

Aide-Mémoire

Mental health and addiction ringfence: Information to support deep dive

Date due to MO:	15 April 2024	Action required by:	N/A
Security level:	IN CONFIDENCE	Health Report number:	H2024038968
To:	Hon Matt Doocey, Minister for Mental Health		
Consulted:	Health New Zealand: <input type="checkbox"/> Māori Health Authority: <input type="checkbox"/>		

Contact for telephone discussion

Name	Position	Telephone
Robyn Shearer	Deputy Director-General, Clinical, Community and Mental Health Te Pou Whakakaha	s 9(2)(a)
Kiri Richards	Associate Deputy Director-General, Mental Health and Addiction, Clinical, Community and Mental Health Te Pou Whakakaha,	s 9(2)(a)

Aide-Mémoire

Mental health and addiction ringfence: Information to support deep dive

Date due: 15 April 2024

To: Hon Matt Doocoy, Minister for Mental Health

Security level: IN CONFIDENCE **Health Report number:** H2024038968

Details of meeting: Tuesday 16 April 2024, 11.00am–12.30pm, Executive Wing 4.1

Purpose of meeting/ proposal: You have requested a deep dive session on the mental health and addiction ringfence.

The following people from the Ministry of Health will attend the deep dive:

- Robyn Shearer, Deputy Director-General, Clinical, Community and Mental Health | Te Pou Whakakaha
- Kevin Davies, Deputy Chief Financial Officer, Financial Strategy and Monitoring, Finance and Procurement, Corporate Services | Te Pou Tiaki
- Kiri Richards, Associate Deputy Director-General, Mental Health and Addiction, Clinical, Community and Mental Health | Te Pou Whakakaha
- Eve Kloppenburg, Principal Policy Analyst, Mental Health and Addiction, Clinical, Community and Mental Health | Te Pou Whakakaha.

Additionally, representatives from Health New Zealand | Te Whatu Ora will be in attendance.

Comment: **Context**

- This aide-mémoire provides you with information about the purpose of the mental health and addiction ringfence, how it is set and key challenges related to the ringfence.
- You will receive separate information from Health New Zealand on how the ringfenced mental health and addiction funding is used (eg, the types of services and providers that are funded). We understand this will focus on information for the completed 2022/23 financial year.

The ringfence sets a minimum expectation for spend

- The mental health and addiction ringfence sets out the minimum amount of funding that Health New Zealand is expected to spend on mental health and addiction services.

- The ringfence aims to ensure that the amount spent on mental health and addiction services increases each year at least in line with demographic and cost pressures, and that mental health and addiction expenditure is not reallocated to other service areas. As such there is an expectation that any underspends at the end of one financial year are reinvested into mental health and addiction in the following year.
- Prior to the health system reforms, the mandate for the ringfence was set out in the Ministry's Operational Policy Framework. Under the new health system arrangements, the mandate for the ringfence is currently set out in the interim Government Policy Statement on Health. Work is underway to ensure it is appropriately reflected in the next Government Policy Statement on Health 2024–2027. The need for the ringfence expectation to be met is currently referenced as a specific expectation in relation to financial sustainability for the health system.

Scope of the mental health and addiction ringfence

- As previously advised [H2023033583 refers], there is currently no specific funding appropriation for mental health and addiction. Mental health and addiction funding sits across a number of appropriations. H2023033583 included an overview of this funding landscape and an updated version is re-attached for reference.
- As illustrated in the attachment, the mental health and addiction ringfence expectation captures the majority of Vote Health mental health and addiction funding.
- Since the health system reforms in July 2022, the mental health and addiction ringfence has been expanded from only including funding devolved to the former district health boards for mental health and addiction services (now Health New Zealand districts), to also include funding previously held nationally for national programmes and initiatives. This includes the Access and Choice programme and other recent Budget initiatives, as well as mental health and addiction workforce development investment and suicide prevention funding.
- This funding sits across the following three appropriations:
 - Delivering hauora Māori services – this appropriation was used for services commissioned by the Māori Health Authority | Te Aka Whai Ora and has now transferred across to Health New Zealand to be used for the same purposes
 - Delivering Hospital and Specialist Services – this appropriation is used by Health New Zealand for hospital and specialist services
 - Delivering Primary, Community, Public and Population Health Services – this appropriation is used by Health New Zealand for primary, community, public and population health services.

- The mental health and addiction ringfence expectation excludes funding from the problem gambling levy and the alcohol levy, funding for the Mental Health and Wellbeing Commission, and capital expenditure.

Setting the ringfence

- The Ministry of Health is responsible for setting the quantum of the mental health and addiction ringfence.
- The ringfence quantum is set as part of annual planning processes using a standard formula. The formula uses the previous year's ringfence expectation, applies any cost and demographic adjustments, and includes any underspends from the previous year or other adjustments to ensure appropriate minimum growth in the ringfence proportionate to other areas of health.
- The 2022/23 mental health and addiction ringfence was set at \$2,200.7 million. Of this Health New Zealand was expected to spend at least \$2,035.159 million and the Māori Health Authority was expected to spend at least \$165.541 million.
- Actual spend information the Ministry of Health received in December 2023 indicates that Health New Zealand reported it exceeded its portion of the ringfence expectation. The Māori Health Authority did not provide formal reporting against mental health separately; however, they did indicate their actual spend was appropriately \$150 million.
- In 2023/24 the ringfence has been set at approximately \$2,477.2 million. Health New Zealand has discretion to determine how mental health and addiction ringfenced funding is allocated, within the parameters of the relevant appropriation scope and specific policy initiatives agreed through Budget processes.

Current challenges

- There are a range of challenges related to the mental health and addiction ringfence from the Ministry of Health's perspective.
- Firstly, the Ministry of Health currently does not receive a sufficient level of detail about spend against the mental health and addiction ringfence to understand and provide assurance about how the funding is spent. Current expenditure reporting provides the quantum of funding spent; however, regular reporting does not connect expenditure with the types of services funded and at what level, nor does regular reporting comprehensively connect expenditure to the inputs, outputs or FTE funded.
- This means the Ministry cannot verify whether reported spend includes only expenditure relevant to the ringfence, or comment on the spread of investment across the continuum or value for money at a system level.

- This in part reflects the complexity of mental health and addiction data, but also reflects the complexity Health New Zealand is facing in bringing together multiple financial and performance information systems from across the former individual district health boards and former national legacy systems. However, it is imperative these information barriers are prioritised and addressed in order to ensure appropriate accountability for mental health and addiction investment.
- Health New Zealand has work underway to improve this, including through the implementation of the System and Service Framework (eg, through a validated 2022/23 investment stocktake); but ongoing improvement will take time, and it is important to ensure an acceptable minimum level of reporting and oversight in the meantime. The Ministry of Health is working with Health New Zealand on a phased approach to getting a better understanding of expenditure against the ringfence over time.
- Additionally, there is a potential tension between the expectation that any underspends at the end of one financial year are carried forward and reinvested into mental health and addiction in the following year, and whether the mechanisms available to transfer this funding are appropriate [H2024037093 / HNZ00041494 refers]. This will require case-by-case consideration in the future to determine appropriate mechanisms and treatment of any underspend.
- Finally, the original level the ringfence expectation was set at does not necessarily reflect population need or demand for services. While there have been some increases to the quantum over time, the overall quantum of the ringfence is currently lower than what is needed to meet all people's mental health and addiction needs, particularly as population needs appear to be increasing.

Next steps

- A proposed agenda for the upcoming mental health and addiction ringfence deep dive is provided in Appendix 1.
- Officials will provide any additional information and further explanation you require at the upcoming deep dive.
- This aide-mémoire discloses all relevant information.



Robyn Shearer

Deputy Director-General

**Clinical, Community and Mental Health |
Te Pou Whakakaha**

Appendix 1: Agenda for deep dive

Mental health and addiction ringfence deep dive with the Minister for Mental Health, Hon Matt Doocey

Agenda for Tuesday 16 April 2024

Date:	Tuesday 16 April 2024	11.00am–12.30pm
Venue:	4.1R EW	
Ministry of Health attendees:	Robyn Shearer – DDG, Clinical, Community and Mental Health Kevin Davies – Deputy CFO, Corporate Services Kiri Richards – Associate DDG, Mental Health and Addiction Eve Kloppenburg – Principal Policy Analyst, Mental Health and Addiction Strategy and Policy	
Health New Zealand attendees:	Rosalie Percival – CFO Abbe Anderson – National Director, Commissioning Jo Chiplin – Director Mentally Well, Commissioning Karla Bergquist – Director Specialist Mental Health and Addiction, Hospital and Specialist Services	
Purpose:	Deep dive session on the mental health and addiction ringfence to discuss the purpose and objectives of the ringfence and current expenditure against the ringfence	

Item	Lead	Papers	Time
1. Overview of the mental health and addiction ringfence Overview of relevant context and historical information related to the mental health and addiction ringfence expectation	Ministry of Health	Mental health and addiction ringfence: Information to support deep dive [H2024038968]	11.00am
2. Mental health and addiction ringfence in practice Overview and discussion of how ringfenced mental health and addiction funding is currently used	Health New Zealand	Aide Memoire: Mental Health and Addiction Ringfence [HNZ00042974]	11.15am
3. Minister to raise any other matters or questions Opportunity for the Minister to raise any other matters or questions related to the mental health and addiction ringfence	Minister Doocey	N/A	12.15pm