealand | Te Whatu Ora (HNZ) and Education agencies will allow officials to determine the extent and pace at which the funding cap for Medicine can be increased.

Recommendations

We recommend you:

- a) **Note** we understand that your immediate priorities are to train more doctors by increasing the funding cap for Medicine programme. **Noted**
- b) **Note** that the total cost across different Votes to implement the 50 additional places for 2024 was estimated at a total cost of \$235 million over ten years. **Noted**
- c) **Note** that any change in the funding cap would require Cabinet approval and to be considered across Budget priorities. **Noted**
- d) **Agree** to meet with officials to confirm your intent for training more doctors and progress this initiative as part of the Budget process. **Yes / No**



Dr Diana Sarfati
Director-General of Health
Te Tumu Whakarae mō te Hauora
Date: 6 December 2023

Dr Shane Reti
Minister of Health
Date:

Adjusting funding cap for Medicine programme

Government funding for Medicine

1. The Government invests in tertiary education annually. The Education agencies (Tertiary Education Commission and Ministry of Education) administer the funding mechanism for degree-level and above courses.
2. The medicine programme (Medicine) is limited by an equivalent full-time study (EFTS) funding cap, which in turn restricts the number of places the medical schools offer to domestic students.
3. Government funding of Medicine is limited by a cap because of high costs associated with training medical students, which includes:
 - a. managing tertiary education and student financial support systems costs
 - b. ensuring availability of clinical placements as part of undergraduate training
 - c. managing resource requirements to supervise and train at postgraduate years 1 and 2 (PGY1 and PGY2) and associated salaries.
4. The current cap on the number of first-year medical school intake is set at 539 equivalent full-time student places, though it will be 589 places from 2024.

Confirming your objectives to train more doctors

5. You have signalled your immediate priorities to increase the number of doctors trained in New Zealand by an additional 50 places from 2025 for the Auckland and Otago medical schools. It also includes a proposal to establish a new medical school with a training capacity of 120 places from 2027.
6. We believe your objective is to train 220 more doctors by 2030, including the additional 50 places from 2024.
7. Alongside this paper, you have also received advice on your priorities for the third medical school [*H2023033203 refers*].
8. We can adjust the funding cap for Medicine to achieve your objectives, which can be increased to provide additional places over a period of time through existing medical schools, or a combination of increasing the funding cap for existing medical schools and for a new medical school. Officials recommend having a discussion on your objectives to train more doctors and next steps.

Process to increase the funding cap for Medicine

9. To increase the funding cap for Medicine will require additional funding sought as part of the Budget process and appropriated to Vote Tertiary Education to cover the tuition subsidy and sixth-year trainee intern grant costs, and to Vote Social Development and Vote Revenue for student support costs.

10. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]

[REDACTED]

11. The process to secure funding for an increase in the funding cap is usually led by the Minister of Health in consultation with the impacted portfolio Ministers, with final decisions made by Cabinet.
12. A discussion with the impacted portfolio Ministers will be vital to make any adjustments to the funding cap for Medicine.
13. Officials would continue to engage and work closely with:
 - a) the Treasury and Education agencies to understand fiscal implications of increasing the funding cap
 - b) the medical schools to understand their capacity to take on additional medical students
 - c) HNZ to seek assurance on whether the health system has the capacity to train and supervise additional medical graduates each year.
14. Working closely with these stakeholders will allow officials to determine the extent and pace at which the funding cap for Medicine can be increased.
15. Changes to the funding cap for Medicine will also require consultation with the tertiary sector. The funding cap is specified in a funding mechanism issued annually by the Minister of Education to the TEC – in accordance with section 419 of the Education and Training Act 2020.
16. Subject to Cabinet’s approval of funding, a further increase to the cap would be drafted into the proposed funding mechanism, which is put to the Minister of Education for approval to initiate consultation with the tertiary sector during August each year. The funding mechanisms are then confirmed or amended following the Minister of Education’s consideration of consultation feedback.
17. The TEC will then determine the allocation of funding for the additional places across medical schools as part of business-as-usual funding processes.

¹ [REDACTED]

Factors to consider for the health and education systems

Wider fiscal considerations

18. We are working with Treasury and Education agencies to estimate the costs of additional placements, particularly student support cost implications. Officials will provide further advice on undergoing Budget processes should you agree to progress with increasing the funding cap for Medicine.
19. It is possible that further increasing the funding cap for Medicine may require higher tuition subsidy rates to support necessary investments in infrastructure and training capacity to deliver additional training places.
20. Increasing the funding cap for Medicine requires significant investment and may have trade-offs in other parts of health workforce development. There is a risk that significant investment in the medical workforce could be seen as coming at the expense of other health professionals.
21. Separate advice on the third medical school outlines the significant investment required in both the tertiary and health systems [H2023033203 refers].

Medical school capacity

22. **s 9(2)(f)(iv)**
[Redacted text]
23. **s 9(2)(f)(iv)**
[Redacted text]
24. We will continue working with Education agencies and initiate engagement with the medical schools to further understand the impacts of increasing the funding cap on existing physical and support infrastructure, and academic staffing capacity requirements for appropriate medical training.

Support for medical graduates

25. Increasing the number of medical school graduates requires equivalent supervisory staff capacity in our health system. This requirement for the health system begins from the fourth-year of Medicine and first years of practice as a doctor.
26. HNZ considers that it will be able to accommodate more doctors in practice with sufficient supervisors by the time new cohorts are ready to practice.
27. HNZ has been committed to ensuring that all New Zealand-trained medical school graduates with a right to work in New Zealand receive an offer of employment. Evidence shows that of the nearly 2,600 domestic medical school graduates who applied for employment in New Zealand since 2019, all but two received an offer. However, international medical students have been given low expectations of employment in New Zealand by universities on recruitment. HNZ endeavours to increase retention and employment of international students.

28. Additionally, COVID-19 has resulted in a higher-than-usual number of deferrals – instances of students delaying completion of their medical training by a year. This has resulted in a relatively small intake of new medical graduates for 2024 (530), and a larger cohort (up to 585) anticipated for 2025. This will provide an opportunity for HNZ to demonstrate its capacity to support increased numbers of medical graduates.
29. We will continue to work with HNZ to grow and bolster our capacity to train and supervise more medical health professionals in the future.

Health workforce supply

30. A change in the funding cap for Medicine has a long lead time before we see additional workforce numbers and is unlikely to have meaningful impact on current workforce issues until the early 2030s. For example – a fully trained general practitioner (GP) will require about 11-12 years of training which means that a new student next year will grow our GP workforce numbers from 2036.
31. There are other opportunities to increase supply of the workforce through:
 - a) exploring ways to adopt more efficient medical training approaches across the medical schools
 - b) improving registration processes for internationally trained doctors
 - c) strengthening representation of the workforce, and
 - d) better utilising our workforce more broadly.
32. For example – there are opportunities to explore expanded, efficient pathways into practice – including by building on the New Zealand Registration Examination (NZREX) pilot already approved by the Medical Council for internationally qualified doctors in 2023.
33. We understand that similar workforce challenges are experienced globally, and many countries are working to address these issues by developing workforce strategies that recognise the need for a multi-faceted approach.

Equity

34. Any increase in medical school places requires a focus on how it impacts equity. We would expect to see an increase to the number of Māori, Pacific, and disabled students, as well as people living rurally and in high deprivation areas, being included in the new student intake.
35. The students should be reflective of the communities they will be providing health services for. Should a decision be made to increase medical school places, Health and Education agencies will work with the medical schools to identify how the additional places can help grow a medical workforce to ensure growing representation of Māori and Pacific peoples, and help grow a medical workforce which aspires to work in primary and community settings, particularly rural and provincial settings.

Next steps

36. Officials recommend having a discussion in relation to your objectives to train more doctors, and how you'd like to progress this work.

37. We will work with HNZ and Education agencies to provide further advice on next steps including Budget processes.

ENDS.

PROACTIVELY RELEASED

Minister's Notes

PROACTIVELY RELEASED