

Briefing

Roadmap for Vote Health in Budget 2024

Date due to MO: 28 November 2023	Action required by: N/A
Security level:	Health Report number: H2023033225
To: Hon Dr Shane Reti, Minister of Health	
Consulted: Health New Zealand: <input type="checkbox"/> Māori Health Authority: <input type="checkbox"/>	

Contact for telephone discussion

Name	Position	Telephone
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Steve Barnes	Group Manager Strategy, Te Pou Rautaki Strategy, Policy & Legislation, Manatū Hauora	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 Withdrawn | |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:

Roadmap for Vote Health in Budget 2024

Purpose of report

1. This report provides you with advice on the Vote Health portfolio for Budget 2024, as requested at your meeting with officials on 27 November 2023.
2. It includes context relevant to the Vote Health portfolio for your information, a roadmap on the decision points ahead of Budget 2024 including the Government's anticipated mini-Budget, and indications on the upcoming choices you will have relating to cost pressures and new initiatives.

Background to Vote Health

3. Vote Health is the main source of public funding for health services across communities, hospitals, and other care settings, and is administered by the Ministry of Health | Manatū Hauora (the Ministry).
4. A summary of Vote Health's appropriation structure and split of funding for health entities in 2023/24 is provided at **Annex 3**. Detailed information on the current state of play of the finances across Te Whatu Ora | Health New Zealand (HNZ), Te Aka Whai Ora | the Māori Health Authority (MHA), and the Ministry will be provided to you tomorrow.
5. Vote Health has a fixed nominal baseline with no automatic adjustments for inflation, demographic changes, or other demand pressures. Any increases in the cost of maintaining current policy settings (including as a result of these drivers) are expected to be met through efficiencies or additional funding sought through cost pressure initiatives as part of the annual Budget process.

Overview of upcoming Budget-related activities

6. Over the coming months, there are several Budget-related activities that have been indicated by the Government that may be relevant to the Vote Health portfolio.
7. A roadmap is set out at **Annex 1** that depicts the key steps ahead of Budget 2024, including visibility across dependent workstreams. The anticipated corresponding advice and decisions are set out in **Annex 2**, which includes detailed advice on potential cost pressures and new initiatives for your direction in December. We welcome your feedback on this.
8. The following sections detail the relevant context, status and opportunity for direction for each.

Progressing the Government's 100-day plan commitments

100-day plan commitments

9. We understand that, at this stage, five health-related 100-day commitments will be included in the anticipated 100-day Cabinet paper being prepared by the Department of the Prime Minister and Cabinet (DPMC). Each of these commitments would require further policy development.

10. Table 1 below highlights the five 100-day commitments and our understanding of the proposed next actions, subject to confirmation of the 100-day plan following coalition agreements and subsequent Cabinet decisions.

Pledge / commitment	Proposed / anticipated next actions <i>(subject to Ministers' decisions)</i>
Set five major targets for health system, including for wait times and cancer treatment	Paper to Cabinet by 31 January 2024 to agree the proposed targets and the process by which they will be validated and publicly reported. This commitment has yet to be fully costed, however preliminary modelling suggests significant resourcing over a sustained period will need to be prioritised to support their achievement, the planned care wait time targets in particular.
Improve security for the health workforce in hospital emergency departments	Anticipate a letter to the chair of HNZ by 20 December 2023 to request an improvement in emergency department security, and invite a response that specifies resource implications and reporting of effects.
Introduce legislation to disestablish Māori Health Authority	Paper to Cabinet by 13 December 2023 with options for disestablishing the Māori Health Authority.
Extend free breast cancer screening to those aged up to 74	Report to Cabinet in early by 15 March 2024 on resourcing and implementation requirements, including timing, for extending breast cancer screening to those aged up to 74.
Sign an MoU with Waikato University to progress third medical school	Report to Cabinet by 29 February 2024 with the details of an MoU, as an initial step of a programme of work to explore the feasibility of a medical school at Waikato University, including cost-benefit analysis.

Vote Health in the mini-Budget

11. The Government has indicated its intention to initiate a mini-Budget before Christmas 2023, concurrently with the Half-Year Economic and Fiscal Update (HYEFU). We understand that the mini-Budget may be focussed on savings and reprioritisation.
12. Fiscal implications of the Government's 100-day plan are being considered. As the Vote Health initiatives require further policy development, it is likely that most initiatives could be deferred to Budget 2024.
13. At this stage, we anticipate that there may be one Vote Health-related savings option considered in the mini-Budget. The National Party's Coalition agreements with New Zealand First and ACT included a commitment to repeal amendments to the Smokefree Environments and Regulated Products Act 1990. We anticipate that fiscal savings by way of increased Crown revenue would be realised through the mini-Budget, with the intention of reflecting the savings into the fiscal forecast. Subsequent decisions on implementation of the repeal may be progressed at a later stage (potentially Budget 2024).

Budget 2024

14. Pending confirmation of the Budget 2024 Strategy by the Government, we have been engaging with the Treasury and health entities, including HNZ, on the process for delivering Vote Health in Budget 2024 and identifying the key decisions for Ministers.

Context: proceeding with annual funding for Vote Health at Budget 2024

15. As part of the previous Government's health system reforms, the health system was preparing for a shift to multi-year operating funding from Budget 2024. This was intended to align with the introduction of the first three-yearly Government Policy Statement (GPS) and New Zealand Health Plan (NZHP).
16. We understand that you and the Minister of Finance have decided to continue with an annual funding model for Vote Health for Budget 2024. An annual approach to Vote Health funding for Budget 2024 is not expected to reduce health system costs as multi-year arrangements allow for longer-term planning and commissioning decisions.
17. An annual approach to Vote Health for Budget 2024 means that potential bids will include cost pressure initiatives for 2024/25 and initiatives for any new investments. The fiscally constrained environment we are working within means that there will be choices around which Budget bids are progressed.

Potential cost pressure initiatives

Health New Zealand and the Māori Health Authority

18. HNZ and the MHA have been working to cost pressure planning parameters, representing the estimated amount of funding required to maintain current policy settings. Parameters are based on assumptions about the future trajectory of inflation, demographic change and productivity, and included a total of \$1.430 billion for 2024/25.
19. Further advice on these cost pressures, particularly service delivery, will be provided once costings are available from entities. Separate advice will be provided to you today on options for disestablishing the MHA.

Other specialist Crown Entities

20. We are working with health specialist Crown Entities to prepare for Budget 2024, including the Health Research Council, Mental Health and Wellbeing Commission, Health and Disability Commissioner, Health Quality and Safety Commission, and the New Zealand Blood and Organ Service. These entities receive funding through Vote Health for some or all of their services. The potential initiatives for Pharmac as a result of manifesto and coalition agreements are noted below in paragraph 30.

The Ministry of Health

21. The Ministry of Health will not be seeking funding for cost pressures for the 2024/25 year.

How new initiatives are shaping up

Manifesto and coalition agreement commitments

22. We note there are a number of National Party manifesto commitments and coalition agreement commitments that would impact Vote Health beyond the 100-day plan period.
23. We will provide you further advice before Christmas for your direction on implementing these commitments, including policy scope, level of priority, and timing for implementation.
24. Some initiatives will require further policy work and may only be investment-ready from Budget 2025 onwards. We anticipate that final decisions on the scope and timing of these initiatives will be informed by the fiscal environment and the Budget strategy.

Your priority initiatives

25. We understand that you may have additional initiatives to progress at Budget 2024 and invite your guidance on these. We would be happy to explore these at the anticipated deep-dive session or at your direction.

Other potential new initiatives

26. We are mindful of the constrained fiscal environment at Budget 2024 and have reviewed potential budget initiatives with a view to servicing policy work with fiscal implications from reprioritising baseline funding where possible.
27. As a result, apart from Budget bids needed to meet manifesto commitments, at this stage there are three Ministry-led initiatives that we intend to seek your views on in our December Budget advice:

a. s 9(2)(f)(iv)

b.

c.

28. The anticipated Budget bid for implementing the Therapeutic Products Act 2023 will need to be revisited in line with both the commitment in the coalition agreements to repeal the Act and your direction on a way forward. On 29 November 2023, you will receive advice on repealing the Act and the implications of these options.
29. HNZ is currently preparing advice on potential new initiatives that represent significant policy decisions.

Pharmac

30. A number of the commitments detailed in coalition agreements are expected to have a fiscal impact on Pharmac funding, including addressing time-limited funding, retracting pharmaceutical co-payments and reinstating these with a targeted approach and the introduction of 13 new cancer drugs.

31. We are working with Pharmac to refine the policy and fiscal implications for new initiatives signalled in the coalition agreements and cost pressures anticipated for Budget 2024.

Equity

32. Equity is a key principle in Te Tiriti o Waitangi and the Pae Ora Strategies. It also underpins social investment. Equity is a key aspect of the analysis work being undertaken for all Budget 2024 initiatives and will be reflected in the advice provided on Budget 2024 options, anticipated in December 2023.

Next steps

33. Several companion papers relevant to Budget considerations will be provided in the coming days, including:
- a. options for repealing the Therapeutic Products Act 2023
 - b. options for direction on the Government Policy Statement on Health 2024-2027
 - c. advice on the current state of play of the finances across all three entities, including what is spent, what is committed and what is left.
34. Detailed advice on Budget 2024 is being prepared concurrently on possible Vote Health initiatives for Budget 2024, pending the release of the Government's Budget 2024 Strategy. This next tranche of advice, anticipated for December, may also include implications of continuing with an annual funding arrangement and resulting decisions for funding design to support the priorities for the GPS, including choices around how to approach years 2 and 3.
35. Beyond that, formal bid submission is expected to follow in January 2024. The Budget 2024 package is anticipated in April, after which accountability documents (Estimates of Appropriations) will be finalised for your approval. We are anticipating these timeframes to be confirmed with the release of the Budget process shortly now that the new Government has been formed.
36. Ahead of these papers, you expressed an interest in engaging in a deep-dive session on the Budget. This session could include a high-level overview of the mini-Budget and Budget 2024 process, your key decision points and upcoming opportunities. We will work with your office to arrange a suitable time and agenda.

Recommendations

We recommend you:

- a) **Note** there are a number of manifesto commitments and coalition agreement commitments that would impact Vote Health expenditure. **Noted**
- b) **Note** that these commitments will require consideration as part of the signalled mini-Budget in late 2023 or Budget 2024. **Noted**
- c) **Note** that you will be provided advice in the coming days around 100-day plan initiatives that may have fiscal implications that require consideration in the mini-Budget. **Noted**
- d) **Note** that an annual approach to Vote Health funding in Budget 2024 is not expected to reduce health system costs. **Noted**
- e) **Note** that a detailed road map is set out at Annex 1 and supporting information about your upcoming decision points is included at Annex 2 to support the remaining steps in the Budget 2024 process. **Noted**
- f) **Agree** to provide feedback as you see fit on the plan set out in Annex 2 for upcoming decisions relating to Budget 2024, noting that a column has been provided in Annex 2 for your comments. **Yes/No**
- g) **Note** that Ministry of Health Officials will work with your office to establish a suitable date and agenda for a session on Budget, as you requested in your meeting on 27 November 2023. **Noted**

Dr Diana Sarfati
Director-General of Health

Hon Dr Shane Reti
Minister of Health

Date:

Date:

ENDS.

Minister's Notes

PROACTIVELY RELEASED

Briefing

Vote 101 and Budget 2024 deep dive

Date due to MO: 5 December 2023	Action required by: N/A
Security level:	Health Report number: H2023033326
To: Hon Dr Shane Reti, Minister of Health	
Consulted: Health New Zealand: <input type="checkbox"/> Māori Health Authority: <input type="checkbox"/>	

Contact for telephone discussion

Name	Position	Telephone
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Steve Barnes	Group Manager, Strategy	s 9(2)(a)

Minister's office to complete:

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| <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:

Vote 101 and Budget 2024 deep dive

Security level:

Date: 4 December 2023

To: Hon Dr Shane Reti, Minister of Health

Purpose of report

1. This report provides you with a copy of the slide pack we will discuss with you at the Vote 101 and Budget 2024 deep dive session on 5 December 2023.

Summary

2. The Ministry of Health is preparing for Budget 2024. On 27 November 2023, you indicated you would like a deep dive session to discuss Vote Health and Budget 2024 with officials.
3. On 28 November 2023, we provided your office with a briefing outlining the roadmap to Budget 2024 for Vote Health [H2023033225 refers] and, on 1 December, a briefing on Vote Health [H2023033288 refers]. This deep dive session is an opportunity to discuss the details of these briefings in greater depth, including:
 - an overview of Vote Health,
 - the Budget process, including key considerations about the system architecture supporting Vote Health in Budget 2024 and your upcoming decisions,
 - your priorities for Budget 2024,
 - a summary of the known and possible initiatives that may require new funding, and an indication of what level of funding may be required, and
 - future planning for known commitments beyond financial year 2024/25.
4. Following this deep dive session, we will provide you with a briefing, indicatively scheduled for mid-December, seeking your direction on what initiatives you would like to take forward in Budget 2024.

Recommendations

We recommend you:

- a) **Note** we will discuss Budget 2024 in depth with you on 4 December 2023.
- b) **Note** the slide pack for this meeting is attached at **Appendix 1**.

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

Hon Dr Shane Reti
Minister of Health
Date:

Maree Roberts
Deputy-Director General
Te Pou Rautaki
Date:

Minister's Notes

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Appendix 1 – Slide pack for Vote 101 and Budget 2024 deep dive

See separate attachment.

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Deep dive: Vote Health 101 and Budget 24

Hon Dr Shane Reti, Minister of Health

5 December 2023

BUDGET SENSITIVE

System architecture to achieve health sector priorities

- There are two key accountability documents that contribute to medium-term planning for the health sector: the Government Policy Statement (GPS) and the New Zealand Health Plan (NZHP).
- These three-yearly documents must have regard to the long-term 10-year priorities of the Pae Ora Strategies, with the intention of setting the direction for a system that is equitable, accessible, cohesive and people-centered.
- **Budget 2024** decisions will coincide with the delivery of the first full 3-year **GPS** and 3-year **NZHP**.

PAE ORA STRATEGIES Long-term vision and 10-year priorities

GOVERNMENT POLICY STATEMENT

(3-year direction-setting document which articulates your priorities and objectives for the publicly funded health sector and sets clear parameters for the development of the NZHP)

- The GPS is your vehicle to set priorities and expectations for the next three years for the publicly funded health sector.
- It will provide an accountability mechanism and the ability to track progress against the priorities and expectations over the three-year period.
- It applies to organisations listed in the Pae Ora Act: Health New Zealand, the Māori Health Authority, NZ Blood and Organ Service, Health Quality and Safety Commission and Pharmac.

NEW ZEALAND HEALTH PLAN

(3-year costed operational plan for the delivery of publicly funded health services that responds to the priorities in the GPS)

- The NZHP must give effect to the priorities and expectations set out in the GPS.
- It will describe how health entities will deliver service and investment changes to achieve the desired improvements set out in the plan and the GPS.
- The NZHP is developed by Health New Zealand and the Māori Health Authority.

VOTE HEALTH FUNDING

- The costs of implementing the 3-year NZHP will be met from Vote Health baseline funding and from additional funding provided through Budget allowances, subject to decisions through the Budget process.
- The GPS and NZHP will be developed using assumptions about the level of available funding. They will then be updated once the final level of funding is known, to ensure the GPS priorities and NZHP activities can be delivered.
- An annual approach to funding for Budget 2024 will set the funding track for year 1 of the GPS and NZHP. Decisions will be needed on how to provide certainty on the funding track for years 2 and 3 to support forward planning.
- Providing greater certainty about the funding track can support better allocation of resources, which in turn can improve equity and health outcomes and increase financial sustainability.

An overview of Vote Health

- Vote Health is the main source of public funding for health services across communities, hospitals and other care settings.
- An appropriation is a parliamentary authorisation for the government or an Office of Parliament to incur expenses or capital expenditure. No expenditure may be incurred unless in accordance with an appropriation or other statutory authority.
- Vote Health currently has 21 appropriations:
 - One departmental capital expenditure
 - 11 non-departmental expenses appropriations, including nine output expenses appropriations and two other expenses appropriations
 - Six non-departmental capital expenditure appropriations, including two MYAs (i.e., Health Capital Envelope and New Dunedin Hospital 2021-2026), and
 - Three multi-category appropriations, including one departmental MCA for the Ministry and two time-limited MCAs for COVID-19 specific expenses.
- This streamlined appropriation structure was introduced at Budget 2022. Prior to that, the structure consisted of 54 appropriations. The new structure is smaller, more coherent and has flexibility to deploy resources to improve population health outcomes.
- As Minister of Health, you are responsible for the appropriations within Vote Health, with the exception of funding appropriated for the Aged Care Commissioner (\$2 million per annum)

PROACTIVELY RELEASED

1. Vote Health

Baseline funding characteristics

- New Zealand's fiscal management approach uses fixed nominal baselines. This means that the amount of funding received by Vote Health each year (the baseline) does not automatically increase to adjust for inflation, demographic changes, or other demand pressures.
- Any increase in the cost of maintaining current policy settings, including as a result of these drivers, is expected to be met through efficiencies, or additional funding sought through the Budget process (cost pressures initiatives).
- Funding to meet the costs of new policies or new infrastructure is also sought through the Budget process (new initiatives).
- This approach requires trade-offs to be made between cost pressures and new initiatives across all Votes, as any funding increase must be met within the Budget allowances. These are set by the Government through its Budget Strategy.
- Historically, allocations to Vote Health have comprised a large proportion of Budget allowances (ranging from 29-44% between 2013-2023).

Baseline updates

- Opening baselines for the next financial year (July to June) are typically established in April after final Budget decisions have been made, and are reflected in the release of the Government's Budget Economic and Fiscal Update (BEFU)
 - They include the upcoming financial year and 4 outyears and are published in the Estimates of Appropriations on Budget Day
- Subsequent changes to baselines are incorporated in the October baseline update (OBU) or the March baseline update (MBU)
 - OBU and MBU are technical updates that can be approved jointly by you and the Minister of Finance
 - They typically include recognition of Cabinet decisions since the previous baseline update, fiscally neutral adjustments, and forecasts changes
 - OBU rolls out the baselines for a further financial year.
- OBU and MBU changes to the current year are published on Budget Day in the Supplementary Estimates of Appropriations (Supps), which document changes since the previous year's Estimates of Appropriations
- Baseline funding in 2023/24 is about \$29.5 billion. Subject to Cabinet and Ministerial decisions through Budget 2024 (and excluding the cost-pressure funding track published in PREFU), the baseline would reduce to \$26.6 billion in 2024/25 and further reduce to \$24.3 billion by 2027/28, as time-limited funding ceases. Further detail on the higher 2023/24 baseline is provided on the next slide.

Vote Health: Baseline funding 1

Vote Health baselines are provided out until 2027/28. These reflect the latest baselines following the 2023 October Baseline Update (OBU).

Appropriations	Receiving agency	2023/24 \$ million	2024/25 \$ million	2025/26 \$ million	2026/27 \$ million	2027/28 \$ million
Total Vote Health appropriations		29,541	26,553	26,528	24,753	24,309
<i>including:</i>						
Departmental Capital Expenditure						
Ministry of Health - Capital Expenditure PLA	Ministry of Health	2	2	2	2	2
Total Departmental Capital Expenditure		2	2	2	2	2
Non-Departmental Output Expenses						
Aged Care Commissioner	Health and Disability Commissioner	2	2	2	2	2
Delivering hauora Māori services	MHA	708	687	683	683	683
Delivering Hospital and Specialist Services	HNZ	14,347	13,673	13,663	13,646	13,658
Delivering Primary, Community, Public and Population Health Services	mainly HNZ	8,721	8,567	8,527	8,521	8,520
Monitoring and Protecting Health and Disability Consumer Interests	Health and Disability Commissioner Health Quality and Safety Commission Mental Health and Wellbeing Commission	41	37	37	37	37
National Management of Pharmaceuticals	Pharmac (operating funding)	30	30	30	30	30
National Pharmaceuticals Purchasing	Pharmac (CPB)	1,498	1,130	1,130	1,130	1,130
Problem Gambling Services	HNZ, MHA, Ministry of Health	30	25	11	11	11
Total Non-Departmental Output Expenses		25,377	24,150	24,083	24,060	24,070
Non-Departmental Other Expenses						
International Health Organisations	WHO	2	2	2	2	2
Legal Expenses	Ministry of Health	1	1	1	1	1
Loss on sale of Crown-owned assets		1	-	-	-	-
Total Non-Departmental Other Expenses		4	3	3	3	3

Contingency funding (provided where further work is required before Cabinet agrees to 'appropriate' funding or when initiatives are commercially sensitive or subject to negotiations, e.g. pay equity claims) is NOT reflected in Vote Health baselines until such time as that funding is drawn down (i.e. appropriated). There is over \$4 billion of funding held in contingency for Vote Health initiatives over the next four years (see Slide 21 in the **Annex** for details)

The higher 2023/24 baseline funding is mostly due to the carry-forward of one-off funding of \$110 million from 2022/23 to 2023/24 to help address planned care backlog and the lump sum payments of \$513 million for nurses pay equity settlement.

Pharmac funding reduces by \$368 million next year. This is before taking into account any increased demand on current medicines and any other cost pressures.

Vote Health: Baseline funding 2

Appropriations	Receiving agency	2023/24 \$ million	2024/25 \$ million	2025/26 \$ million	2026/27 \$ million	2027/28 \$ million
Non-Departmental Capital Expenditure						
Capital investment in Health New Zealand	Health New Zealand	11	-	-	-	-
Health Capital Envelope (MYA Expense)	Health New Zealand	1,240	1,070	1,100	452	-
New Dunedin Hospital 2021-2026 (MYA Expense)	Health New Zealand	157	292	903	-	-
Remediation and resolution of Holidays Act 2003 historical claims	Health New Zealand, New Zealand Blood and Organ Service	1,642	593	-	-	-
Residential Care Loans - Payments	Health New Zealand	20	20	20	20	20
Standby Credit to Support Health System Liquidity	Health New Zealand	200	200	200	-	-
Total Non-Departmental Capital Expenditure		3,270	2,175	2,223	472	20
Multi-Category Expenses and Capital Expenditure						
Implementing the COVID-19 Vaccine Strategy MCA	Health New Zealand, Pharmac, Manatū Hauora	390	-	-	-	-
National Response to COVID-19 Across the Health Sector MCA	Health New Zealand, Manatū Hauora	211	-	-	-	-
Stewardship of the New Zealand health system MCA	Manatū Hauora (departmental)	288	223	217	217	214
Total Multi-Category Expenses and Capital Expenditure		889	223	217	217	214
Total Vote Health appropriations		29,541	26,553	26,528	24,753	24,309

Phasing of intended capital spend under the Health Capital Envelope and New Dunedin Hospital Multi-Year Appropriations (MYAs) is another large influence on the outyear baseline profile of the Vote.

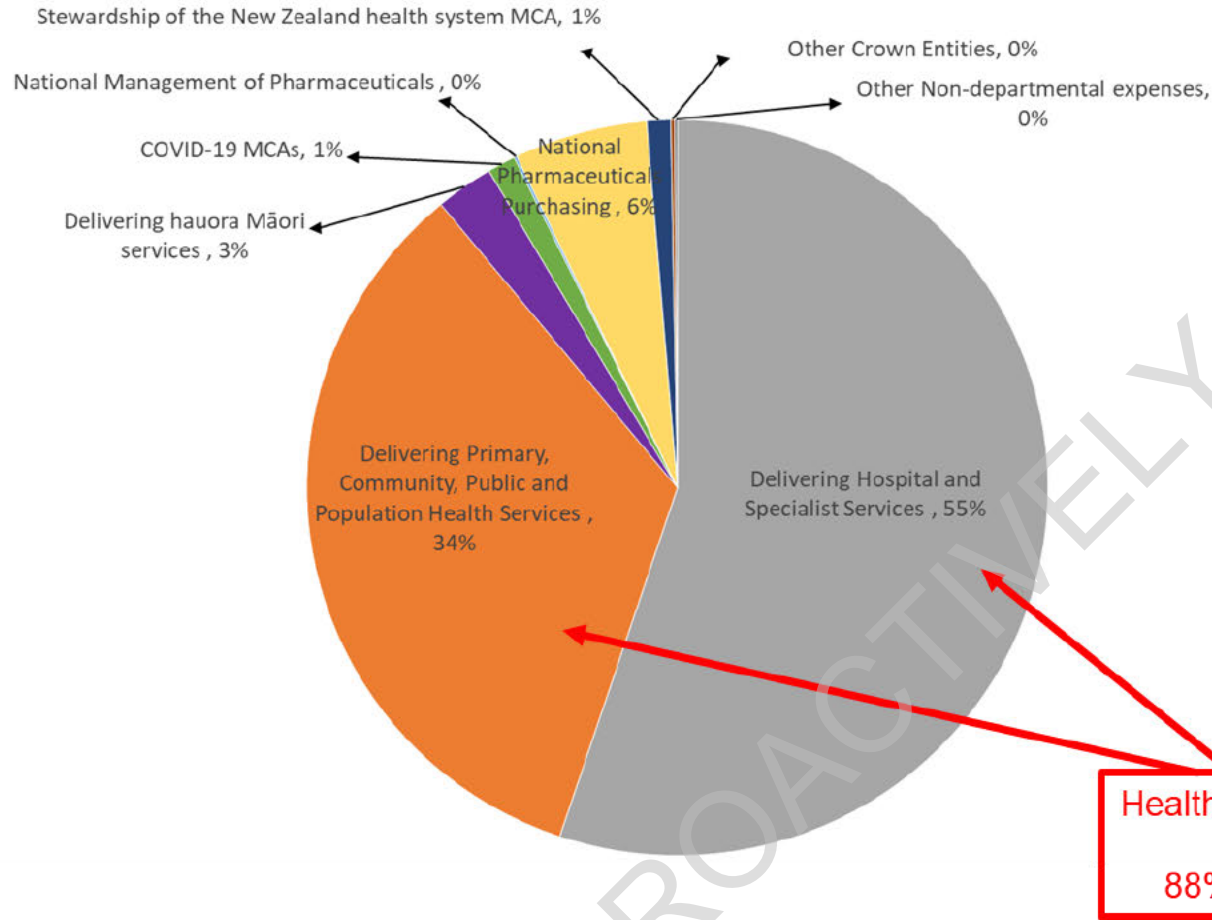
The current Health Capital Envelope MYA ends in 2026/27 and the New Dunedin Hospital MYA ends in 2025/26, as such no spending has been forecast beyond those years. MYA can only be set up for a maximum of five financial years. New MYA can be requested towards the end of year five if needed.

There have been some delays in the Holidays Act remediation payment. Most of the funding is now expected to be paid out in the 2024 calendar year. We will reflect the updated phasing in the March 2024 Baseline Update.

COVID-19 time-limited funding is also coming to an end this financial year.

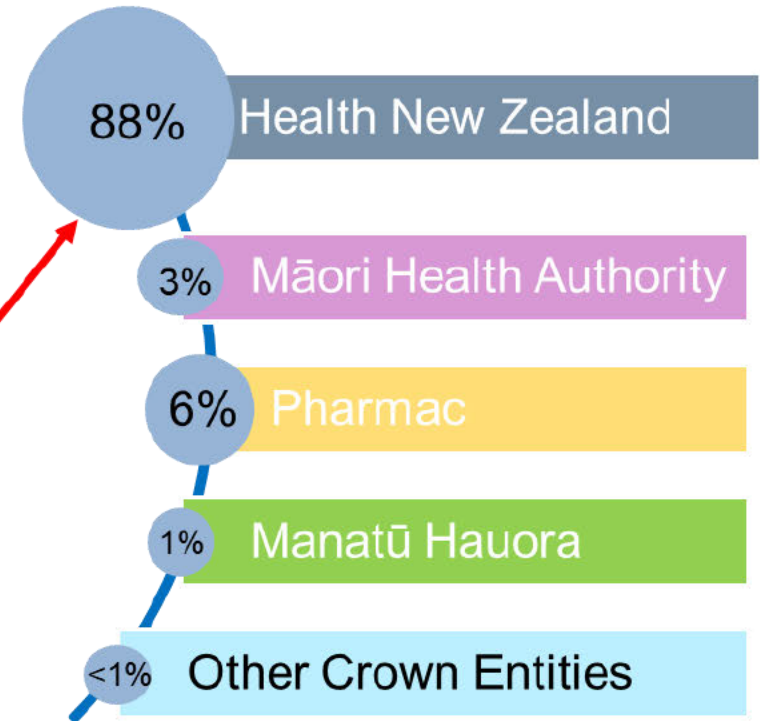
Appropriated funding in 2023/24

Vote Health operating budget split by appropriation



For 2023/24, the amount of funding appropriated is \$29,541 million, including \$3,272 million of capital funding and \$26,269 million of operating funding.*

Vote Health operating budget split by entity



Health NZ
88%

* This is based on Vote Health's baselines as at the 2023 October Baseline Update.

2. Mini Budget & Budget 2024

Considerations for Vote Health in the mini-Budget

- The Government has indicated there will be a mini-Budget, to be concurrently with the Half-Year Economic and Fiscal Update (HYEFU) in December.
- We understand Cabinet decisions on the mini-Budget will be taken by Cabinet on 11 December and announced (alongside the release of the HYEFU) on 20 December.
- At this stage, we are not aware of any Vote Health-related initiatives proposed for inclusion.
- We anticipate that funding decisions on health-related 100-day plan commitments can likely be deferred beyond the mini-Budget, following further policy development.
- You are receiving advice on the fiscal implications of these commitments (savings or new funding requirements) and how these could be addressed.

Budget 2024 – overview of initiatives to consider for 2024/25

We understand that you wish to revert back to an annual funding model for Vote Health in Budget 2024.

1. Cost pressures for 2024/5

Changes to fixed nominal baselines sought to address cost pressures.

- **Ministry** – nil.
- s 9(2)(f)(iv), s 9(2)(j)
- **Other health Crown entities** – 4 indicate potential cost pressures, work underway to refine.
- **Pharmac** – impact of expiry of time-limited funding, as well as cost pressures for operational expenditure and hospital medical devices programme.

3. Coalition agreements and manifesto commitments

Any initiatives that Ministers would like to progress for Budget 2024 – for example:

- Prescription co-payment changes
- New cancer treatments
- Gumboot Friday
- Support for more nurses and midwives

2. 100-day commitments

Any Vote Health-related initiatives from the 100-day plan (see Slide 22 in Annex) that have a fiscal impact in 2024/25

Anticipated costs for 2024/25 include:

- Hospital ED security (currently exploring options)
- Health targets
- TBC – Cost of work on Therapeutic Products and Third Medical School

Anticipated savings to return to the Crown for 2024/25 include:

- Savings as a result of not implementing the anticipated amendments to the Smokefree Environments and Regulated Products Act 1990 and regulations (note that this excludes anticipated changes to forecast Crown revenue)

4. Additional core initiative

- **Diabetes Continuous Glucose Monitoring for under-18s** – New funding to provide access to continuous glucose monitors for young people with type 1 diabetes under the age of 18 years

Subject to the Government's Budget Strategy, we understand you have additional priorities for new funding. HNZ has indicated interest in pursuing investment to stabilise and enhance primary and community care that you may wish to consider.

Supporting the 3-year NZHP and forward planning

- HNZ has been developing a 3-year NZHP based on the cost-pressure planning parameters communicated in February 2023.
- An annual funding arrangement will still need to give effect to the three-year GPS and NZHP.
- You have options about how to optimise these accountability documents to realise the benefits of long-term planning for fiscal benefits and improving equity and health outcomes.

Context: Given Ministers' decisions to proceed with annual funding, HNZ would ordinarily receive confirmation of only its forthcoming year's funding - and not any detail on uplift for years 2 and 3 - around 6 weeks before the 2024/25 financial year begins (though Ministers could agree to share earlier).

Challenge: Given varying lead-in times for service delivery and contractual arrangements, this presents challenges for forward planning.

Opportunity: We are developing Budget 2024 advice, indicatively scheduled for December, which will include advice on:

- providing funding certainty for year 2 and year 3
- choices about timing and phasing of new initiatives regardless of whether we are on an annual or multi-year cycle; this could be used as a tool to manage funding across the three-year planning period
- communicating Budget decisions earlier to HNZ.

Opportunities to support forward planning could be discussed at the anticipated joint Ministers' meeting on Budget 2024.

We welcome your feedback.

Key benefits of multi-year planning and funding include:

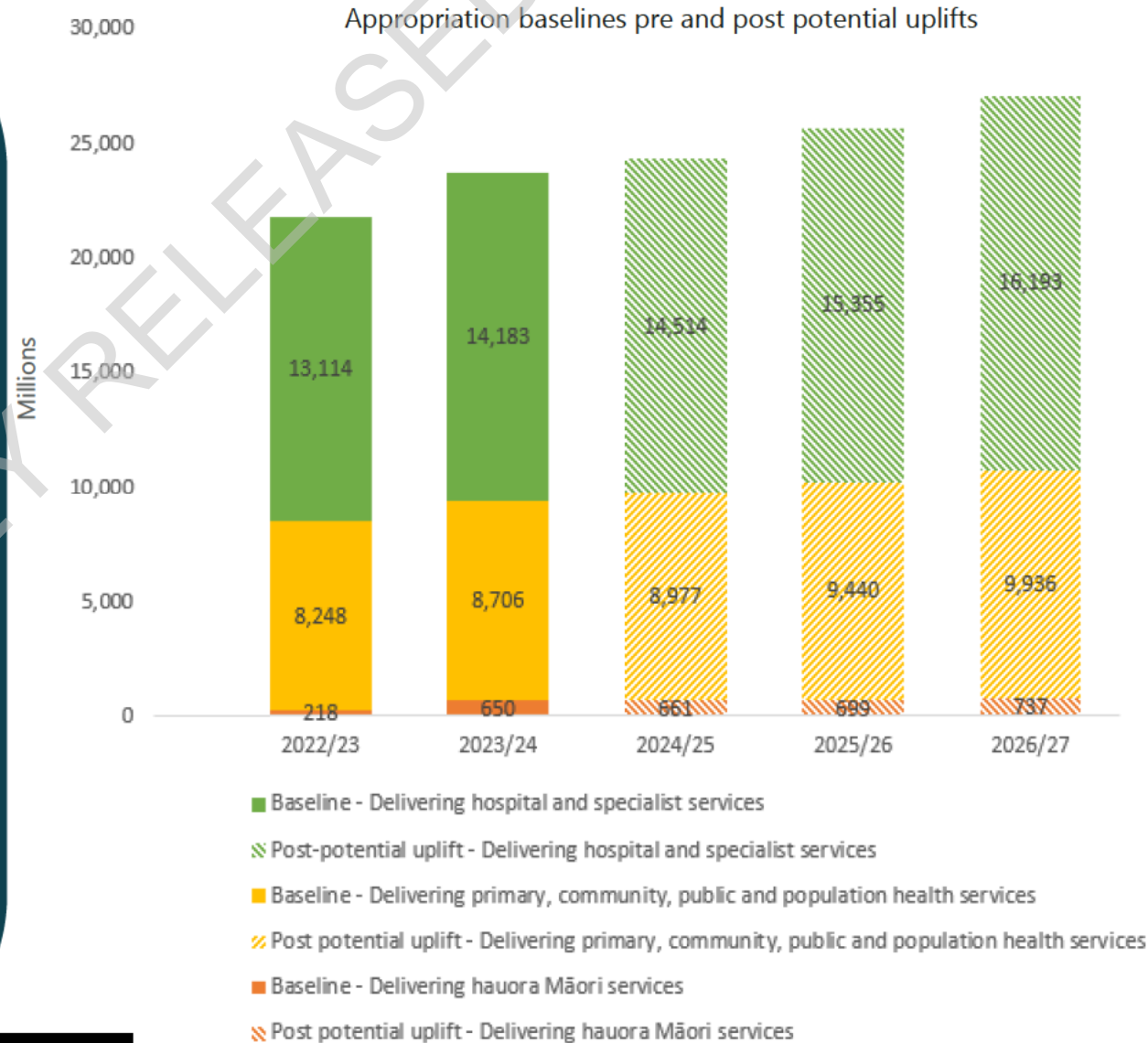
- Strategic decision-making on health expenditure to achieve better allocation of resources
- Multi-year planning certainty that means more time focused on delivery
- Increased long-term financial sustainability
- Longer-term contracting and partnerships
- Informed investment decisions and a greater focus on outcomes and equity of outcomes
- 'Invest to save' approaches that improves efficiency and effectiveness of services and back-end systems
- Sustainable management of cost growth
- Shifts in models of care rebalancing towards prevention, population health and mental wellbeing, targeting those most likely to benefit (a more social investment approach)

HNZ and MHA cost pressures

- HNZ and the Māori Health Authority have been working to cost pressure planning parameters for operating funding for the period 2024/5 – 2026/27, representing the estimated amount of funding required to maintain current policy settings over that time.
- Capital remains on an annual funding model, with a view that it would transition to a multi-year arrangement from 2027.
- Planning parameters are based on assumptions about the future trajectory of inflation, demographic change and productivity.
- The planning parameters issued represent a high-level estimate of the minimum amount of funding required to maintain current policy settings and are largely driven by wage bargaining and increases in staffing to meet demographic demand.

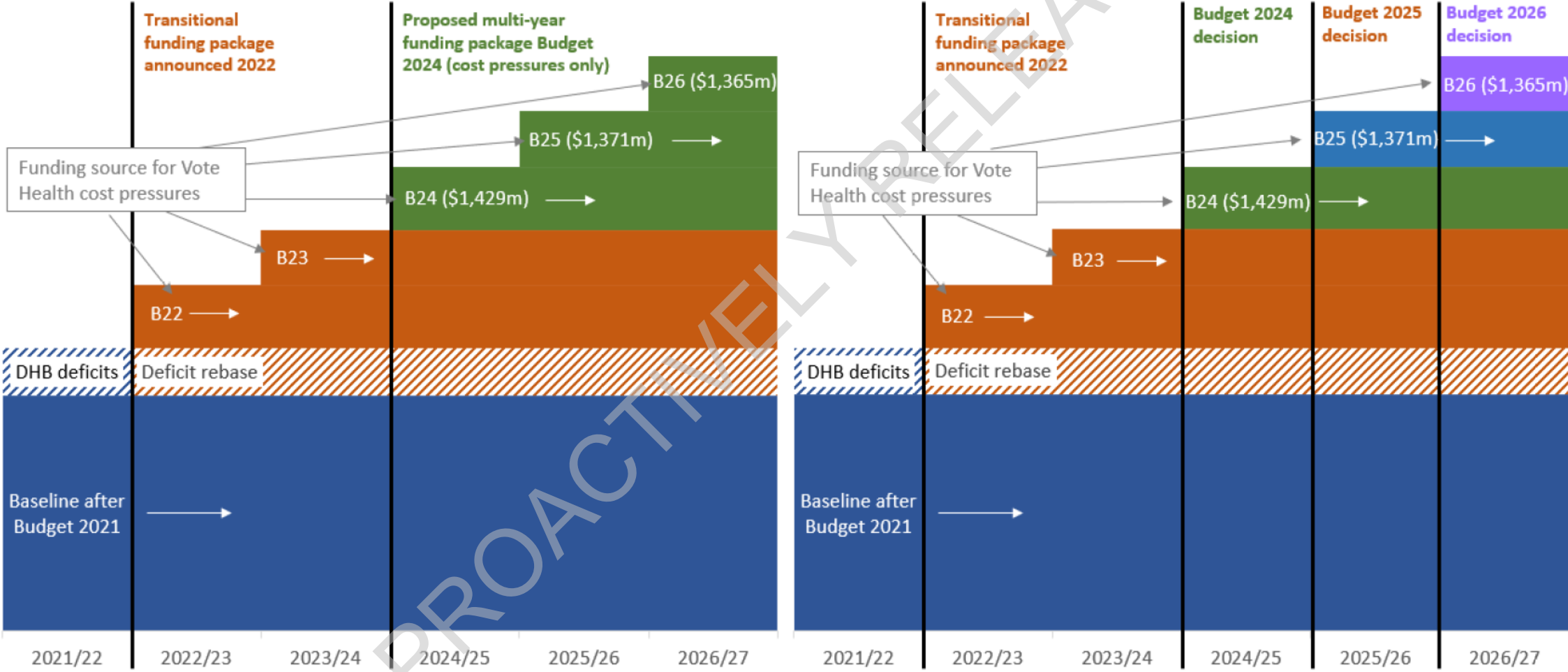
• s 9(2)(f)(iv), s 9(2)(j)

- Irrespective of whether an annual or multi-year approach is taken, there will be an ongoing focus on ensuring that the system delivers value and can live within its means.



HNZ and MHA cost pressures: fiscal management approach

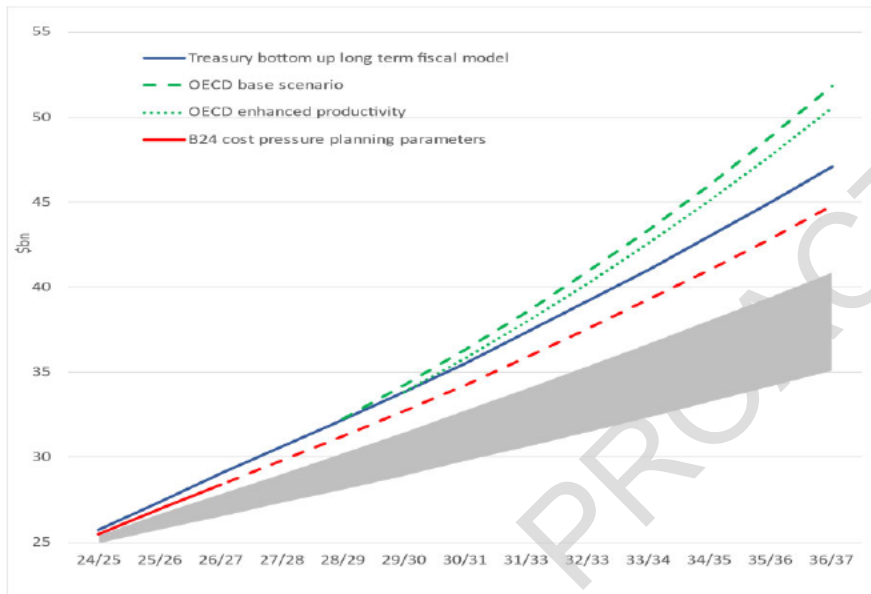
The financial planning parameters for operating funding also cover years 2 and 3. The multi-year funding approach changes the timing of when funding is charged against allowances but does not increase overall expenses; reverting to an annual approach to Vote Health funding for Budget 2024 is not expected to reduce health system costs as multi-year arrangements allow for longer-term planning and commissioning decisions.



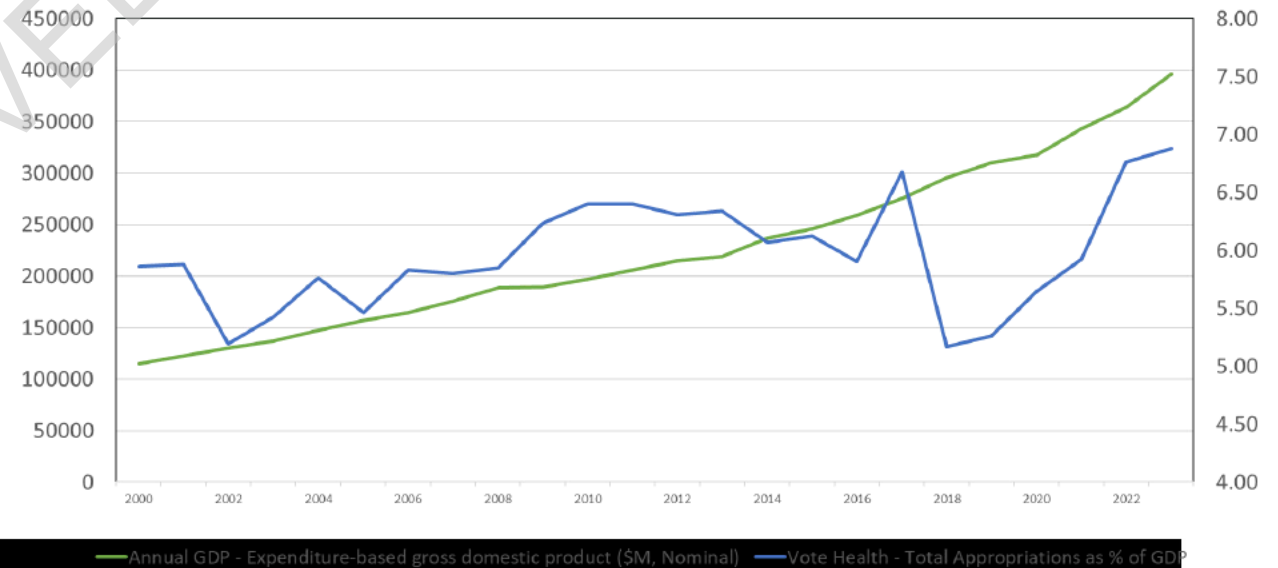
Planning for, and influencing, future health spending

- There is future growth in health spending, reflecting demographic change, technological change, and other cost drivers.
- New Zealand's spending on health (as percentage of GDP) is in line with the OECD average.
- There are some (albeit limited) policy choices about how health expenditure can be influenced.
- Longer-term planning cycles are key to this, as they allow for planning, purchasing and commissioning decisions to be made on a longer horizon.

There is concern that future health spending will rise dramatically, as shown in the Treasury's long-term fiscal model



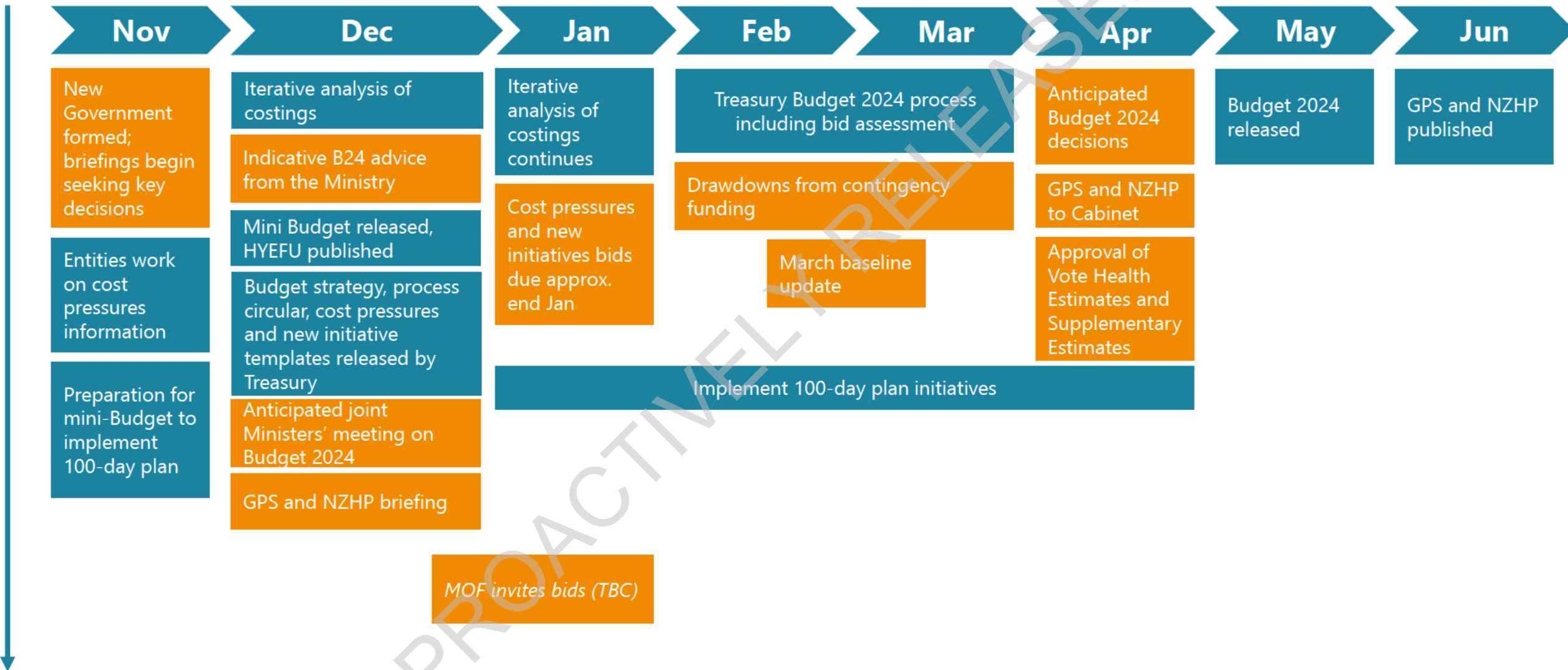
In the recent past, however, Vote Health has been contained to be a relatively static proportion of GDP



3. Upcoming milestones

What's coming up in the Budget 2024 process? Your key decisions

Assumptions only – Government's Budget 2024 Strategy will provide clarity on process and dates for Budget



Discussion and pātai

What are your priorities for Budget-related activities in the next financial year?

How can we support you through the Budget 2024 process?

What further advice would you like on Vote Health funding approaches to years 2 and 3 of the GPS and NZHP?

How would you like to work with other Ministers, including Health Ministers, in the Budget 2024 process?

4. Annex

PROACTIVELY RELEASED

Vote Health: Contingency funding yet to be (fully) drawn down

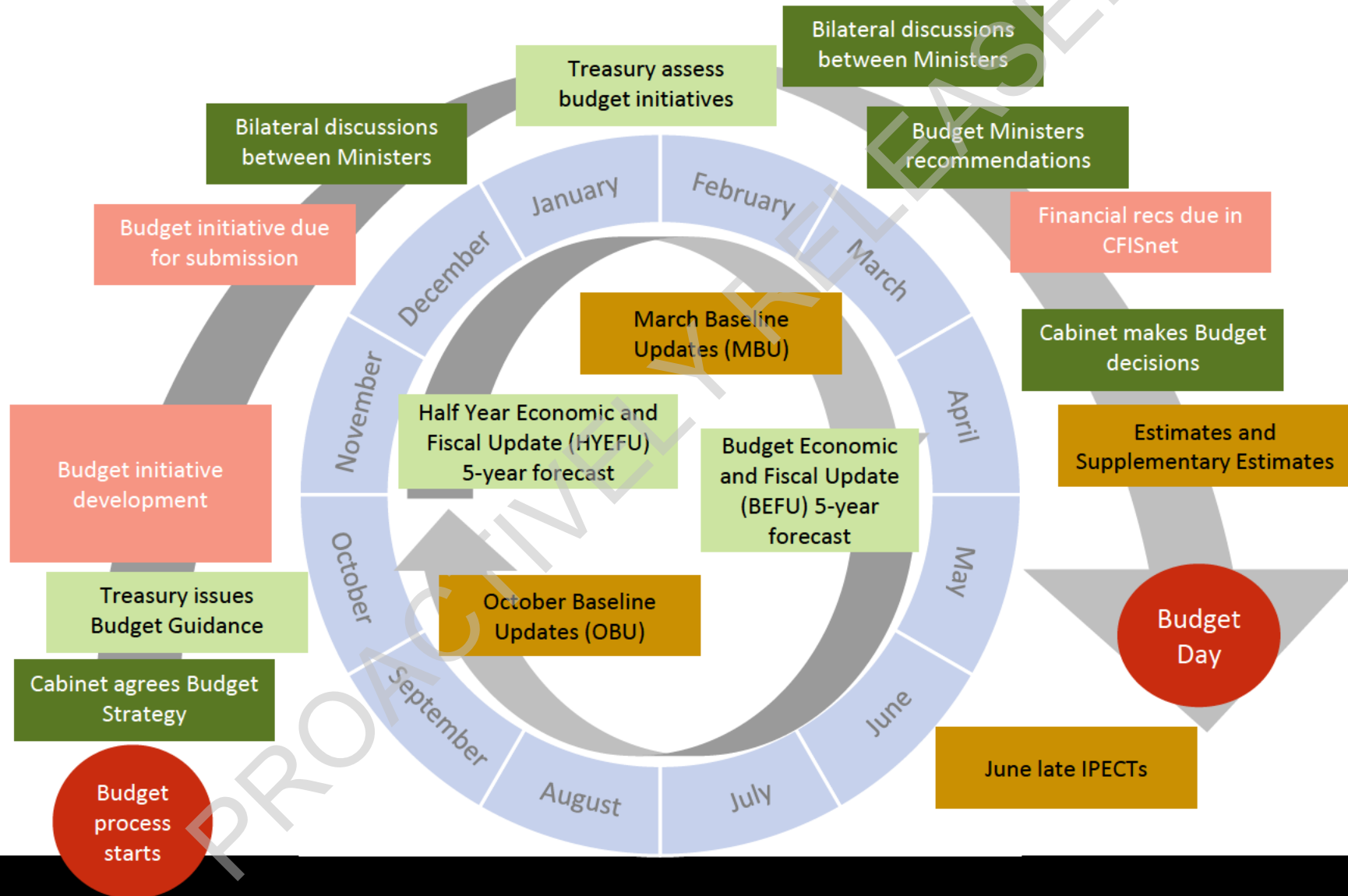
s 9(2)(f)(iv), s 9(2)(j)

PROACTIVELY RELEASED

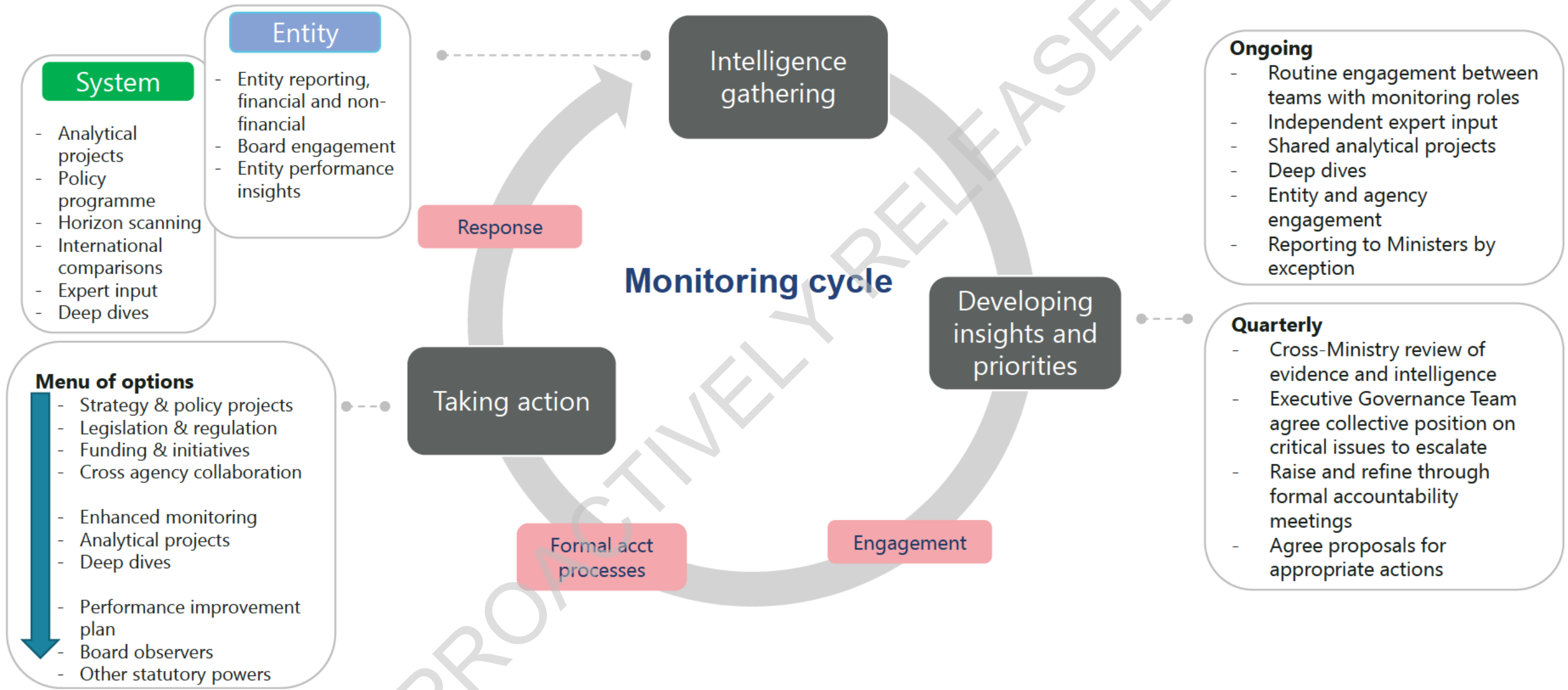
Government's 100-day health-related actions

Action	Anticipated next actions <i>(subject to Ministers' decisions)</i>
Improve security for the health workforce in hospital emergency departments (34)	Anticipate a letter to the chair of HNZ by 20 December 2023 to request an improvement in emergency department security and invite a response that specifies resource implications and reporting of effects.
Sign an MoU with Waikato University to progress third medical school (35)	Report to Cabinet by 29 February 2024 with the details of an MoU, as an initial step of a programme of work to explore the feasibility of a medical school at Waikato University, including cost-benefit analysis.
By 1 December 2023, lodge a reservation against adopting amendments to WHO health regulations to allow the government to consider these against a "national interest test" (36)	New Zealand will exercise its right to opt out of amendments to Article 59 of the International Health Regulations by 30 November 2023. Officials will prepare a Cabinet paper and National Interest Analysis to decide whether New Zealand should accept amendments to International Health Regulations at a later stage.
Set five major targets for health system, including for wait times and cancer treatment (42)	Paper to Cabinet by 31 January 2024 to agree the proposed targets and the process by which they will be validated and publicly reported.
Introduce legislation to disestablish Māori Health Authority (43)	Paper to Cabinet by 13 December 2023 with options for disestablishing the Māori Health Authority.
Take first steps to extend free breast cancer screening to those aged up to 74 (44)	Report to Cabinet in by 15 March 2024 on resourcing and implementation requirements, including timing, for extending breast cancer screening to those aged up to 74.
Repeal amendments to the Smokefree Environments and Regulated Products Act 1990 and regulations (45)	Paper to Cabinet expected on 18 December.
Allow the sale of cold medication containing pseudoephedrine (46)	Declassification of pseudoephedrine in late December and report back to Cabinet in January.
Begin work to repeal the Therapeutics Products Act 2023 (47)	The Minister has received advice on repealing the Act and the implications of these options.

Government Finance Process



We are implementing a new monitoring cycle



Aide-Mémoire

Budget 2024: Phasing Vote Health initiatives and upcoming advice

Date due to MO:	20 December 2023	Action required by:	N/A
Security level:		Health Report number:	H2023033303
To:	Hon Dr Shane Reti, Minister of Health		
Refer to:	Hon Matt Doocay, Minister for Mental Health and Associate Minister of Health Hon David Seymour, Associate Minister of Health Hon Casey Costello, Associate 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
Steve Waldegrave	Associate Deputy Director-General, Strategy, Policy & Legislation Te Pou Rautaki, Ministry of Health Manatū Hauora	s 9(2)(a)
Steve Barnes	Group Manager Strategy, Strategy, Policy & Legislation Te Pou Rautaki, Ministry of Health Manatū Hauora	s 9(2)(a)

Aide-Mémoire

Budget 2024: Phasing Vote Health initiatives and upcoming advice

Date due: 20 December 2023

To: Hon Dr Shane Reti, Minister of Health

Security level: **Health Report number:** H2023033303

Update on Budget 2024 process

1. On 28 November 2023, the Ministry of Health | Manatū Hauora (the Ministry) provided you with advice on a roadmap for Budget 2024 [H2023033225], indicating we would provide you further policy advice in December 2023 to support the Budget 2024 process.
2. Further advice on Budget 2024 is dependent on the upcoming release of the Government's Budget 2024 Strategy, associated process circular and a letter from the Minister of Finance inviting specific Vote Health initiatives into the Budget 2024 process.
3. While the letter from the Minister of Finance is expected later this week, the Budget Strategy and the budget process circular are not expected until the new year.

Revised plan for upcoming advice

4. The Ministry will provide you with advice in January 2024 (once the Budget Strategy, process circular and Minister of Finance's invitation letter are available), which will set out your options for prioritising Vote Health initiatives within the Budget Strategy parameters. This will include advice covering:
 - a. **Support for a potential meeting with the Minister of Finance** on Vote Health Budget 2024 settings. This follows advice provided by the Treasury to the Minister of Finance on 13 December 2023, seeking to confirm the direction and timing of a potential shift to multi-year funding for cost pressures.
 - b. **What the direction of multi-year funding means for providing certainty and support** for the three-year Vote Health accountability documents, the Government Policy Statement (GPS) and the New Zealand Health Plan (NZHP), noting that an annual funding approach, if progressed at Budget 2024, would still present options for supporting multi-year planning.
 - c. **Invited initiatives within scope of the Budget Strategy**, which we anticipate will include 100-day commitments, and manifesto and coalition agreement commitments, including advice on the fiscal impact of policy decisions taken on relevant initiatives.

- d. **Other pressures on Vote Health or potential new initiatives.** Although we anticipate that the Budget Strategy will be narrowly scoped and directed towards 100-day plan and manifesto and coalition agreement commitments, there are other potential initiatives to consider, for example relating to primary care. There will also be possible trade-offs and choices where no new funding means there are impacts for existing services (also discussed below).
- e. **Cost pressures and time-limited funding**, including:
 - i. Work underway with Health New Zealand | Te Whatu Ora (HNZ) and the Māori Health Authority | Te Aka Whai Ora (MHA) to refine anticipated cost pressures as part of work on the NZHP (see further details below).
 - ii. Options to manage the impact of time-limited funding. Funding concludes at the end of the current financial year for the Combined Pharmaceutical Budget managed by Pharmac, as well as for COVID-19 measures (see further details below).
 - iii. Options and impacts of cost pressure funding sought by specialist health Crown entities to maintain their existing service delivery.
- f. **An overview of, and options regarding, potential capital initiatives.** This will include, for example, potential capital costs associated with the proposed increase in medical school training places and with the proposed third medical school. It will also include advice on the fiscal status and projections for existing infrastructure projects and how cost escalation can be managed within the existing envelope.

Cost pressures for Health New Zealand

- 5. HNZ and the MHA have been working to develop a three-year costed plan (the NZHP) that could deliver health services within the cost pressure planning parameters, representing the minimum amount of funding required to maintain current policy settings.
- 6. The parameters were based on assumptions about the future trajectory of inflation, demographic change and productivity, and included a total of \$1.430 billion for 2024/25. s 9(2)(j), s 9(2)(f)(iv)
[Redacted]
[Redacted]
[Redacted]
- 7. The cost pressure planning parameters assume large savings compared to historical Treasury or OECD projections of health expenditure.
- 8. s 9(2)(j), s 9(2)(f)(iv)
[Redacted]
[Redacted]
[Redacted]
[Redacted]
[Redacted]
[Redacted]

9.

s 9(2)(j), s 9(2)(f)(iv)

10.

11. You have requested more information from the Ministry (in addition to that provided by HNZ last week) to give you a better understanding of the size and scope of the savings initiatives that are currently factored in the HNZ budget for 2023/24. This will be provided to you in January 2024.

Risks to be aware of

12. While we do not yet have confirmation of the scope of Budget 2024, there are a number of pressures on Vote Health, which we anticipate will be neither included in the Minister of Finance's invitation letter nor reflected in the Budget Strategy.
13. The advice scheduled for January will outline possible trade-offs and choices where cost pressures or no new funding mean there are impacts for existing services.

Time-limited funding for COVID-19

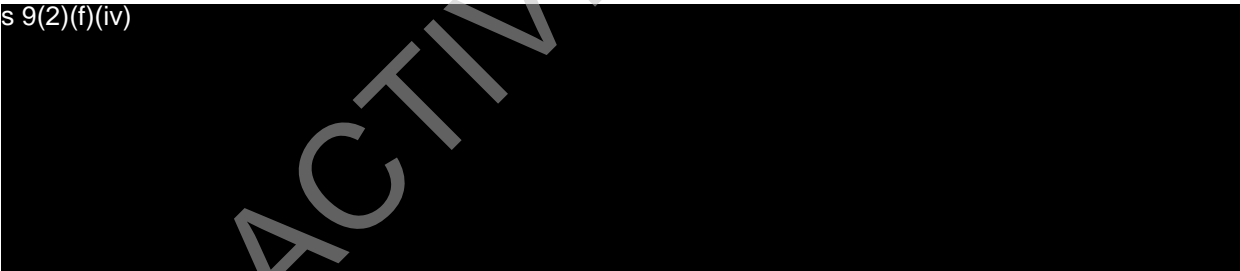
14. In addition to the known time-limited funding pressure upcoming for Pharmac, a suite of COVID-19 measures, including surveillance activities and access to free Rapid Antigen Tests, PCR tests, vaccinations and antivirals, are also largely operating on time-limited funding due to expire on 30 June 2024.
15. The COVID-19 funding for the current financial year includes:
- a. \$226m for the COVID-19 Response via HNZ, such as for the National Telehealth Services and Testing and Laboratory Services
 - b. \$130m for the COVID-19 Immunisation Programme via HNZ
 - c. \$22m for COVID-19 activities via ESR, such as surveillance through wastewater testing and whole genome sequencing
 - d. \$165m (accounted for in the time-limited funding for Pharmac) for COVID-19 vaccines and therapeutics.
16. These costs are funded through a combination of \$503m of Crown funding in the 2023/24 financial year and \$40m of unspent funding carried forward by HNZ from the 2022/23 financial year.

17. The Aotearoa New Zealand Strategic Framework for Managing COVID-19 outlines that these activities should be integrated into business-as-usual healthcare services. In December 2022, the previous Cabinet noted that, while a transition is underway to integrate services for people with COVID-19 with other healthcare services, there will remain a need to maintain key elements of New Zealand's response capability during 2023 in order to maintain current policy settings, and that the cost of doing so is not provided for as part of the Vote Health appropriation [SWC-22-MIN-0239]. Looking ahead to Budget 2024, HNZ has indicated that integration of these services within baselines would not be possible.
18. Policy advice on options for COVID-19 services and funding will follow in January to support consideration of this issue for Budget 2024, also taking into account the current and projected COVID-19 risk based on infection rates, waning immunity and the evolution of COVID-19 sub-variants.

COVID-19 Inventory and the Health Capital Envelope

19. There was a technical adjustment made to the Health Capital Envelope (HCE) on the request of the auditors of HNZ and the auditor of the Crown financial statements relating to the 2022/23 financial year, which reduced the HCE by \$419 million, and returned a \$419 million 2022/23 surplus in COVID-19 operational funding to the Crown. This technical adjustment should have been fiscally neutral and was planned to be addressed through the October Baseline Update (OBU). However, due to the nature of the transaction and the caretaker Government, Treasury deemed this was not able to be processed through OBU.
20. As discussed with you on Monday 18 December at the Ministry officials meeting, we will provide separate advice in January 2024 about the options that exist to address this promptly, to ensure that the HCE is returned to the previously approved funding level as soon as is practicable.

s 9(2)(f)(iv)



Specialist health Crown entities are facing cost pressures

22. Specialist health Crown entities provide a range of specific functions and services in the health and disability sector. There are currently six entities supported to varying levels by Vote Health: Pharmac | Te Pātaka Whaioranga; Health Quality and Safety Commission | Te Tāhū Hauora; Health and Disability Commissioner | Te Toihau Hauora, Hauātanga; Mental Health and Wellbeing Commission | Te Hiringa Mahara; Health Research Council of New Zealand | Te Kaunihera Rangahau Hauora o Aotearoa.
23. The Ministry is working with these health entities to focus on reprioritisation within baselines where possible for Budget 2024. For your awareness, in addition to Pharmac, three entities have indicated they wish to seek cost pressure uplifts in

Budget 2024. While the implications of not receiving this funding vary for each entity, they generally relate to a constrained ability to deliver services and, in some cases, to comply with statutory functions.

24. The Ministry will provide further details on entities' cost pressures and implications in January.

Planning for future budgets

25. At your meeting with Ministry officials on 18 December 2023, officials tabled an illustrative A3 setting out potential phasing of Vote Health initiatives.
26. A revised version of this document is attached at **Appendix One**. It is intended to support your consideration of how to phase your priorities for new initiatives over the next three budgets. We anticipate you will need to communicate this to the Minister of Finance in your submission letter, anticipated around early February.
27. Your choices around investments for Vote Health across the next three budgets can also be considered in tandem with setting out your priorities for the GPS and developing your approach to delivering new, transformative change. You received advice yesterday on draft content for the GPS [H2023032599 refers].
28. The A3 includes indicative fiscal implications associated with 100-day plan commitments, known coalition or manifesto commitments for consideration at Budget 2024, HNZ cost pressures based on the planning parameters for Budgets 2024-2026, and a placeholder for other possible initiatives. Examples of other possible initiatives, including remaining coalition and manifesto commitments, are presented on the back page.
29. Our January advice will include consideration of these known initiatives for Budget 2024 and other possible initiatives. We would also welcome the opportunity to discuss with you other potential options aimed at improving the health system and where investments may be needed.
30. We note that the A3 requires further development and the costings provided are illustrative only. We will update these illustrative estimates, following confirmation of policy direction and design details, and once further work has been undertaken (including full costing and modelling, and assessment of any flow-implications).

Details on how initiatives relate to Budget allowances and Vote Health baselines

31. We note that the full fiscal implications of a policy decision must be accounted for at the time of that policy decision.
32. Typically, the amount charged against a given Budget operating allowance (i.e. against the total over four years) is the four-year operating cost, subject to adjustments to account for any variations across the full cost profile. For capital, the amount charged against the rolling four-year capital allowance is typically the full capital cost of the project to completion.
33. Where initiatives are successful, the resulting new funding is added to baselines on an ongoing basis. The exception is one-off investments or time-limited funding.

Phasing and scaling opportunities are likely to be limited to new initiatives

34. We have indicated where there may be opportunities around the timing or scale of initiatives, noting that there will be trade-offs across initiatives.
35. HNZ cost pressures are neither deferrable nor readily scalable, given that the financial planning parameters that entities are working towards represent the estimated minimum funding required to maintain existing policy settings over the period. s 9(2)(j), s 9(2)(f)(iv)
[REDACTED]
[REDACTED]
[REDACTED]
36. There are likely to be greater phasing and scaling opportunities for new initiatives. These include options over the next three budgets to:
 - a. defer initiatives (to a later start date, or to phase the investment through progressive roll-out), and/or
 - b. scale initiatives (take decisions on policy settings to reduce cost).
37. We anticipate there will be choices between, for example, progressing a smaller number of initiatives in full, or considering a larger number with options for phased or scaled rollout. The advice now scheduled for January will include further advice on possible packages of initiatives that could support your priorities, within the parameters of the Budget Strategy once confirmed. Ministry officials welcome your initial feedback on choices around progressing initiatives over the next three budgets.

Dr Diana Sarfati

Director-General of Health

Date: 20 December 2023

Appendix 1: Phasing considerations for possible new initiatives over Budgets 2024-26

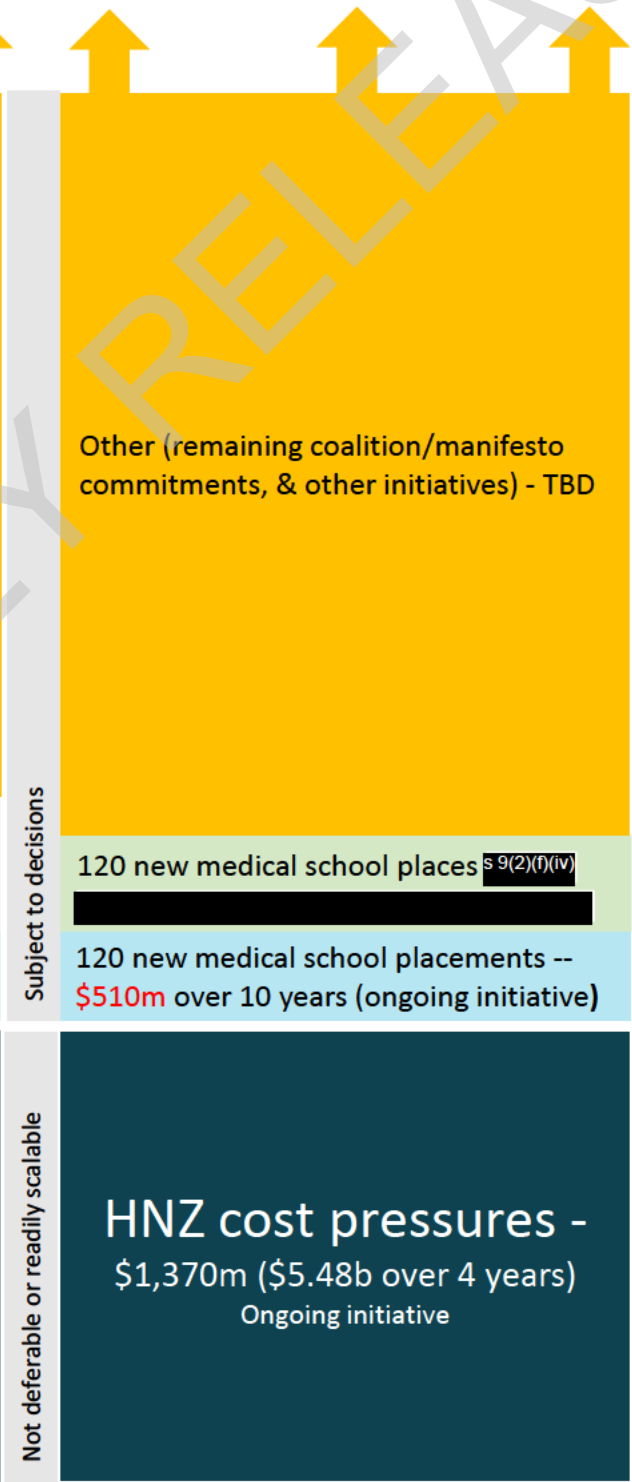
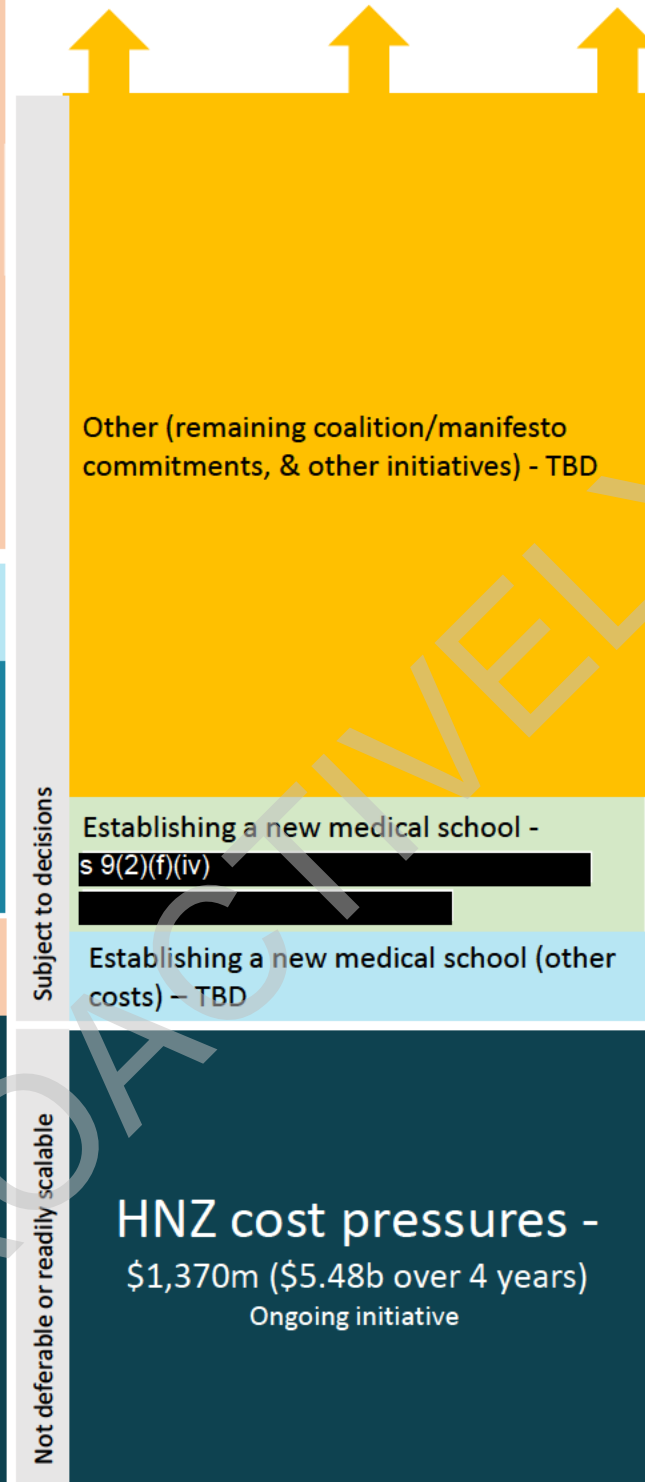
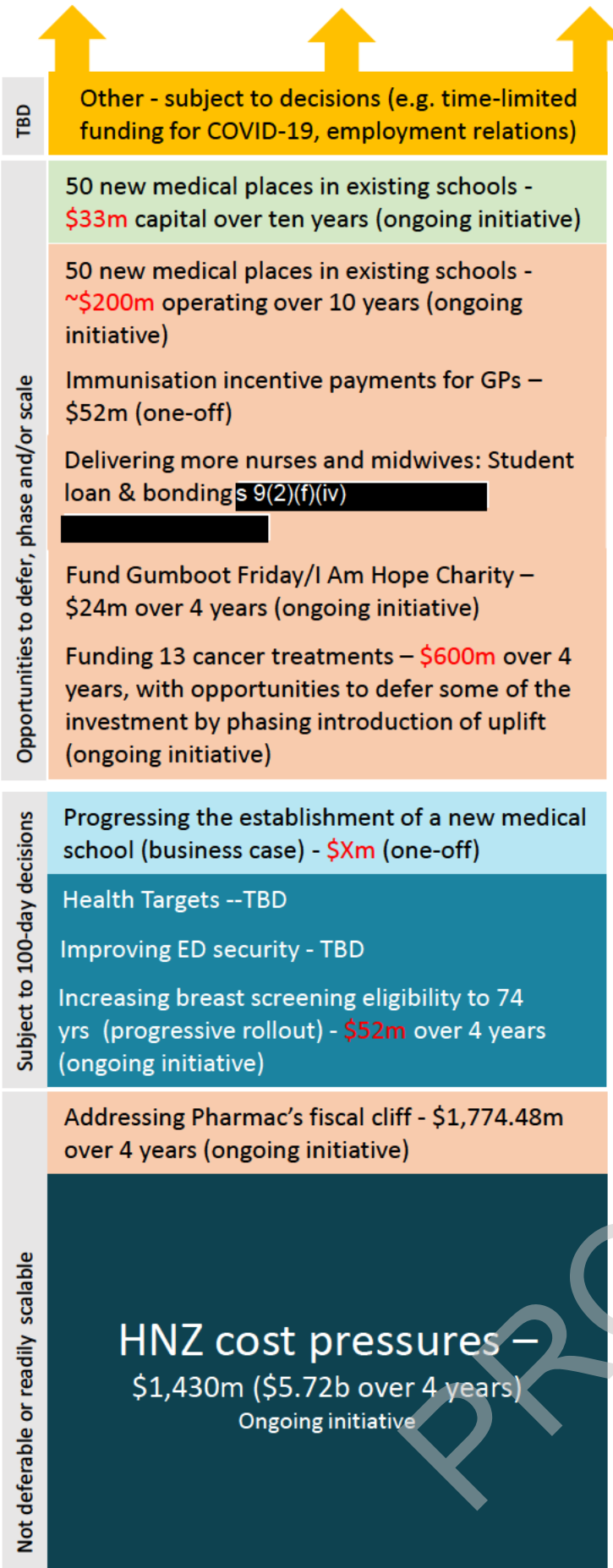
See separate attachment.

PROACTIVELY RELEASED

Phasing considerations for possible new initiatives over Budgets 2024-26

DRAFT ONLY: WE CONTINUE TO FACT CHECK COSTINGS. PHASING & POTENTIAL INITIATIVES

Key	Other
	Capital
	Coalition/manifesto commitments
	100-day next steps
	100-day plan
	HNZ cost pressures



This illustrates the fiscal implications associated with 100-day plan commitments (including anticipated next steps for the third medical school), known coalition or manifesto commitments for consideration at Budget 2024, and HNZ cost pressures for 2024/25.

- It additionally includes:
- HNZ cost pressures for Budgets 2025 and 2026, noting that the financial planning parameters represent the estimated minimum funding required to maintain existing policy settings over this period, and consideration of funding to meet cost pressures could not be deferred beyond these budgets.
 - A placeholder for 'other initiatives'– these would include all other investments that you wish to progress over the term, with the composition and cost to be determined.

We have indicated where there may be opportunities around the timing or scale of initiatives, noting that there will be trade-offs across initiatives. For example, deferral of initiatives to a later Budget will have implications for other initiatives that you may wish to progress.

Further detail on potential other initiatives, including remaining coalition/manifesto commitments and other possible initiatives, is presented overleaf.

We have not included savings initiatives, e.g. the pharmacy co-payment policy, which would be a net savings initiative (with decisions on the use of these savings subject to Cabinet decisions).

Note that the full fiscal implications of a policy decision must be accounted for at the time of that policy decision.

Typically, the amount charged against a given Budget operating allowance (i.e. against the total over four years) is the four-year operating cost, subject to adjustments to account for any variations across the full cost profile. For capital, the amount charged against the rolling four-year capital allowance is typically the full capital cost of the project to completion.

Except where initiatives are identified as one-off investments or time-limited, the increase in funding is added to baselines ongoing.

Budget 2024

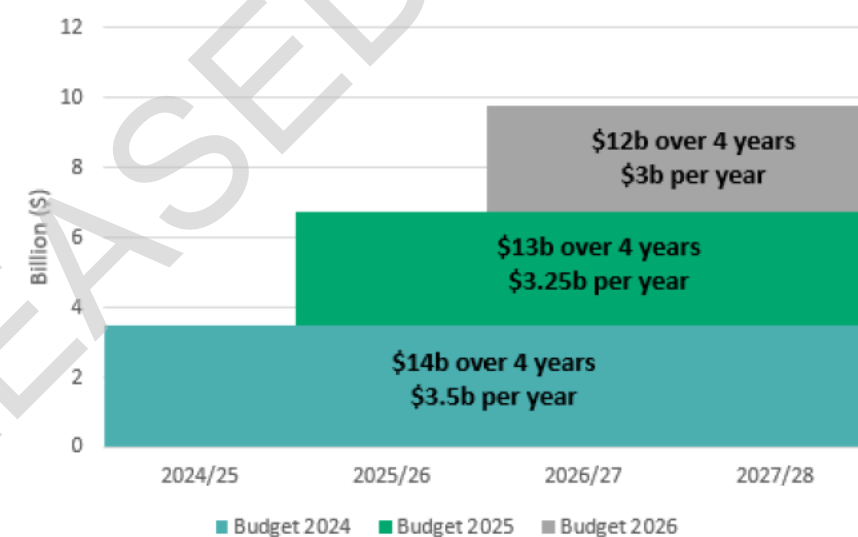
Budget 2025

Budget 2026

Key notes:

- Costings are indicative only and are likely to change as policy direction and design details are confirmed. Where no indicative costings have been available, we have drawn on (but not tested) the costings provided in manifesto documents.
- The cost pressure uplifts for Health New Zealand reflect the cost pressure planning parameters issued to entities in March 2023.
- Note that the amount of funding received by Vote Health each year (the baseline) does not automatically increase to adjust for inflation, demographic changes, or other demand pressures.
- At this stage, we have included only known key initiatives for Budget 2024, as signalled by you. A list of additional commitments referenced in the Speech from the Throne or in coalition agreements is included below.
- There are also further commitments in the National Party manifesto (for example, the Mental Health Innovation Fund), potential cost pressure initiatives for the Ministry and specialist Crown entities beyond Budget 2024, as well as other initiatives that you may wish to consider (for example, capital, or a s 9(2)(f)(iv)). We have also not included the fiscal implications associated with the smokefree and vaping-related commitments.

Below are the operating allowances as set out in the Half Year Economic and Fiscal Update 2023:



s 9(2)(f)(iv)

Additional commitments listed in Coalition Agreements but not included in previous page

Better recognise people with overseas medical qualifications and experience for accreditation in New Zealand including consideration of an occupations tribunal.

Progress the adoption of digital technology in harder to staff areas and make greater use of Nurse Practitioners.

Renegotiate the Crown funding agreement with St John with a view to meeting a greater portion of their annualised budget.

Ensure there is a broader independent COVID-19 Inquiry

Require the Ministry of Health to publish a Medicines Strategy every three years.

Investigate build and lease-back arrangements for new hospitals.

Agree the terms of reference for the statutory requirement to review the End of Life Choice Act 2019 following consultation between the Parties, with any potential future changes to be progressed by way of a member's bill, recognising this is a conscience issue.

Examine the Māori and Pacific Admission Scheme (MAPAS) and Otago equivalent to determine if they are delivering desired outcomes.

Briefing

Contingencies, Budget 2022 Initiatives and Opportunities

Date due to MO:	19 January 2024	Action required by:	N/A
Security level:	IN CONFIDENCE	Health Report number:	H2024034934
To:	Hon 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
Fergus Welsh	Chief Financial Officer	s 9(2)(a)
Kevin Davies	Deputy Chief Financial Officer	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:

Contingencies, Budget 2022 Initiatives and Opportunities

Security level: IN CONFIDENCE

Date: 19 January 2024

To: Hon Dr Shane Reti, Minister of Health

Purpose of report

1. This briefing responds to your request at your meeting with Ministry of Health (the Ministry) Officials on Monday 8 January 2024 for a view on three particular areas where contingency or other funding is currently held for Health-related activities, and the possible options that exist for you to make decisions to reprioritise funding. These areas are:
 - a. Contingency funding held for Vote Health purposes, with specific focus upon:
 - i. Data and Digital funding,
 - ii. DHB Equity Support funding,
 - iii. Bowel Screening funding;
 - b. Activities being undertaken for initiatives approved at Budget 2022 and how they map to stated Coalition Government priorities; and
 - c. Opportunities to retain the savings generated by targeting the removal of co-payments on prescription medicines.
2. This report discloses all relevant information and implications and builds on the previous health report on funding held in contingency for Vote Health [H2023033893 refers].

Summary

3. In reviewing the list of available contingencies for Vote Health, there are options available to you to consider for reprioritisation of funding. There are risks associated with this which will need to be mitigated wherever possible.
4. The options that exist are:

Area		Value (\$m)	Risk
Data and Digital Contingencies	Infrastructure and Capability – Enabling Health System Transformation	25.000	This opportunity relates to a Hira programme contingency of \$25 million of operating funding for 2023/24 and 2024/25 which has not been drawn down. It is unlikely to be required due to the advanced stage of the Hira tranche 1 project, which is on track. This is a low-risk option

Area		Value (\$m)	Risk
	Foundations and Innovation	20.000	This is an opportunity to release \$50 million from the contingency as the future funding requirement is reduced by delaying the projects by one year, thus delaying the need for on-going operating costs. The risk is that there will also be a resultant delay to delivering the benefits that will come from this investment. We believe that the risks here are not unduly increased and therefore this remains a feasible option.
	§ 9(2)(f)(iv)	█	█
DHB Equity Support Funding		§ 9(2)(f)(iv)	This contingency's main purpose is to provide a buffer of funding should the amounts appropriated to settle the Holidays Act 2003 liabilities be insufficient. Given that we have made the first two remediation payments, and these aligned with expectations, we believe that the current funding is likely sufficient to cover any risk to the cost for Holidays Remediation in the short term, and the risk of requiring additional funding is greatly reduced. Opportunities to utilise this will need to be discussed with the Treasury and the Minister of Finance, as there may have already been some adjustments made centrally to recognise this as a "saving" on the basis that some or all of this contingency will not be required.
Budget 22 Initiatives		TBC	In this report the Ministry has provided an analysis of initiatives approved through Budget 2022, with an indication of their potential alignment with stated Coalition Government priorities, as well as their progress (and spend) to date. This analysis does not suggest that any specified amount of funding in any particular year is available for reprioritisation or repurposing but are highlighted to enable targeted discussions with the entity Boards to take place on those areas where you think further consideration is required.
Total Funding potentially available for reprioritisation		§ 9(2)(f)	

5. Targeting the removal of co-payments on prescription medicines is a Coalition Government manifesto commitment. It has been requested to be submitted as part of the Budget 2024 savings initiative process. As such, any savings realised through this initiative will be incorporated into the overall Budget 2024 process and cannot be retained by Vote Health without the specific agreement of the Minister of Finance.

Recommendations

We recommend you:

- a) **Note** there is ^{s 9(2)(i)} billion of funding held in contingency for Vote Health [H2023033893 refers];
- b) **Note** the options that are identified as possible opportunities for savings through the data and digital contingencies as detailed here:

Initiative	Value (\$m)
Infrastructure and Capability – Enabling Health System Transformation	25.000
Foundations and Innovation	30.000

Addendum: this figure should be 20.000

^{s 9(2)(f)(iv)}

- c) **Note** that there is ^{s 9(2)(f)(iv)} remaining in a Treasury held DHB Equity Support Funding contingency for Vote Health, which currently has no specific purpose given that the Holidays Act 2003 remediation activities are being met from within appropriated funds. Reprioritising this funding will require agreement with the Treasury and the Minister of Finance;
- d) **Note** that the Ministry will facilitate a session with Treasury Officials to provide more information regarding the contingency opportunity identified in recommendation c) above;
- e) **Note** that the reprioritisation of funding held in contingency for a purpose other than the purpose that the contingency was established for requires the approval of Cabinet;
- f) **Note** the update on the progress (including spend) of all initiatives approved through Budget 2022, and the Ministry's assessment of the alignment of these initiatives to stated Coalition Government priorities;
- g) **Note** that *targeting the removal of co-payments on prescription medicines* has been requested to be submitted as part of the Budget 2024 savings initiative process, and so any savings realised through this initiative will be incorporated

into the overall Budget 2024 process and cannot be retained within Vote Health;

- h) **Note** that, if required, Officials can provide a draft Budget 2024 letter to the Minister of Finance to note your intention to draw a clear link between the savings initiatives from Vote Health and the new initiatives that you are submitting through the Budget 2024 process.

Maree Roberts
Acting Director-General of Health
Te Tumu Whakarae mō te Hauora
Date: 19 January 2024

Hon Dr Shane Reti
Minister of Health
Date:

PROACTIVELY RELEASED

Contingencies, Budget 2022 Initiatives and Opportunities

Background

1. At your meeting with Officials on Monday 8 January 2024, you requested additional, more detailed information on several topics.
2. These included:
 - a. the funding that is currently held in contingency for Health-related activities;
 - b. the progress being made, and the funds spent on the suite of new initiatives signed off as part of Budget 2022; and
 - c. the savings that will be realised by targeting the removal of co-payments for prescription medicines, and what opportunities exist within Vote Health to repurpose or reprioritise that funding.
3. This briefing provides you with information on these topics and invites you to consider what are the potential opportunities to free up some funding that could be reprioritised across other areas of Vote Health.

Contingencies

4. As was presented to you in late 2023, there is s 9(2)(j) of funding held in contingency for Vote Health [H2023033893 refers]
5. Within this list of contingencies, as discussed at your meeting with Officials on Monday 8 January, there were three areas of focus where you requested additional information and options. These relate to contingencies held for:
 - a. Data and Digital;
 - b. DHB Equity Support; and
 - c. National Bowel Screening Programme – Lowering the Screening Age for Māori and Pacific Peoples
6. Contingencies have been delegated to be drawn down by either joint Ministers or Cabinet, but any repurposing or reprioritisation of funds held in contingency for a purpose other than that they were originally established for requires Cabinet approval.

Data and Digital

7. There are three contingencies that hold funding for Data and Digital related projects. These contingencies were set up in either Budget 2021 or Budget 2022.

Data and Digital Infrastructure and Capability – Enabling Health System Transformation

8. In Budget 2021, a contingency entitled *Data and Digital Infrastructure and Capability – Enabling Health System Transformation* was established. This contingency was set up with \$280 million of operating funding and \$170 million of capital funding, to enable

investment in data and digital infrastructure and capability that is needed to implement health sector reforms and improve health system performance.

9. In October 2021, Cabinet agreed to draw down funding from the contingency totalling \$220.7 million of operating funding and \$159.5 million of capital funding, leaving the contingency balances as follows:

Initiative	\$millions					
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27 & outyears
Operating Contingency	45.000	60.000	75.000	50.000	50.000	50.000
Hira – tranche one	22.900	29.500	22.600	-	-	-
Cyber Security Roadmap	17.700	24.200	24.200	24.200	24.200	-
Capability Uplift	-	0.800	24.600	4.000	1.700	-
Operating to be appropriated	40.600	54.500	71.500	28.200	25.900	50.000
Remaining contingency	4.400	5.500	3.500	21.800	24.100	50.000
Roll forward of contingency	(4.400)	(5.500)	9.900	-	-	-
Total Operating Contingency Remaining	-	-	13.400	21.800	24.100	50.000
Capital Contingency	52.500	37.500	32.500	32.500	15.000	-
Hira – tranche one	18.400	21.200	10.800	-	-	-
Cyber Security Roadmap	-	-	-	-	-	-
Capability Uplift	30.400	12.000	19.600	32.500	15.000	-
Capital to be appropriated	48.800	33.200	30.400	32.500	15.000	-
Remaining capital contingency	3.700	4.300	2.100	-	-	-
Roll forward of contingency	(3.700)	(4.300)	8.000	-	-	-
Total Capital Contingency Remaining	-	-	10.100	-	-	-

10. The main projects that this funding was intended for were:
- a. **Hira tranche 1:** which, through improved access to and use of secure and trusted data and digital services across the health system, is intended to enhance ways of working for Health New Zealand | Te Whatu Ora (HNZ) workforce; and empower people and whānau to manage their health, well-being, and independence.
 - b. **Cyber security:** which was identified by the previous Government as an initiative to proceed under urgency to enable immediate remediation of sector cyber security risk, as had been identified for example, during the Waikato DHB cyber incident.
 - c. **Capability uplift:** this initiative comprises a portfolio of 10 priority areas investing in data and digital infrastructure and capability for a range of health provider organisations to support a foundational standard of data and digital capability covering:
 - Interoperability
 - Cloud desktop
 - Advanced analytics

- National identity and access management
- Data sovereignty principles and guidelines (including Māori data sovereignty)
- Online Booking services
- A commercial/ procurement assessment and framework
- Connectivity and collaboration
- Care pathways (including referrals management)
- Hybrid cloud platform services

11. The remaining funding in the contingency is required to cover the on-going operational costs associated with the projects listed above, which were not provided for when the original drawdown request was made in October 2021, but which were intended to be drawn down once the system development was complete. These costs will require all of the available outyear funding, and a funding request will be made in March 2024 to draw down this funding.
12. There remains a Hira programme contingency of \$25 million of operating funding for 2023/24 and 2024/25 which has not been drawn down at this stage and is unlikely to be required due to the advanced stage of the Hira tranche 1 project, which is operating successfully within current budget. Therefore, this offers an opportunity for reprioritisation, and is a low-risk option.

Data and Digital Foundations and Innovation

13. In Budget 2022, a suite of initiatives was put forward under the Data and Digital banner that were determined to be some of the highest priority areas for investment by HNZ. The suite of initiatives included:
- Hira tranche 2
 - Data and Intelligence
 - Digital Enablement and innovation
 - Data and digital foundations
14. Given the broad nature of the initiatives, an overall contingency of \$220 million of operating funding and an additional \$100 million of capital funding was established, entitled *Data and Digital Foundations and Innovation*.
15. In September 2023, HNZ submitted a request to draw down \$61.179 million of operating funding over five years [HNZ00012834 refers]. There was also some funding removed from the contingency and returned to the centre through the previous Government's savings exercise, reducing the outyear operating funding (from 2025/26 onwards) by \$28.015 million and reducing the overall capital contingency by \$50 million.

Initiative	\$millions					
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 & outyears
Operating Contingency	47.330	58.490	58.150	56.030	56.030	56.030
Immediate Savings Exercise	-	-	-	28.015	28.015	28.015

Initiative	\$millions					
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 & outyears
National Data Platform	-	10.824	9.105	2.841	2.857	2.857
Localities and iwi-Māori Partnership Boards	-	2.000	4.000	1.600	1.600	1.600
Disabled people tāngata Whaikaha Māori	-	2.500	5.000	-	-	-
Pacific health data and intelligence	-	1.200	3.000	-	-	-
Portfolio held contingency (20%)	-	3.305	4.221	0.888	0.891	0.891
Operating to be appropriated / returned	-	19.828	25.326	33.344	33.363	33.363
Remaining contingency	47.330	38.662	32.824	22.686	22.667	22.667
Roll forward of contingency	(47.330)	47.330	-	-	-	-
Total Operating Contingency Remaining	-	85.992	32.824	22.686	22.667	22.667

Capital Contingency	25.000	25.000	25.000	25.000	-	-
Immediate Savings Exercise	-	25.000	12.500	12.500	-	-
Capital to be returned	-	25.000	12.500	12.500	-	-
Remaining capital contingency	25.000	-	12.500	12.500	-	-
Roll forward of contingency	(25.000)	25.000	-	-	-	-
Total Capital	-	25.000	12.500	12.500	-	-

16. Joint Ministers from the previous Government agreed to draw down these funds in September 2023, which means that the funding has only recently been received by HNZ. It seems feasible that the remainder of the funding held in contingency could be deferred for a period of time whilst the funding already accessed is utilised. Therefore, there should be an opportunity to release \$20 million from the contingency as the future funding requirement is reduced. The risk here is that this is based upon delaying the requirement for on-going operating costs. The Treasury have confirmed that this can be made available for reprioritisation but cannot be listed as a saving.
17. Whilst delaying the project would enable the above funding to become available for reprioritisation, there will also be a resultant delay to delivering the benefits that will come from this investment, and this will also continue the existing risks that exist around old and outdated systems. We believe that the risks here are not unduly increased and therefore this remains a feasible option.

s 9(2)(f)(iv), s 9(2)(j)

20.

DHB Equity Support

21. Through Budget 2020, the Government established a contingency entitled *DHB Equity support capital contingency*, which was set up prior to the health system reforms to provide equity injections to the former district health boards as they were operating with increasing operational deficits.
22. Following the Health system reform, and the establishing of HNZ to operate without deficits, the funding held in the contingency was used for a number of other initiatives which would necessitate equity being provided to HNZ, including the cash required to meet the obligations under the Holidays Act 2003.
23. There is **s 9(2)(f)(iv)** remaining in this contingency, which currently has no specific purpose. The main purpose for maintaining the contingency was to provide a buffer of funding should the amounts appropriated to settle the Holidays Act 2003 liabilities be insufficient. Given that we have made the first two remediation payments, and these aligned with expectations, we believe that the current funding is likely sufficient to cover any risk to the cost for Holidays Remediation in the short term, and the risk of requiring additional funding is greatly reduced.
24. Therefore, this funding is available for reprioritisation. This will need to be discussed with the Treasury as we understand that there may have been some adjustments made centrally on the basis that this contingency will not be required, and therefore was not captured as future costs in the fiscal forecasts included in the 2023 Half Year Economic and Fiscal Update.
25. If it would be of benefit, we are happy to facilitate a session with Treasury Officials where they can provide you with information on what the impacts would be of reprioritising this funding to a different purpose within Vote Health.

National Bowel Screening Programme – Lowering the Screening Age for Māori and Pacific Peoples

26. A contingency was established to lower the screening age for Māori and Pacific Peoples of \$62.319 million in Budget 2022. This contingency has not yet been accessed, although a Cabinet paper regarding this funding was submitted to the previous Minister of Health for consideration but was not progressed.

27. **s 9(2)(f)(iv)**

28.

s 9(2)(f)(iv)

29.

30.

Budget 22 initiatives

31. In addition to freeing up contingency funding, some existing baseline funding could also potentially be freed up to be redirected to Coalition Government priorities. There may be opportunities to revisit some Budget 22 decisions. When assessing the nature and spend of each of the Budget 22 initiatives, these are the previous Government's decisions which include initiatives which are potentially not aligned to the Coalition Government Priorities. Furthermore, there are some initiatives where there is limited progress and expenditure committed to date - therefore there may be an opportunity to reassess these programmes.
32. Appendix 1 provides you with an updated view on the 39 initiatives that were approved through Budget 2022. These updates have been provided by the respective entity responsible for the particular initiative - either HNZ, the Māori Health Authority | Te Aka Whai Ora (MHA), or the Ministry where appropriate.
33. While there is a significant element of the Budget 22 initiatives where there is no or limited opportunity to reassess spending or to reprioritise the programme, the Ministry has mapped each of the current list of initiatives in Appendix 1 against the criteria in the "initiatives" column in the table below to identify potential areas to investigate realising future savings from.
34. In these instances, you may wish to discuss further with the HNZ Board and/or the MHA Board about looking to reprioritise and/or rescoping some of these initiatives. We have suggested some areas where further investigation could be undertaken. It should be noted whoever that the Ministry does not suggest that any specified amount of funding in any particular year is available for reprioritisation or repurposing, but these are highlighted as potential areas to enable targeted discussions with the entity Boards to take place on those areas where you think further consideration is required.

s 9(2)(a)



35. Appendix 2 has the full breakdown of the initiatives that are contained within each of the assessed sections in the table below, which summarises our assessment, and the various aspects are discussed further in paragraphs 36 - 43 below.

Initiatives that are not aligned to Coalition Government priorities.

36. There are two lines in the above table that reflect the initiatives that are not aligned to the stated aims and priorities of the Coalition Government, and we have further classified those into those initiatives that are targeting a particular part of the population and those initiatives that are not the stated aims of the Government.

37. 

s 9(2)(g)(i)

38. s 9(2)(g)(i)

39. s 9(2)(g)(i)

40. s 9(2)(g)(i)

s 9(2)(g)(i)

41. s 9(2)(g)(i)

s 9(2)(g)(i)

42.

Initiatives where limited progress is in evidence.

43. There are some initiatives where funding significant has yet to be committed and/or little funding had been spent to date, totalling around \$205 million in 2024/25. Again, you may wish to discuss with the Boards of HNZ and MHA to understand the future investment in these areas given their current reported status, and about potential opportunities to rescope or phase the introduction of these initiatives. Appendix 2 provides you with the full list of these initiatives.

Prescription Co-payments

44. You also requested advice on how to ensure that the savings that are generated through the changes to prescription co-payments can be held within Vote Health and reprioritised towards other areas of Health initiatives.
45. As this policy change is a Coalition Government manifesto commitment, this has been requested to be submitted as part of the Budget 2024 savings initiative process. As such, the default approach is for any savings realised through this initiative to be incorporated into the overall Budget 2024 process.
46. Whilst not specifically requested to be included within this report back, it is worth noting that the manifesto commitment to *Disestablish the Māori Health Authority* is also regarded as a savings initiative, and so will also be included in the overall Budget 2024 process.

47. s 9(2)(g)(i)

Next steps

48. Ministry Officials are available to discuss any of this report in more detail with you.
49. Based upon your decisions, Officials will work with health Crown entities to determine next steps for putting your decisions into effect.
50. Should you request it, Officials will facilitate a meeting with Treasury Officials to enable a discussion in regard to the s 9(2)(f)(iv) held in the Treasury contingency *DHB Equity Support Capital Contingency* to discuss how this can be made available for reprioritisation for Vote Health.

51. If required, the Ministry can work with your office to draft up the letter for Budget 2024 which will incorporate your intention to clearly draw a link between the savings generated through the changes in policy within the health sector to the new initiatives that are being put forward for consideration through Budget 2024.

ENDS.

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Minister's Notes

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Appendix 2 – Classification of Initiatives

Initiatives where there is no or limited opportunity to reassess spending or to reprioritise the programme.

Assessed classification	Description	Recommended grouping reference	Total Budget	Available funding 2024/25 - outyears (\$m)	2022/23 Funding (\$m)	2023/24 Funding (\$m)	2024/25 Funding (\$m)	2025/26 & outyears (\$m)	2023/24 spend to 30.11.2023 (\$m)	Average monthly spend to date (\$m)	YTG ave monthly spend to meet budget (\$m)
Addressing Future Health System Cost Pressures (2022/23)	This initiative will support new national funding settings for Vote Health by providing funding to meet pressure and ensure the delivery of services previously funded through or provided by District Health Boards (DHBs). It is a key enabler in supporting Health New Zealand and Te Mana Hauora Māori to manage the system effectively and sustainably within the funding provided. This initiative includes funding to remediate the deficit position incurred by DHBs in 2021/22, planned at \$550 million.	a	7,185.540	3,592.770	1,796.385	1,796.385	1,796.385	1,796.385	748.494	149.699	149.699
Addressing Future Health System Cost Pressures (2023/24)	This initiative will support new national funding settings for Vote Health by providing cost pressure funding for the second year of the two-year funding commitment for health in Budget 2022.	a	3,891.573	2,594.382	-	1,297.191	1,297.191	1,297.191	540.496	108.099	108.099
Addressing the Burden of Diabetes for Pacific Communities	This initiative provides funding to implement a diabetes prevention and treatment programme for targeted Pacific communities in South Auckland.	a	20.000	12.000	3.000	5.000	6.000	6.000	0.250	0.050	0.679
Emergency Air Ambulance Services – Additional Support Funding	This initiative provides additional funding to ensure that emergency air ambulance services continue to be available to all New Zealanders with the required level of infrastructure and resource availability.	a	90.712	45.113	23.087	22.512	22.550	22.563	9.380	1.876	1.876
Emergency Road Ambulance Services – Additional Support Funding	This initiative provides additional funding to support essential emergency road ambulance services for Aotearoa New Zealand's urban and rural communities.	a	166.060	89.552	31.732	44.776	44.776	44.776	18.657	3.731	3.731

Assessed classification	Description	Recommended grouping reference	Total Budget	Available funding 2024/25 - outyears (\$m)	2022/23 Funding (\$m)	2023/24 Funding (\$m)	2024/25 Funding (\$m)	2025/26 & outyears (\$m)	2023/24 spend to 30.11.2023 (\$m)	Average monthly spend to date (\$m)	YTG ave monthly spend to meet budget (\$m)
Hauora Māori Commissioning	This initiative funds a range of initiatives targeted at improving primary and community care responsive to Māori and supporting a Māori-led approach to population health and prevention. The package includes: <ul style="list-style-type: none"> a blended Te Ao Māori population health and prevention programme targeting the wider determinants influencing Māori health and wellbeing specific interventions for whānau Māori at different life stages to supplement and improve current primary and community service models, and a programme to identify, uplift and develop mātauranga Māori services, programmes and resources across the health system. 	a	168.000	90.154	33.069	44.777	45.077	45.077	N/A	N/A	N/A
Health Reform – Consumer and Whānau Voice Framework	This initiative provides funding for resources and capability to develop, implement, and maintain the consumer and whānau voice framework in the health system	a	8.830	4.400	2.130	2.300	2.200	2.200	0.958	0.192	0.192
Health Workforce Development - Contingency	This initiative provides funding for workforce training and development to underpin critical reform initiatives.	a	31.000	-	-	-	-	-	-	-	-
Increase in the Combined Pharmaceutical Budget	This initiative provides funding to ensure more medicines are available to more New Zealanders through an increase to the Combined Pharmaceutical Budget, which is the medicines budget managed by PHARMAC. This will improve patients' access to well-evidenced medicinal treatments and contribute to improved health outcomes.	a	191.000	-	71.000	120.000	-	-	50.000	10.000	10.000
Iwi-Māori Partnership Boards	This initiative provides Iwi-Māori Partnership Boards (IMPBs) with dedicated support for whānau and hāpori Māori engagement, policy analysis and data analysis to deliver upon IMPBs' new functions in the reformed health system. It funds additional capability to support IMPBs to strengthen the understanding and response of the health system to the health needs, aspirations and priorities of local Māori communities	a	20.090	10.920	3.660	5.510	5.460	5.460	N/A	N/A	N/A
Meeting the Demand for Organ Donation and Transplantation	This initiative provides funding to support an increase in the rate of organ donation in New Zealand through the implementation of Increasing Deceased Organ Donation and Transplantation: A National Strategy published in 2017.	a	11.000	7.500	0.750	2.750	3.750	3.750	1.146	0.229	0.229

Assessed classification	Description	Recommended grouping reference	Total Budget	Available funding 2024/25 - outyears (\$m)	2022/23 Funding (\$m)	2023/24 Funding (\$m)	2024/25 Funding (\$m)	2025/26 & outyears (\$m)	2023/24 spend to 30.11.2023 (\$m)	Average monthly spend to date (\$m)	YTG ave monthly spend to meet budget (\$m)
New Public Health Agency and National Public Health Service Establishment	This initiative provides funding to support the establishment of the Public Health Agency (PHA) within the Ministry of Health and the National Public Health Service (NPHS).	a	61.242	27.192	16.197	17.853	15.290	11.902	5.916	1.183	1.705
Payment to Family Members for Support Services	This initiative will ensure that people receiving disability supports have the option to choose to pay a family member to provide those supports.	a	72.000	44.000	11.000	17.000	22.000	22.000	7.083	1.417	1.417
Population Health and Disease Management Digital Capability	This initiative provides ongoing funding to retain selected capability and infrastructure developed in response to the COVID-19 pandemic and to provide a basis for future population health and disease management digital capability.	a	125.315	58.632	37.402	29.281	29.316	29.316	13.049	2.610	2.319
Primary Care Funding Formula – Equity Adjustments to Capitation	This initiative provides additional funding to more equitably allocate primary care funding to general practices on the basis of their enrolled high needs populations.	a	86.000	48.828	12.758	24.414	24.414	24.414	10.173	2.035	2.034
Strengthening the Ministry of Health in its Role as Chief Steward of the Health and Disability System	This funding, to be held in contingency, provides funding to ensure that the Ministry of Health has the capability and capacity needed for its enhanced stewardship and monitoring role in the new health system, including meeting departmental cost pressures	a	79.008	37.736	-	23.494	19.958	17.778	9.789	1.958	1.958
Support Workers (Pay Equity) Settlements Act 2017	This initiative provides funding for support worker wages increase from 1 July 2021 specified in the Support Workers (Pay Equity) Settlements Act 2017.	a	193.145	77.258	38.629	38.629	38.629	38.629	16.095	3.219	3.219
Total Budget 22 and Contingencies			12,400.515	6,740.437	2,080.799	3,491.872	3,372.996	3,367.441	1,431.486	286.297	287.157

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Aide-Mémoire

Budget 2024: Meeting materials for Vote Health progress and process session on 25 January 2024

Date due to MO: 24 January 2024 **Action required by:** 25 January 2024

Security level: **Health Report number:** H2024035026

To: Hon Dr Shane Reti, Minister of Health

Consulted: Health New Zealand: Māori Health Authority:

Contact for telephone discussion

Name	Position	Telephone
Maree Roberts	Deputy Director-General, Strategy, Policy & Legislation Te Pou Rautaki, Ministry of Health Manatū Hauora	s 9(2)(a)
Steve Barnes	Group Manager Strategy, Strategy, Policy & Legislation Te Pou Rautaki, Ministry of Health Manatū Hauora	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:

Aide-Mémoire

Budget 2024: Meeting materials for Vote Health progress and process session on 25 January 2024

Date due: 24 January 2024

To: Hon Dr Shane Reti, Minister of Health

Security level: **Health Report number:** H2024035026

Purpose of report

1. This briefing provides you with a slide pack to support your meeting with Ministry of Health Officials on 25 January 2024 at 9.45am on Budget 2024 progress for Vote Health.

25 January 2024 meeting

2. The purpose of the meeting on 25 January 2024 is to:
 - a. provide an update on the development of the Vote Health Budget package and seek your early direction on initiatives
 - b. seek your views on prioritising initiatives
 - c. update you on Health New Zealand | Te Whatu Ora and the Māori Health Authority's | Te Aka Whai Ora cost pressure development and your Ministerial levers
 - d. outline next steps and key upcoming milestones, including upcoming advice.
3. A slide pack to support this session is attached as **Appendix One**.

Dr Diana Sarfati

Director-General of Health

Te Tumu Whakarae mō te Hauora

Date: 24 January 2024

ENDS.

Appendix One: Slide pack 'Budget 2024: progress and process session'

Attached as separate document.

PROACTIVELY RELEASED

Budget 2024: progress and process session

Hon Dr Shane Reti, Minister of Health

25 January 2024

BUDGET SENSITIVE

Vote Health in Budget 2024

Known direction for Vote Health in Budget 2024

The Government's strategy for B24 prioritises:

- strict fiscal management for Government expenditure
- initiatives to deliver tax relief and ensure value for money through investments
- a work programme focused on reprioritisation, savings and revenue (or cost recovery where appropriate).

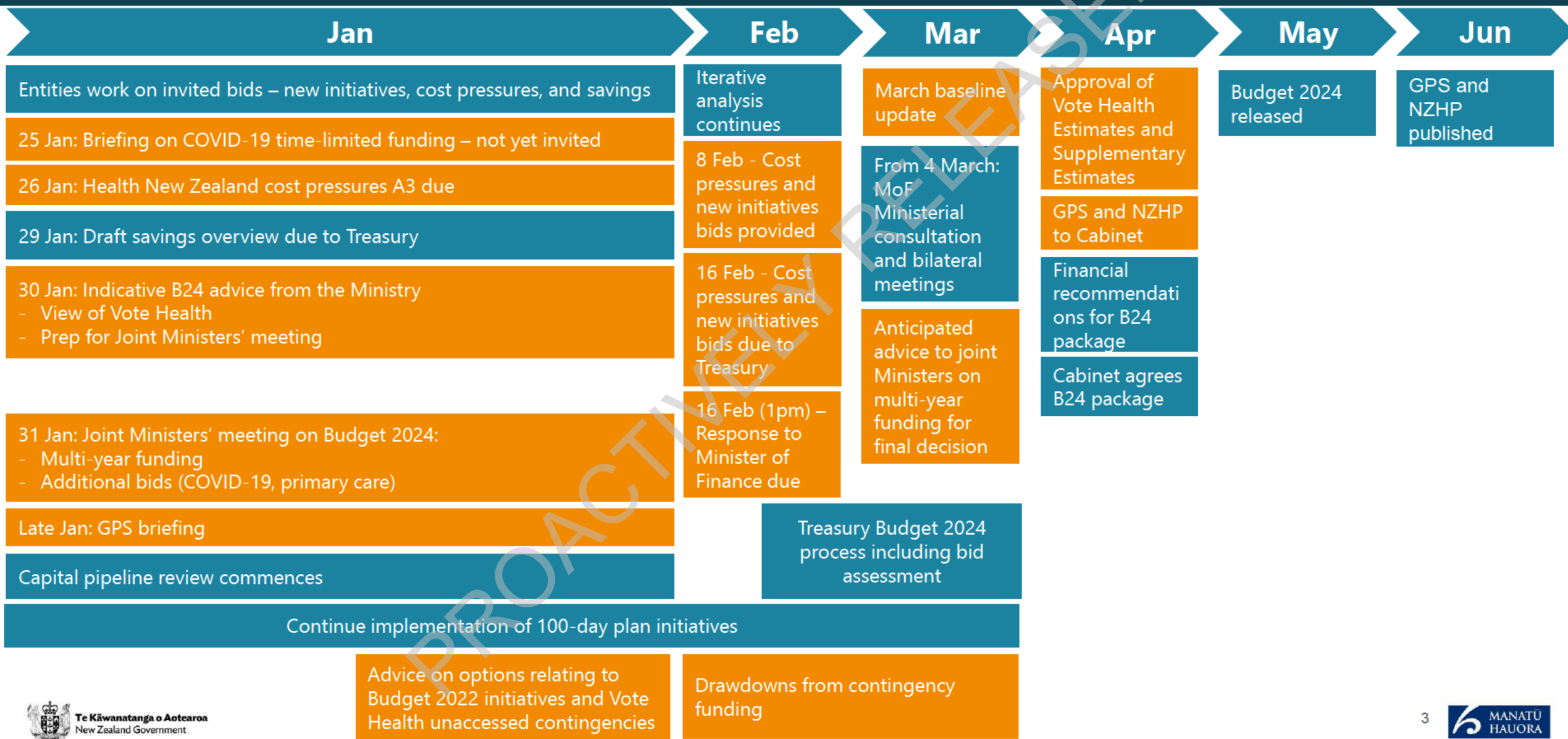
Your vision for the health system of timely access to quality health care, with five priority areas (access, timeliness, quality, workforce and infrastructure) that the Government Policy Statement will focus on over the next three years.

The Minister of Finance has invited health system cost pressures, 10 new spending initiatives within Vote Health and targeted savings. You will need to rank new initiatives and the 2 identified savings initiatives.

Outstanding considerations for your direction

- Multi-Year Funding for cost pressures, which we anticipate will be confirmed at your meeting with the Minister of Finance on 31 January.
- Approach to ranking new initiatives and savings.
- Next steps on the COVID-19 time limited funding initiative not yet invited.
- Options for the invited Immunisation Funding initiative, such as short-term funding assistance to address challenges in primary care.

Budget 2024 timeline



Progressing the Vote Health package

New initiatives

- Initiatives for new spending invited by the Minister of Finance into the Budget 2024 process.
- Consideration of some proposed new initiatives not yet invited into the process, and subject to your direction.
- Will require ranking.

Cost pressures

- Cost pressures for Health New Zealand | Te Whatu Ora and the Māori Health Authority | Te Aka Whai Ora for operating funding for the period 2024/5 – 2026/27 (if multi-year funding is progressed)

• s 9(2)(f)(iv), s 9(2)(j)

[Redacted text]

[Redacted text]

[Redacted text]

[Redacted text]

Capital

- Capital investment pipeline review for anticipated capital cost pressures (e.g. new Dunedin Hospital).

Targeted savings

- Targeted savings initiatives based on Government coalition agreement commitments:
 - Targeting the removal of prescription co-payment
 - Disestablishing the Māori Health Authority
- Will require ranking.

Ministry savings

- An additional savings track applicable to the Ministry of Health's operational budget, which requires a 6.5% reduction.

Progress on contingencies

Area	Update
Contingencies	<p>Further advice requested from the Treasury around use of the s 9(2)(f)(iv) held in <i>DHB Equity Support</i> contingency – their position remains that it will need to be a discussion point between Ministers as it will have an effect on net debt (i.e. be the equivalent of new funding).</p> <p>s 9(2)(g)(i)</p> <p>[REDACTED]</p> <p>[REDACTED]</p>
Budget 2022 Initiatives	HNZ have been requested to provide an update on truly committed funds.
Link to Health New Zealand savings plans	<p>Through the monthly reporting provided by HNZ of the achievement of savings initiatives, there is no indication that underspends on Budget 2022 initiatives are providing any of the benefits that are being reported, and are not factored into their plans for the achievement of their financial performance.</p> <p>They are raised as a future opportunity through the Budget 2024 submission, particularly as way to redirect funds to offset future cost pressure challenges, but have not been factored into any plans.</p>

New initiatives and your choices

- An invitation to the Budget 2024 process does not guarantee funding.
- The Minister of Finance asked that only priority initiatives are submitted.
- As the draft Vote Health package develops, you have choices:

Prioritisation: which initiatives are your highest priority?

Scaling: what options are there to scale funding within each initiative?

Sequencing: what could be reasonably deferred, or implemented over time?

- Criteria to support considering these choices could include:

Value for money

Deliverability

Alignment with GPS priorities

Deferability

Alignment with Govt priorities

Impact on health outcomes

What are your priorities?
How would you like to approach prioritisation, scaling and sequencing?

Status of new spending initiatives and your direction

Invited initiatives	Status and current focus
Mental Health Innovation Fund and funding for Gumboot Friday/I am Hope Charity	<p>Gumboot Friday/I am Hope: s 9(2)(h) [REDACTED]. \$6 million per year from 2024/25.</p> <p>Mental Health Innovation Fund: On track with feedback being progressed, estimated \$16.580 million however work required to refine costs.</p>
Delivering more Nurses and Midwives	<p>s 9(2)(f)(iv) [REDACTED] However will require further costs which are still being worked through. Initiative design requires Ministerial agreement. Currently working through implications for different design options and administrative costs needed to implement the scheme.</p>
Training more Doctors	<p>Comprising 50 additional places in existing medical schools with cost still being worked through. An increase in the funding cap will mean health and education systems need to adjust their processes and capacity to take on potential additional places.</p>
13 new cancer treatments	<p>Estimate \$600 million over 4 years not including implementation costs. HNZ anticipate that the initiative will require at least 2,000 additional infusion hours, alongside other delivery implications. Work continues to refine the costs of expanded service delivery as part of the Budget bid.</p> <p>Current understanding that this initiative is planned to be funded through the savings generated from changes to prescription co-payment settings, which would require a delay to implementation by 2 years with potential impact to accuracy of costings.</p> <p>Other key dependencies include concurrent bids to address forecasted shortfall in CPB to maintain current level of medicines access:</p> <ul style="list-style-type: none"> - Pharmac – Combined Pharmaceutical Budget (time-limited funding) - Pharmac – COVID-19 vaccine and therapeutics.
Improve hospital emergency department health workforce security	<p>Costs are TBC and are currently under review by subject matter experts. Estimates are for 4-5 FTE security staff at 37 locations, and 12 FTE nationally to train security teams and build capability.</p>

We invite your views on prioritisation, scaling and sequencing

New initiatives continued...

Invited initiatives	Status and current focus
Immunisation funding	<p>Initially \$52 million was invited for the immunisation funding initiative. We provided advice earlier this week to confirm that you would like the Ministry to seek \$52 million through Budget 2024 to provide one-off assistance to primary care, instead of progressing the Immunisation Incentives plan.</p> <p>s 9(2)(f)(iv)</p>
Extend free breast cancer screening for those aged up to 74 years	<p>This initiative provides funding to the value of \$52.2 million over four years to expand the services of the BreastScreen Aotearoa programme to include free mammograms for women up to 74 years old. It considers a 5-year phased rollout from 2025, noting the lead-in time required for capital investment and growth in workforce.</p>
Pharmac – Combined Pharmaceutical Budget (time-limited funding)	<p>Bid addresses a funding shortfall created by prior time-limited funding. Currently estimated at a total of \$1,114.480 million over 4 years, noting the intention for this bid to be committed to baseline not be time-limited. These numbers are still the focus of refinement.</p>
Pharmac – COVID-19 therapeutics and vaccinations (time-limited funding)	<p>Bid seeks funding for ongoing COVID-19 therapeutics and vaccinations which are currently funded with time-limited funding. The cost for vaccines and therapeutics is \$660 million over 4 years (\$165 million per year). This figure does not include implementation costs and we are ensuring these costs are accurately costed. The bid will include scaled and targeted options to manage costs. This is progressing with Pharmac providing input on feasibility.</p>
Work Programme on University of Waikato Medical School	<p>This bid seeks s 9(2)(f)(iv)</p> <p>Cabinet approval would be required for the contingency to be drawn down following completion of the CBA.</p>



We invite your views on prioritisation, scaling and sequencing

Status of uninvited new spending initiatives and your direction

Not yet invited initiatives – for policy decisions	Status and current focus
Broader COVID-19 time-limited funding	Separate policy advice scheduled for 25 January outlining options across different COVID-19 management measures and associated costings spanning status quo and reduction in services, with clear implications set out for each. Working through providing a multi-year view to support financial planning.
Primary and community care	s 9(2)(f)(iv) [Redacted] [Redacted] [Redacted] [Redacted] [Redacted] [Redacted]

We invite your views on prioritisation, scaling and sequencing

PROACTIVELY RELEASED

Multi-year funding for cost pressures

- You have agreed to retain multi-year funding for cost pressures and that this should progress as part of Budget 2024.

Next steps

- You are meeting with the Minister of Finance on 31 January to:
 - confirm the decision to proceed with multi-year funding for cost pressures
 - provide guidance on the approach to how the quantum of funding will be determined for years 2 and 3 (i.e. 2025/26 and 2026/27).
- There will be a final decision point in March. At this stage, you will receive advice on any risk mitigations required. This advice will be the final decision point on proceeding with multi-year funding ahead of final Cabinet decisions on Budget 2024 in April 2024.
- We are working with the Treasury to confirm key milestones ahead of the final decision point in March.

Cost pressures – update on progress

Initiative	Status
Health New Zealand Cost Pressures	<ul style="list-style-type: none">• The Ministry of Health and the Treasury received the financial annex template from Health New Zealand on 18 January.• The templates are progressing and provide a narrative around the affordability options to scale 50% and 75% and associated trade-offs, however they are not yet complete.• Chief Executives met on 24 January to discuss Budget 24, which included discussion on gaps and continuing to work together to resolve them.• Formal feedback from the Ministry and the Treasury was provided on 24 January. This provided specific feedback about the gaps in the annex and information that is required to address this. HNZ has been asked to provide this information by 26 January.• A key gap relates to the level of detail provided in the costings and the anticipated timeframes for receiving this information. HNZ do not intend to provide costs on improvements within baseline until after the date of submission (these will instead be provided by the date of the publication of the NZHP).
Māori Health Authority Cost Pressures	<ul style="list-style-type: none">• Annexes received, noting some gaps remain due to reduced staffing capacity in anticipation of disestablishment.• Feedback provided on 24 January:<ul style="list-style-type: none">• Inflation and wage projections have been updated.• A volumes assumption has been included.• Remaining gaps - no alignment of activity levels to output classes and costs; risks analysis is light.

Cost pressures for specialist Crown entities

Risk awareness

- Cost pressures were invited 'by exception' for the health sector for Budget 2024.
- In March 2023, the cost pressure track excluded the 6 health specialist Crown entities:
 - Pharmac
 - Health Quality and Safety Commission
 - Health and Disability Commissioner
 - Mental Health and Wellbeing Commission
 - New Zealand Blood and Organ Service
 - Health Research Council of New Zealand
- This approach has been maintained for Budget 2024. This is consistent with the approach for most entities in line with a fiscally constrained environment.
- We are meeting with each entity to discuss the impacts of no cost pressure funding increase and support entities to manage within their current envelopes.
- Note that the Health Quality and Safety Commission received time limited funding through Budget 2019 for cost pressures which creates a funding issue for them from 1 July 2024.

In September 2023, the 6 entities identified the following cost pressure requirements:

s 9(2)(f)(iv)

Capital

Capital investment pipeline review

Cabinet has agreed to review the investment pipeline for capital projects to reduce it in line with Government priorities and:

- Better match market capacity
- Focus on value for money.

The Minister of Finance is confirming which capital investments are part of this review. A letter has not yet been received.

Once received, we will need to form a view on which within-scope Vote Health investments are critical and which could be reshaped.

Focus: Dunedin Hospital Cost Pressures

The Dunedin Hospital capital project is facing a funding shortfall due to cost pressures.

This is an agenda item for your meeting with the Minister of Finance on 31 January.

Advice for that meeting will provide options for meeting the current shortfall estimated at

s 9(2)(j)

Targeted savings

Initiative	Status
Targeting the removal of the prescription co-payment	Work on track. Separate advice on design details for exemptions and payment cap. Currently estimated at \$270 million over 4 four years. Current focus on dependency with Pharmac CPB bid - reprioritising these savings to fund 13 new cancer drugs.
Disestablishing the Māori Health Authority	Work on track. The initiative will realise synergies from reduced overheads and efficiencies; these are in the low millions, with additional one-off savings this year from unfilled vacancies. Work is underway to identify any further potential savings, noting that the functions will transfer to separate entities.

Ranking savings proposals

- The Minister of Finance requires you to rank the targeted savings proposals.
- Both savings proposals reflect coalition agreement commitments.
- Of these two proposals, there is a clear distinction between quantum of proposed savings.
- **To test:** basing the ranking on quantum.

We invite your views on this approach to ranking

Ministry savings

Initiative	Status	Estimated cost (or saving)
Organisational transformation	Plan has been put in place; Executive Governance Team meeting 30 and 31 January 2024 to determine Ministry priorities, which will drive key activities and the resources required to complete them.	In combination, these activities will ensure that the Ministry meets its targeted baseline reduction of \$12.6 million per annum whilst ensuring it is future focused and set up to deliver in the future.
Consultants and Contractors	Activities underway to develop capabilities to reduce reliance on consultants and to switch from contractors to fixed term or permanent FTEs wherever possible.	
Recruitment hold	Recruitment has been placed on hold pending the outcome of the organisational transformation detailed above.	

Aide-Mémoire

Budget 2024: progress update and advice to support Joint Ministers' meeting on 1 February 2024

Date due to MO: 31 January 2024 **Action required by:** 1 February 2024

Security level: **Health Report number:** H2024035027

To: Hon Dr Shane Reti, Minister of Health

Refer to: *Subject to recommendations below*

Hon Matt Doocey, Minister for Mental Health and Associate Minister of Health

Hon David Seymour, Associate Minister of Health (Pharmac)

Hon Casey Costello, Associate Minister of Health

Consulted: Health New Zealand: Māori Health Authority:

Contact for telephone discussion

Name	Position	Telephone
Maree Roberts	Deputy Director-General, Te Pou Rautaki Strategy, Policy & Legislation, Manatū Hauora	s 9(2)(a)
Sarah Key	Acting Group Manager Strategy, Te Pou Rautaki Strategy, Policy & Legislation, Manatū Hauora	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:

Aide-Mémoire

Budget 2024: progress update and advice to support Joint Ministers' meeting on 1 February 2024

Date due: 31 January 2024

To: Hon Dr Shane Reti, Minister of Health

Security level: **Health Report number:** H2024035026

Purpose of report

1. This paper provides:
 - a. key messages to support you at the upcoming Health Joint Ministers' meeting, relating to the New Dunedin Hospital and Vote Health at Budget 2024, including agreeing a position on moving to multi-year funding for cost pressures.
 - b. a progress update on each Vote Health initiative being developed for consideration in the Budget 2024 process, spanning savings, cost pressures and new spending initiatives, as well as the proposed approach to prioritisation, building on the meeting with you on 25 January 2024.

Health Joint Ministers' Meeting on 1 February 2024

2. You are attending a Health Joint Ministers' meeting on 1 February 2024, to discuss Vote Health at Budget 2024. The Minister for Infrastructure will also attend for the first half of the meeting to discuss the New Dunedin Hospital. You have received separate advice on this [H2024034979 refers].
3. The Joint Ministers' meeting is an opportunity to discuss and provide assurance about the process and progress underway to develop the Vote Health package for Budget 2024. It is also an opportunity to seek the Minister of Finance's agreement to several outstanding considerations.
4. This paper provides talking points at **Appendix One** to support the Budget 2024 discussion, including on multi-year funding. Ministry officials have a pre-meet with you ahead of the Health Joint Ministers' meeting.

Multi-year funding

5. We anticipate that Joint Ministers will discuss agreeing a position on multi-year funding for cost pressures. The Minister of Finance has invited health sector cost pressures by exception for Budget 2024. Health New Zealand | Te Whatu Ora (HNZ) and the Māori Health Authority (MHA) are preparing cost pressure initiatives for Budget 2024.
6. The Treasury provided the Minister of Finance with a report on 13 December 2023 on Vote Health Budget 2024 Settings [T2023/2003 refers], which the Minister of Finance referred to you. This report covered advice on the approach to budgeting for Vote

Health, involving a mix of annual and multi-year funding at Budget 2024. The Treasury recommended providing a three-year funding arrangement for health operating cost pressures only, with new initiatives and capital retaining an annual funding track.

7. Alongside better top-down and bottom-up forecasts of health expenditure, a multi-year funding approach for cost pressures will provide a better three-year picture of HNZ operating costs than we have had before, including on efficiencies and reprioritisation choices.
8. In response to the Treasury advice, you and the Minister of Finance have indicated your agreement to proceed with the approach to multi-year funding for cost pressures for Budget 2024. The Ministry and the Treasury are seeking confirmation of this decision at this forthcoming joint Ministers' meeting.
9. There are still risks inherent in shifting to a multi-year funding arrangement and there are additional controls and protections that can be implemented to understand and manage risks as they arise over the three-year period.
10. If you and the Minister of Finance agree to progress with a shift to multi-year cost pressure funding from Budget 2024, the Ministry and Treasury will take the following approach to ensure risks are identified and mitigated:
 - a. **February 2024:** Ministry and Treasury officials will work together to identify risks and mitigations.
 - b. **March 2024:** Ministry and Treasury will provide joint advice to you and the Minister of Finance outlining risks and options for managing these, to support your final decision on a shift to multi-year funding. Note that this advice will likely coincide with the Budget bilateral between yourself and the Minister of Finance in March.

Budget 2024 Vote Health progress update

11. At the Budget 2024 process and progress meeting on 25 January 2024, the Ministry provided an update on each initiative within Vote Health, spanning new initiatives, cost pressures and savings, along with broader updates regarding aspects of the Budget such as contingencies.
12. The update reflects your direction on each aspect of the Vote Health package for Budget 2024 as it continues to develop. We invite your further comments if you wish.
13. This update may also be drawn on at the Joint Ministers' meeting, should there be an opportunity to provide an update on progress and assurance for the Vote Health package development.

Budget 2024 strategy

14. The Government's strategy for Budget 2024 prioritises fiscal sustainability and a focus on value for money. This includes:
 - a. strict fiscal management for Government expenditure.
 - b. initiatives to deliver tax relief and ensure value for money through investments.
 - c. a work programme focused on reprioritisation, savings and revenue (or cost recovery where appropriate).

15. Additionally, you have outlined your vision for the health system, which focuses on timely access to quality health care, with five priority areas that will be reflected in the Government Policy Statement for implementation over the next three years – access, timeliness, quality, workforce and infrastructure.
16. The strategic direction set by the Government is guiding the development of the Vote Health package for Budget 2024.

New spending initiatives – invited

17. A table is provided at **Appendix Two** setting out a progress update for each new initiative invited into the Budget 2024 process. This is consistent with the progress updates provided at your meeting with the Ministry on 25 January 2024, and now also reflects your feedback and direction provided at that meeting. An additional column is added for your further feedback at this stage, if applicable.

COVID-19 time-limited funding

18. You received advice on 26 January 2024 [H2024034757 refers] seeking your direction on managing time-limited funding from COVID-19 management activities, which is broader than the initiative currently invited into the Budget 2024 process for COVID-19 vaccines and therapeutics. This advice was updated on 31 January 2023 to provide further information on the options for progressing this initiative.
19. We understand that you have agreed with the Minister of Finance that this resulting initiative is invited into the Budget 2024 process. This may be raised at the joint Minister's meeting.
20. A concurrent Cabinet paper is being prepared seeking pre-Budget 2024 decisions on addressing time-limited funding for Pharmac's Combined Pharmaceutical Budget, including funding for COVID-19 vaccines and therapeutics. The quantum of this initiative will be informed by Cabinet's decisions and your direction on the options included in the briefing referenced above.

Investing in primary care new initiative – not invited

21. The Minister of Finance invited an immunisation funding initiative to the Budget 2024 process, reflecting the National Party's manifesto commitment of \$52 million one-off funding. We understand that you have discussed the framing of this initiative with the Minister of Finance, on the basis that its key objective is to direct short-term resource to general practices to support them to carry out their core role, including (but not limited to) improving immunisation rates.
22. The Ministry provided you advice on 25 January 2024 [H2024034994 refers] seeking your agreement to seek \$52 million through Budget 2024 to provide one-off assistance to primary care, to support both immunisation performance and wider primary care outcomes.
23. **s 9(2)(f)(iv)**
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

24. In February, we are planning to provide you with a detailed overview of a longer-term work programme for primary care. This work programme will include the development of policy options for new funding and accountability arrangements for primary and community care.

Cost pressures and financial annexes

25. The Ministry is continuing to work with HNZ and the MHA to address the Ministry and Treasury's latest feedback on the financial annexes, and support closing gaps in information for Budget 2024.
26. There have been a series of delays in receiving the cost pressure templates from HNZ, impacting remaining process steps, including the provision of feedback to HNZ. An email escalating this issue was sent by the Ministry to the Chief Executive of HNZ on 30 January. We expect to receive an updated version of the financial annex and the underlying model later today (31 January) and will provide feedback on this and the cost pressure templates by Monday 5 February.
27. The Māori Health Authority did not meet the deadline for responding to Ministry feedback and have since provided a response to feedback and the underlying financial model. The Ministry will continue to monitor progress and escalate any further delays that may benefit from Ministerial levers for seeking information.
28. Cost pressures were not invited from the six specialist health Crown entities for Budget 2024. The Ministry will continue to work with these entities to support managing within current baselines, and escalating risks associated with impacts to service delivery.
29. The Health Quality and Safety Commission (HQSC) is one entity for whom the impact of not being invited to submit cost pressure is potentially significant. \$1.4m of time limited funding was allocated to HQSC at Budget 2019 and is set to expire this year, which will create a reduction in funding.

Capital

Capital investment pipeline review

30. Cabinet has agreed to review the investment pipeline for capital projects to reduce it in line with Government priorities and better match market capacity and focus on value for money.
31. On 25 January, the Minister of Finance wrote to you to confirm which Vote Health capital investments are part of this review.¹ Ministry officials will support you to engage in the process for the Vote Health capital projects in scope of the review. This will include consideration of the priority of these investments, assessment of their criticality and cost and the proposal of options for stopping, rescoping or rephrasing the investments.

s 9(2)(f)(iv)

Managing New Dunedin Hospital shortfall

32. The New Dunedin Hospital capital project includes a significant shortfall, and this is a topic of discussion at the Joint Ministers' meeting tomorrow. Separate advice has been provided to support this agenda item [H2024034979 refers, Annex 1].

Ongoing management of capital

33. At the meeting on 25 January 2024, the Ministry agreed to provide further advice post-Budget 2024 about managing capital going forward, noting your interest in the use of underspends.

Targeted savings initiatives

34. There are two targeted savings initiatives being progressed for Vote Health at Budget 2024:
- a. targeting the removal of the prescription co-payment
 - b. disestablishing the Māori Health Authority.
35. A table is provided in **Appendix Three** outlining details for each initiative.
36. In your submission of the Vote Health package on 16 February 2024, you will be required to rank these savings proposals. The Ministry's advice on the Vote Health package on 8 or 9 February 2024 (date TBC) will provide you with options on this. Both savings proposals reflect coalition agreement commitments and at present, there is a clear distinction between quantum of proposed savings.

Ministry savings

37. The Minister of Finance has directed the Ministry, among other agencies, to identify savings to meet a targeted baseline reduction of 6.5%. Activities are underway to support the Ministry to achieve this target.
38. Identified activities span organisational transformation, reduction in the use of consultants and contractors, and a recruitment hold pending the outcome of organisational transformation.

Contingencies and Budget 2022

39. Work on contingencies is ongoing as part of the Budget 2024 package. HNZ is preparing an update on progress against the Budget 2022 initiatives and a clear view on commitments that had been made on any unspent funds, including any contracts or firm commitments made for the remainder of 2023/24 financial year and contracts or commitments made for 2024/25 and beyond. We understand this information will be presented to you at tomorrow's Health Joint Ministers' meeting and will not be available before that.
40. As discussed at your 25 January meeting with Ministry officials, underspends on Budget 2022 initiatives are seen as a future opportunity through the Budget 2024, particularly as way to redirect funds to offset future unforeseen cost pressure challenges rather than factored into any plans. The Ministry will provide you with further advice on reprioritisation choices available and associated risks, once we have a better understanding of the uncommitted Budget 2022 funding.

41. s 9(2)(g)(i)
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

Refining the Vote Health package

42. Following the meeting with you on 25 January, the Ministry understands your priorities for packaging Vote Health initiatives for Budget 2024 will follow a hierarchy of:
- a. addressing time-limited funding
 - b. progressing 100-day plan actions
 - c. progressing Coalition commitments
 - d. progressing Manifesto commitments.
43. Within each of these areas, prioritisation could consider the following approaches with a political overlay:
- a. a utilitarian approach, identifying the greatest need, greatest touch and greatest benefit
 - b. addressing the five pathologies and behaviours you have identified as priorities, which include non-communicable diseases (cancer, poor mental health, diabetes, respiratory disease, and cardiovascular disease) and how the system could address these through modifiable risk behaviours (smoking, alcohol use, diet, and social interaction).
44. The Ministry will apply this approach to prioritisation to the initiatives as they are refined further. This prioritisation approach will be presented in the advice scheduled on 8 February 2024, along with supporting rationale and/or any recommended adjustments and resulting recommendations for the Vote Health package.

Next steps

45. The Treasury Assessment Panel will undertake their review of the baseline reduction component of the Vote Health savings track from 31 January.
46. You will receive further advice on 8 or 9 February (date TBC) containing the final draft templates for each initiative, proposed prioritisation for refining a Vote Health package, and a draft response to the Minister of Finance, for your review and feedback ahead of the deadline for submitting initiatives to the Treasury on 16 February.

Recommendations

We recommend you:

- a) **Note** that you are attending a Health Joint Ministers' meeting on 1 February to discuss New Dunedin Hospital and Vote Health at Budget 2024, and that this will include a discussion on multi-year funding for cost pressures, and **Noted**

provide an opportunity to seek invitations to Budget 2024 for outstanding initiatives.

- b) **Note** that key messages are appended at Appendix One to support the discussion on multi-year funding at this meeting. **Noted**
- c) **Note** that an overview of progress on Vote Health initiatives for Budget 2024 is also provided, spanning new initiatives, cost pressures, capital and savings, that reflects the direction you provided at your meeting with Ministry of Health officials on 25 January 2024. **Noted**
- d) **Note** that your further feedback on these initiatives is welcomed, if you wish, and that space is provided within the body of this paper for your input. **Noted**
- e) **Note** that you will receive further advice on 8 February 2024 to support you in responding to the Minister of Finance and submitting a package for Vote Health to Treasury by 16 February 2024. **Noted**
- f) **Indicate** whether you would like to refer this advice to:
- | | |
|--|---------------|
| Hon Matt Doocey, Minister for Mental Health and Associate Minister of Health | Yes/No |
| Hon David Seymour, Associate Minister of Health (Pharmac) | Yes/No |
| Hon Casey Costello, Associate Minister of Health | Yes/No |

Dr Diana Sarfati
Director-General of Health
Te Tumu Whakarae mō te Hauora
Date: 31 January 2024

Hon Dr Shane Reti
Minister of Health
Date:

PROACTIVELY RELEASED

PROACTIVELY RELEASED

PROACTIVELY RELEASED

Appendix Two: New spending initiatives update

Invited initiatives	Status and current focus	Additional comments / feedback from the Minister of Health
Mental Health Innovation Fund and funding for Gumboot Friday/I am Hope Charity	<p>Gumboot Friday/I am Hope: On track, costed at \$6 million per year from 2024/25.</p> <p>Mental Health Innovation Fund: On track with feedback being progressed, estimated \$16.580 million over four years from 2024/25, though work is required to refine costs.</p> <p>Officials are preparing a separate update on the implementation plan for these initiatives for the Minister of Mental Health.</p>	
Delivering more Nurses and Midwives	<p>s 9(2)(f)(iv)</p>	

Invited initiatives	Status and current focus	Additional comments / feedback from the Minister of Health
Training more Doctors	<p>This initiative would enable 50 additional government funded medical places in existing medical schools. The <i>indicative</i> costs of progressing this initiative are \$226.288 million in operating expenses over 10 years (\$20.329 over forecast period) and \$25.932 million in capital expenses over 10 years, spread across tuition funding, student loans and postgraduate salaries for new doctors. An increase in the funding cap will mean health and education systems need to adjust their processes and capacity to take on potential additional places.</p> <p>s 9(2)(g)(i)</p>	
13 new cancer treatments	<p>Estimated \$600 million over 4 years, not including implementation costs. HNZ anticipate that the initiative will require at least 2,000 additional infusion hours, alongside other delivery implications. Work continues to refine the costs of expanded service delivery as part of the Budget initiative.</p> <p>You had noted the National Party's commitment to partially fund this initiative through the net savings generated from changes to prescription co-payment settings. Officials have previously communicated to you the technical fiscal management approach to savings, but that there are a number of opportunities to demonstrate that this commitment is being progressed.</p> <p>Other key dependencies include concurrent initiatives to address forecasted shortfall in CPB to maintain current level of medicines access:</p> <ul style="list-style-type: none"> • Pharmac – Combined Pharmaceutical Budget (time-limited funding) • Pharmac – COVID-19 vaccine and therapeutics. <p>s 9(2)(g)(i)</p>	
Improve hospital emergency department health workforce security	<p>Costs and scope are to be confirmed and are currently under review by subject matter experts.</p> <p>s 9(2)(g)(i)</p>	

Invited initiatives	Status and current focus	Additional comments / feedback from the Minister of Health
Immunisation funding	<p>Initially \$52 million was invited for the immunisation funding initiative. The Ministry provided you advice on 25 January 2024 [H2024034994 refers] seeking your agreement to seek \$52 million through Budget 2024 to provide one-off assistance to primary care, to support both immunisation performance and wider primary care outcomes.</p> <p>s 9(2)(f)(iv)</p> <p>s 9(2)(g)(i)</p>	
Extend free breast cancer screening for those aged up to 74 years	<p>It is being revised in the order of \$30-\$35 million.</p> <p>s 9(2)(g)(i)</p>	
Pharmac – Combined Pharmaceutical Budget (time-limited funding)	<p>This initiative addresses a funding shortfall created by prior time-limited funding decisions. Currently estimated at a total of \$1,114.480 million over 4 years. These numbers are still the focus of refinement.</p> <p>A Cabinet paper is progressing pre-Budget, along with the Pharmac COVID-19 therapeutics and vaccinations time-limited funding below.</p> <p>s 9(2)(g)(i)</p>	

Invited initiatives	Status and current focus	Additional comments / feedback from the Minister of Health
Pharmac – COVID-19 therapeutics and vaccinations (time-limited funding)	<p>This initiative seeks funding for ongoing COVID-19 therapeutics and vaccinations which are currently funded with time-limited funding. The cost for vaccines and therapeutics is \$660 million over 4 years (\$165 million per year). This figure does not include implementation costs and we are ensuring these costs are accurately costed.</p> <p>A Cabinet paper is progressing pre-Budget. Decisions on the additional COVID-19 time-limited funding bid sought will influence the quantum of funding required in this initiative.</p> <p>s 9(2)(g)(i)</p>	
Work Programme on University of Waikato Medical School	<p>This initiative seeks s 9(2)(f)(iv)</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>s 9(2)(g)(i)</p>	

Appendix Three: Targeted savings initiatives update

Initiative	Status
Targeting the removal of the prescription co-payment	Work on track. The Ministry is preparing advice for you on design details for exemptions and a payment cap, anticipated on 31 January. Currently estimated at net savings of \$116m over the forecast period, which accounts for the CPB impact.
Disestablishing the Māori Health Authority	Work on track. The initiative will realise synergies from reduced overheads and efficiencies; these are in the low millions, with additional one-off savings this year from unspent establishment funding, expected interest on investment and unfilled vacancies. Work is underway to identify any further potential savings, noting that the functions will transfer to separate entities.

Briefing

Budget 2024: Proposed Vote Health Package

Date due to MO: 9 February 2024 **Action required by:** 14 February 2024

Security level: **Health Report number:** H2024035078

To: Hon Dr Shane Reti, Minister of Health
Hon Matt Docey, Minister for Mental Health and Associate Minister of Health

Refer to: *Subject to recommendations below*
Hon David Seymour, Associate Minister of Health (Pharmac)
Hon Casey Costello, Associate Minister of Health

Consulted: Health New Zealand: Māori Health Authority:

Contact for telephone discussion

Name	Position	Telephone
Maree Roberts	Deputy Director-General, Te Pou Rautaki Strategy, Policy & Legislation, Manatū Hauora	s 9(2)(a)
Steve Barnes	Group Manager Strategy, Te Pou Rautaki Strategy, Policy & Legislation, Manatū Hauora	s 9(2)(a)

Minister's office to complete:

- Approved Decline Noted
- Needs change Seen Overtaken by events
- See Minister's Notes Withdrawn

Comment:

Budget 2024: Proposed Vote Health Package

Security level:

Date: 9 February 2024

To: Hon Dr Shane Reti, Minister of Health
Hon Matt Doocey, Minister for Mental Health and Associate Minister of Health

Purpose of report

1. This report provides the Minister of Health and the Minister for Mental Health with the proposed templates for the initiatives invited into the Budget 2024 process for feedback ahead of formal submission to the Treasury on 16 February 2024. It also provides an overview of each funding track, advice on remaining choices within the Vote Health package, and a draft letter to support the formal response to the Minister of Finance.
2. This briefing is addressed to both Ministers, recognising the Minister of Health's sole responsibility for Vote Health expenditure, as well as the Minister for Mental Health's portfolio responsibility for policy, prioritisation decisions and oversight of mental health and addiction expenditure.

Summary

3. You received an invitation letter from the Minister of Finance on 21 December inviting specific new spending initiatives and health cost pressures by exception into the Budget 2024 process. The letter also specified that baseline savings of 6.5% would need to be found from the Ministry of Health's operating budget, along with the submission of two targeted savings initiatives.
4. This briefing provides you with completed cost pressure, new initiative, capital and savings templates, as well as an update on the progress of all initiatives. At this stage, we do not expect the initiative costings to change significantly, although there may be some adjustments as relevant information is confirmed or decisions taken throughout the Budget process.
5. An overview of the briefing structure is provided below, together with a summary of the direction sought from you in each section.

Section	Direction sought
Cost pressures	Note the Ministry recommendation supporting the cost pressure initiatives, with further advice to follow on one component identified as out of scope s 9(2)(f)(iv), s 9(2)(j)

Section	Direction sought
New spending initiatives (including an uninvited initiative)	Indicate whether you agree with the draft priority order provided or provide alternative rankings (Appendix 2) Provide any feedback on the attached initiative templates (Appendix 2)
Capital	Indicate whether you agree with our assessment of, and recommendations around, capital
Savings	Indicate whether you agree with the draft of proposed savings initiatives
Budget 2022 and contingencies	No action required
Next steps	Your feedback is sought by Wednesday 14 February on appendices 1-7 for submission to Budget 2024, ahead of the deadline for submission to the Treasury by 1pm on Friday, 16 February 2024
Appendices 1-6 (Budget 2024 templates)	For your consideration and feedback <ul style="list-style-type: none"> • Appendix 1: cost pressure templates and financial annexes • Appendix 2: invited new spending initiative templates and draft priority order • Appendix 3: uninvited new spending initiative templates • Appendix 4: capital templates • Appendix 5: targeted savings initiative templates • Appendix 6: baseline savings
Appendix 7 (draft letter to Minister of Finance)	For your consideration and feedback. Note this letter can be adjusted based on your decisions on the priority order

Recommendations

We recommend you:

- a) **Note** that templates for Vote Health initiatives invited into the Budget 2024 process are attached for your consideration and feedback, along with two additional initiatives. **Noted**
- b) **Note** that Budget 2024 initiative templates must be submitted to the Treasury by 1pm on Friday 16 February 2024, and you must formally respond to the Minister of Finance by the same deadline. **Noted**
- c) **Note** that the Minister of Finance has asked you to rank Vote Health initiatives in your response, and that a draft approach has been provided for your feedback. **Noted**

Noted

e) By 14 February 2024, **EITHER:**

Agree to the proposed Vote Health package for submission into the Budget 2024 process as presented in this report **Yes/No**

OR

Direct Ministry officials to adjust the proposed approach to packaging Vote Health initiatives for submission into the Budget 2024 process and note that a revised package will be provided on 15 February 2024 for your approval, in order to meet the Treasury submission deadlines. **Yes/No**

f) **Note** that the attached templates for each initiative may be subject to minor and technical changes over the coming days, if required. **Noted**

f) **Note** that the capital bids may require amendment, depending on your decision on the draft Cabinet paper for New Dunedin Hospital. **Noted**

g) **Indicate** whether you would like to refer this advice to:

Hon David Seymour, Associate Minister of Health (Pharmac) **Yes/No**

Hon Casey Costello, Associate Minister of Health. **Yes/No**

Dr Shane Reti
Minister of Health

Hon Matt Doocey
**Minister for Mental Health and Associate
Minister for Health**

Date:

Date:

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

Budget 2024: Proposed Vote Health Package

Background to Vote Health package

6. The Minister of Finance’s invitation letter for Budget 2024 set out the scope for a Vote Health Package, comprising health cost pressures by exception, specific invited new spending initiatives, and capital. It also provided direction on baseline savings that would need to be found, as well as targeted savings initiatives.

Budget 2024 funding streams

7. An overview of initiatives in each of the Budget 2024 funding streams is provided below.

Cost pressures

8. Cost pressure templates and financial annexes for Health New Zealand | Te Whatu Ora (HNZ) and the Māori Health Authority | Te Aka Whai Ora (MHA) are attached at **Appendix 1**.
9. Health sector cost pressures were invited by exception only. As a result, the invitation was only extended to HNZ and the MHA for the following appropriations:
- Delivering hospital and specialist services
 - Delivering primary, community, public and population health services
 - Delivering Hauora Māori services.

10. s 9(2)(j)

s 9(2)(j)	Operating costs (\$ millions)			
	2024/25	2025/26	2026/27	Outyears
HNZ				
s 9(2)(j)				
MHA				
Health cost pressure funding for hauora Māori services	s 9(2)(j)			

§ 9(2)(j)	Operating costs (\$ millions)			
	2024/25	2025/26	2026/27	Outyears
§ 9(2)(j)	§ 9(2)(j)	§ 9(2)(j)	§ 9(2)(j)	§ 9(2)(j)

11. § 9(2)(j)

12. Advice provided to you on 31 January outlined the impact of the invitation-only process for cost pressures on specialist Health Crown entities, and in particular the Health Quality and Safety Commission (HQSC) which will be impacted by a \$1.4 million reduction in funding owing to the expiry of time-limited funding at the end of the current financial year [H2024035027 refers].

Current assessment of entities' cost pressures

13. Since we last provided you an update on HNZ and MHA's work on cost pressures, we have been working with entities to understand the detailed assumptions, including risks and mitigations § 9(2)(j)

14. Based on this engagement and the information provided by entities to date, the Ministry supports the submission into Budget 2024 of the proposed cost pressure uplifts for both HNZ and MHA.

15. § 9(2)(j)

HNZ cost pressures

16. As we work towards final Budget 2024 decisions, we will engage with HNZ to ensure that the cost pressures initiative is underpinned by credible and robust information and analysis § 9(2)(j)

17. Over the medium-term, our focus will be working with HNZ to support a system shift to respond to changes and constraints in ways that do not necessarily entail a response based on plans to cut services and run deficits. This is a significant challenge, one that will take years to fully achieve.

18. HNZ is focused on a long-term pathway to optimise service provision and change how services are organised and delivered, including changing the existing system to increase productivity. As part of this, HNZ recognises that there is a pressing need to drive a change in the workforce model, in partnership with unions and other key organisations, to achieve greater productivity and efficiency in the system. We are working with HNZ on approaches that could be taken to start working towards this within the immediate fiscal constraints.

MHA cost pressures

19. MHA provided us with an updated cost pressure template on 2 February following feedback from the Ministry of Health and the Treasury. We will be providing joint feedback with the Treasury next week to inform the next iteration of cost pressures and financial annexes. Our feedback to date has centred around alignment of activity levels to output classes and costs and a lack of specificity in estimates of the effects of scaling on activity levels, volumes and FTE in the system.

20. s 9(2)(j)
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

Risks and mitigations

21. As we prepare for a final decision-point on proceeding with multi-year funding, we also continue to engage with the Treasury on risks in the health system, and the opportunities to mitigate these risks. We will provide you and the Minister of Finance joint advice on this in March 2024.

Key points to note:

The Ministry supports the submission into Budget 2024 of the proposed cost pressure uplifts

s 9(2)(j)

[Redacted]

Ministers' comments

New spending initiatives

Draft priority order for invited initiatives

22. The Minister of Finance's invitation letter requires you to set out your priorities for invited new spending initiatives.

23. The draft priority order that we have prepared for your feedback at **Appendix 2** (and reflected in the below table) is based on the categories that you communicated at your meeting with officials on 25 January 2024, with initiatives grouped according to the following hierarchy:
1. addressing time-limited funding
 2. progressing 100-day plan actions
 3. progressing Coalition commitments
 4. progressing Manifesto commitments.
24. Within each category, the order of initiatives reflects the current status of decision-making and our understanding of your possible preferred ranking.
25. There may be other considerations that you wish to prioritise when ranking initiatives in your preferred order, and we seek your feedback on the draft order provided. Space is provided for your comments in Appendix 2.
26. Final draft templates for the invited new spending initiatives are also attached at **Appendix 2**, with space provided for your feedback.

Draft ranking	Initiative	Operating costs (\$ millions)				Capital (\$ millions) <i>If applicable</i>
		2024/25	2025/26	2026/27	2027/28 & outyears	Over 10 years
<i>Invited initiatives now progressing separately</i>						
Cabinet process (see below)	Pharmac – Combined Pharmaceutical Budget	420.400	442.420	455.430	455.430	
	Pharmac – COVID-19 therapeutics and vaccinations					
<i>Addressing time-limited funding</i>						
1	Timely access to COVID-19 vaccine and therapeutics and ongoing cost-effective management of COVID-19 (pending formal invitation)	255.304	201.624	158.456	158.456	

Draft ranking	Initiative	Operating costs (\$ millions)				Capital (\$ millions) <i>If applicable</i>
		2024/25	2025/26	2026/27	2027/28 & outyears	Over 10 years
<i>Progressing 100-day plan actions</i>						
2	Breast screening extension of eligibility to include 70-74 year olds as part of the free national programme	7.650	5.200	4.850	10.110*	7.190
3	Emergency department security: service improvement	28.410	34.650	34.650	34.650	
4	Health workforce: Waikato Third Medical School	§ 9(2)(f)(iv)				
<i>Progressing Coalition commitments</i>						
5	Funding for Gumboot Friday to deliver free youth mental health counselling services	6.000	6.000	6.000	6.000	
	Mental Health and Addiction Community Sector Innovation Fund	5.22	5.22	5.22	5.22	
<i>Progressing Manifesto commitments</i>						
6	Medicines: Increasing access to medicines including cancer treatments	42.000	77.000	132.000	192.000	
7	Primary care funding: Support for immunisations and health targets	52.000				
8	Health Workforce: Training more doctors	1.811	3.873	5.899	8.746*	25.932
9	Health Workforce: Bonding scheme for nurses and midwives	§ 9(2)(f)(iv)				
* Note that the funding profile changes in outyears for these initiatives						
^Note these components are proposed to be held in contingency, subject to Cabinet approval to proceed						

Pharmac time-limited funding

27. On 4 March, the Hon David Seymour, Associate Minister of Health (Pharmac), will seek a Cabinet decision to pre-commit Budget 2024 funding decisions for Pharmac's time-limited funding, including the Combined Pharmaceutical Budget and COVID-19 vaccines and therapeutics. Accordingly, no initiative templates have been completed for these initiatives.
28. The initiative for 'Timely access to COVID-19 vaccine and therapeutics and ongoing cost-effective management of COVID-19' (pending formal invitation) has a dependency with this Cabinet decision, whereby the quantum of implementation costs for vaccines and therapeutics is tied to the quantum of medicines purchased.

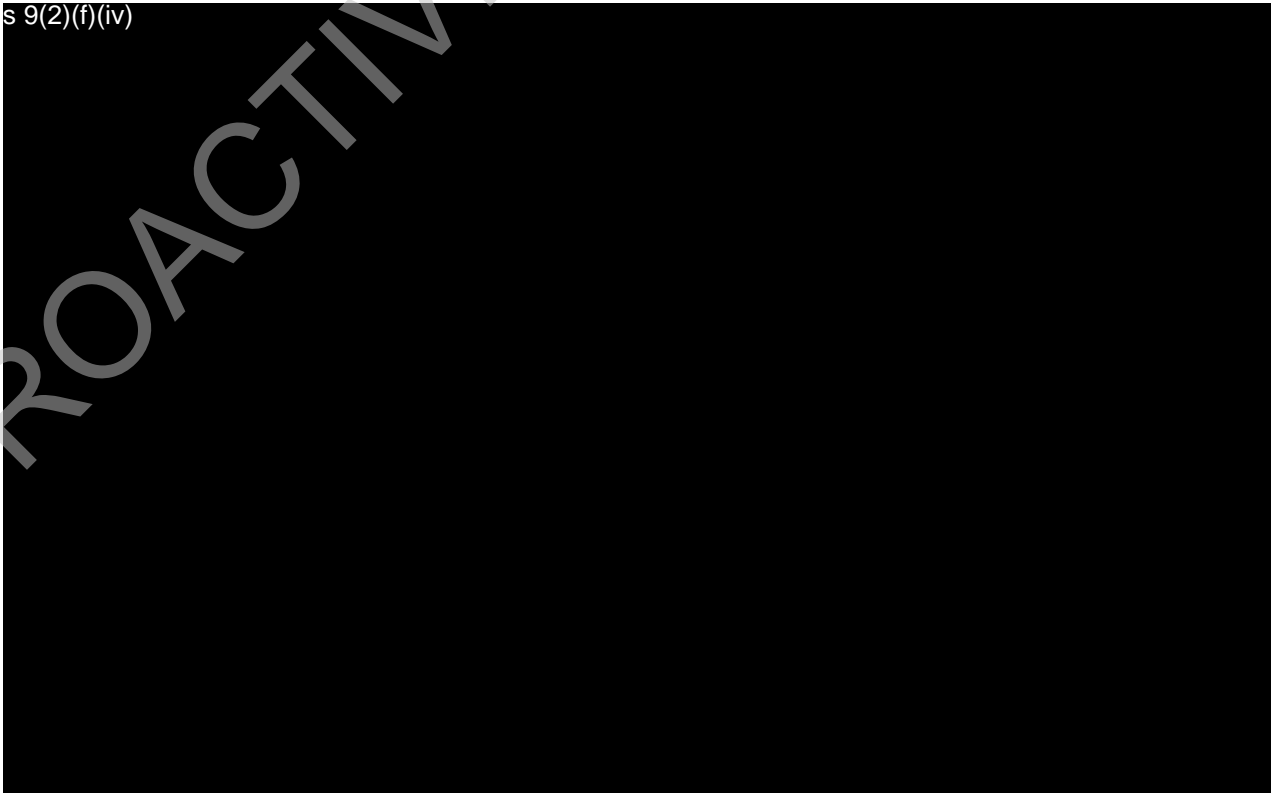
Timely access to COVID-19 vaccine and therapeutics and ongoing cost-effective management of COVID-19

29. An additional new spending initiative has been subsequently invited into the Budget 2024 process by the Minister of Finance for COVID-19 and pandemic preparedness implementation activities. Note that a verbal agreement has been expressed and the process to formalise this agreement with the Minister of Finance is underway [H2024035664 refers].

Waikato Third Medical School

30. At this stage, there are uncertainties around the timing and level of costs required for the establishment of a third medical school. The work programme timing and milestones will not be firmed up until after Budget 2024, which has an impact on the approach to this initiative template and the sequence of Cabinet decisions.
31. We have identified two options for the approach to seeking funding for this Budget 2024 initiative. For your visibility we have used the first approach in the draft template attached. Please see below for a summary of each option:

s 9(2)(f)(iv)



32. s 9(2)(f)(iv)

Mental Health Innovation Fund – implementation and quantum

33. The Mental Health Innovation Fund initiative seeks \$5.220 million per annum from 2024/25 (\$20.880 million over four years) reflecting the full commitment and administration costs. We understand there will be a discussion between the Minister for Mental Health and HNZ about the implementation and quantum of funding for this initiative, following which we can finalise the initiative, including any changes to the funding requested, accordingly.

Primary care access

34. s 9(2)(f)(iv)

35. Relatedly, you have asked HNZ to prepare a 'back-pocket' initiative for Budget 2024 (attached at Appendix 3) on primary care. This would secure ongoing funding for primary care to increase access to the general practice sector, by focussing on the workforce. This initiative would be presented to the Minister of Finance if the opportunity arose (it is therefore not included in the draft priority order).

36. If the back-pocket initiative was progressed at Budget 2024, it is likely that access to primary care would improve, however the financial sustainability of the sector would remain uncertain due to the overall system settings. The Ministry has an upcoming primary and community health policy work programme s 9(2)(f)(iv)

37. If the back-pocket initiative is progressed, the Ministry recommends that the most suitable approach would be to hold funding for 2025/26 and beyond in contingency.

DIA-led initiative - Public health campaign on responsible gambling

38. The Minister of Internal Affairs has been invited to submit a Budget 2024 initiative to implement an Online Gambling regulatory regime. s 9(2)(f)(iv)

39. s 9(2)(f)(iv)

What we are seeking from you in this section:

Indicate whether you agree with the draft priority order provided or provide alternative rankings for new spending initiatives (**Appendix 2**)

Review the initiative templates and provide any comments (**Appendix 2**)

Note the updates on specific new initiatives and provide any feedback

Ministers' comments

Capital

40. The requirements set out for Vote Health for the Budget 2024 capital funding track are to:
- a. review investments to identify reprioritisation options (Capital Pipeline Review)
 - b. identify capital cost pressures for investment in delivery, noting a high bar for new funding
 - c. identify new capital initiatives meeting specific criteria, with reprioritisation to be considered before seeking new funding.
41. Note that data and digital investments are excluded from this process.
42. The templates for the related Budget submissions prepared by HNZ are attached at **Appendix 4**.
43. HNZ is currently preparing a Cabinet paper seeking additional funding for the New Dunedin Hospital. You received the draft Cabinet paper this week with a covering Aide Memoire. The HNZ recommendation in the current draft Cabinet paper s 9(2)(j) [REDACTED] is not consistent with the HNZ Budget templates. Subject to your decision on the funding source, we will update the templates.

Capital Pipeline Review

44. Due to the constrained time available for the completion of Budget templates, there has been limited exploration of options for deferral or re-scoping of projects to mitigate capital cost pressures. We expect HNZ to further explore potential options as part of future advice on managing cost pressures. We note that in most instances the options provided may manage immediate pressures but will increase pressure on Budget 2025 and out-years.

Capital cost pressures

45. HNZ has prepared two specific capital cost pressure initiatives:

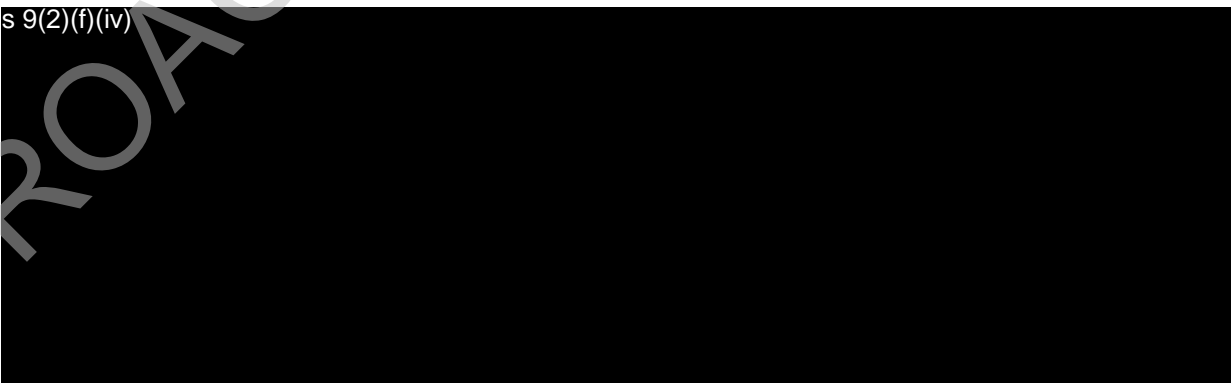
- a. s 9(2)(j) [REDACTED]

- b. **s 9(2)(j)** for the New Dunedin Hospital project – this project is currently in delivery.
46. HNZ has also prepared a further cost pressure initiative for \$71.5 million for new contingency risks against the current portfolio.
47. If all known capital cost pressures against the current portfolio were realised, including the two outlined above, there would be a shortfall in the HCE of **s 9(2)(f)(iv)**. It would therefore be necessary for one or more projects to be deferred.
48. We recommend that you progress with submitting the two specified capital cost pressure initiatives, totalling **s 9(2)(f)(iv)**. Funding these projects would leave **s 9(2)(f)(iv)** million in the HCE to meet other capital cost pressures. This figure may increase following further work to reprioritise or rephase current investments.
49. There is a significant further cost risk against the New Dunedin Hospital project. This Budget initiative could be increased to meet the anticipated full cost of the project. You will be provided with further advice on this and other options, including use of further HCE, contribution from HNZ and potential utilisation of tagged contingencies.
50. We recommend that you do not progress the initiative for an additional \$71.5 million for new contingency risks. HNZ has not evidenced the need for this funding and has not provided requested information about individual project contingencies. As HNZ increases in maturity, we expect to see better investment-management across the portfolio and better value management of individual projects.
51. HNZ currently has cash reserves of approximately \$1.8 billion. It is encouraging to see HNZ planning contributions to minor increases for some projects in the future. We would expect this to continue.

New capital initiatives

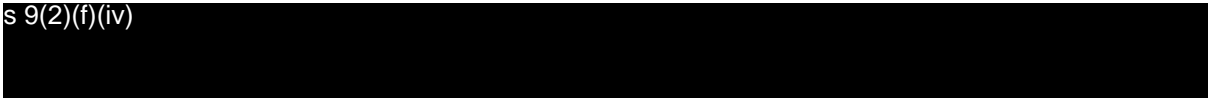
52. The Minister of Finance has advised that the threshold for funding of new initiatives is high. We consider most of the new capital initiatives identified by HNZ are either:
- a. expected to be self-funded and/or are operating costs (e.g., programmes of small remediation; planning and asset condition assessments)
 - b. not likely to be investment ready in the 2024/25 year.

53. **s 9(2)(f)(iv)**



Future investments

54. **s 9(2)(f)(iv)**



s 9(2)(f)(iv)

55.

What we are seeking from you in this section:

Indicate whether you agree with our assessment of, and recommendations around, capital, being:

- Depending on your decision on the funding source for New Dunedin Hospital, the templates may need to be updated
- Subject to the above decision, progress with submitting two cost pressure initiatives (New Dunedin Hospital and s 9(2)(f)(iv))
- Do not progress other cost pressure or new initiatives.

Notes

Targeted savings templates

56. Templates for the savings initiatives for targeting the removal of prescription co-payments and disestablishing the MHA are set out at **Appendix 5**.
57. You received advice on the co-payments initiative on 31 January, including on additional targeting mechanisms, potential exemptions, and ways of reducing the administrative burden on pharmacists. Your decisions on this advice will inform the final scope of this initiative. You have indicated that you wish to publicly link the savings realised through this initiative as freeing up funding towards increasing access to cancer treatments (another invited initiative).

58.

s 9(2)(g)(i)

Proposed ranking	Targeted savings initiative	Operating funding available for return (\$ millions)					Total
		2023/24	2024/25	2025/26	2026/27	2026/27 & outyears	
1	Targeting the removal of prescription co-payment	(23.780)	39.745	32.571	33.386	34.221	116.143
2	Disestablishing the MHA	31.500	1.000	1.000	1.000	1.000	35.500

Priority order for savings initiatives

59. As with new spending initiatives, the Minister of Finance also asked you to rank targeted savings initiatives in priority order. The approach to ranking is somewhat more straightforward, given there are only two initiatives in this track.
60. The initiatives are not readily comparable as they differ in terms of scope, impact and implementation. We therefore recommend ranking these based on quantum of savings and likelihood of realising these.

What we are seeking from you in this section:

Indicate whether you agree with the draft priority order of proposed savings initiatives

Ministers' comments

Baseline savings

61. The Ministry was tasked with identifying savings of 6.5% from its baseline operating budget. The proposed baseline savings are set out in the required template at **Appendix 6**.
62. In assessing the future needs of the Ministry and our resources to deliver, we have focused strongly on the activities we need to do to carry out our stewardship role, and our associated capability mix. This work will be completed through an extended remit of the transformation programme that was already underway following the Health System Reforms in July 2022, and has been supported by a significant change programme being undertaken by the Ministry to develop, establish, and embed new capabilities, ways of working, processes, and structures.

63. The Ministry has established a Transformation Management Office (TMO) to coordinate the changes required for the Ministry to achieve the required savings as a critical part of its work programme.
64. Work has commenced during the current financial year (2023/24) to realise and deliver the required savings from 1 July 2024.
65. Any changes required to realise FTE related savings will require the changes to be decided and implemented by 30 June 2024 so these can be realised from 1 July 2024. All aspects of Ministry work are likely to be affected by the level of change required in the short term, and this will require concerted effort on managing the change programme and highly visible leadership throughout.
66. The first stage of this has been the implementation of a pause on filling vacancies for the remainder of 2023/24 until after any change decisions are made about our medium-term capability and resourcing needs. This will ensure that sufficient funding is available to meet any costs associated with changes in the 2023/24 year.

Budget 2022 and contingencies

67. Following further analysis undertaken by HNZ, the Ministry is in a better position to provide advice on what opportunities exist for reprioritisation of the funding allocated to the Budget 2022 initiatives. An Aide-Memoire is being prepared on this basis and will be provided to you in the week commencing 12 February 2024.
68. As previously identified to you, there are options available to you to repurpose a small amount of funding currently held in contingencies for Vote Health, as well as Budget 2022 initiatives. The contingency options primarily centre around funding set aside for data and digital projects.

Next steps

69. To ensure Vote Health initiatives are progressed in the Budget 2024 process, by 1pm on Friday 16 February 2024:
 - a. templates for each funding track must be submitted to the Treasury. The Ministry will manage this, subject to your agreement to proceed.
 - b. you must respond to the Minister of Finance and include your priorities within Vote Health for Budget 2024.
70. To support meeting these deadlines, either your agreement or your feedback is sought on the following components of the Vote Health package for submission to Budget 2024 by Wednesday 14 February
 - a. the initiative templates attached at Appendices 1 – 6
 - b. the draft priority order at Appendix 1
 - c. the draft letter to the Minister of Finance at Appendix 7.
71. If you have feedback, a refined package will be provided to your office on 15 February seeking your same day approval of the resulting changes for submission to the Treasury.

72. Following submission of the initiatives, we anticipate that the package will be iterated, and further advice will be provided on options and impacts. This will include consideration of the trade-offs between different choices, the overall distribution of benefits, impacts on priority populations, and how potential packages address your priorities for health needs and services.

ENDS.

PROACTIVELY RELEASED

Minister's Notes

PROACTIVELY RELEASED

Appendix 1: Cost pressure templates

Attached separately as follows:

Health New Zealand

- s 9(2)(f)(iv) [Redacted]
- Vote Health Template: Financial Annex of Te Pae Tata 2024 Across Appropriations
- Vote Health Template: Financial Annex of Te Pae Tata 2024 for Individual Appropriations: Primary, Community, Public and Population Health Services Cost Pressures
- Vote Health Template: Financial Annex of Te Pae Tata 2024 for Individual Appropriations: Hospital and Specialist Services Cost Pressures

Māori Health Authority

- s 9(2)(f)(iv) [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

Appendix 2: Invited new spending initiative templates and draft priority order

The draft priority order in the table below reflects the hierarchy of categories that you have communicated to us, with initiatives in each category ordered according to the current status of decision-making.

Note that the *Pharmac – CPB initiative* and the *Pharmac – COVID-19 Therapeutics and Vaccinations initiative* have not been included in the table, as decisions on these initiatives are expected to be sought from Cabinet this month. Accordingly, these initiatives will not be included in the package of Budget materials for submission to the Treasury.

Space has been provided in the table for your feedback on the draft order. We are also seeking your comments on the initiative templates, which have been included for your review.

Templates are attached separately in the order presented in the table.

Addressing time-limited funding		Status	Notes	Ministers' feedback on priority order and initiative template
1	Timely access to COVID-19 vaccine and therapeutics and ongoing cost-effective management of COVID-19	A process is underway to formalise the invitation of this initiative into the Budget 2024 process and confirm the scope.	This initiative is a key dependency with forthcoming Cabinet decisions on addressing Pharmac time-limited funding for COVID-19 Therapeutics and Vaccinations.	
Progressing 100-day plan actions		Status	Notes	Ministers' feedback on priority order and initiative template
2	Breast screening extension of eligibility to include 70-74 year olds as part of the free national programme	You intend to make an announcement on this commitment next week. The associated Cabinet paper will reference that this initiative will be going through Budget 2024.	Separate advice has been provided to you on the potential benefits and risks of the initiative, including the differential impact on priority population groups.	
3	Emergency department security: service improvement	To address the 100-day action, a security uplift was provided over the summer period, and a commitment to working on a longer-term plan was announced. Cabinet has not yet taken decisions on ongoing security improvements.	Separate advice has been provided to you on this.	

4	Health Workforce - Waikato Third Medical School	<p>To address the 100-day action, a MOU has been prepared for signing.</p> <p>The MOU will commit to an initial phase of work to be undertaken. Cabinet is expected to take decisions on proceeding to the next stage (which includes CBA) in March. The Coalition Agreement commits to CBA if the work is to be progressed.</p>	<p>There are options around whether to seek establishment costs through Budget 2024 or to defer until the CBA has been completed and Cabinet takes decisions on the business case.</p> <p>The initiative template has been drafted in line with our recommended option, which includes funding to meet the costs of delivering CBA and a business case and to provide for establishment costs to be held in contingency.</p>	
Progressing Coalition Commitments		Status	Notes	Ministers' feedback on priority order and initiative template
5	<p>Funding for Gumboot Friday to deliver free youth mental health counselling services</p> <p>Mental Health and Addiction Community Sector Innovation Fund</p>	<p>Funding for Gumboot Friday is part of the Coalition Agreements and the Speech from the Throne.</p> <p>A Mental Health Innovation Fund is a manifesto commitment.</p>	<p>While the invited initiative includes both components, these are not inter-dependent and could be progressed separately.</p> <p>Separate advice has been provided on both components of this initiative, including considerations around providing a specified level of funding to a designated provider versus running an open tender process, as well as potential workforce capacity constraints.</p>	

Progressing Manifesto Commitments		Status	Notes	Ministers' feedback on priority order and initiative template
6	Medicines – Increasing access to medicines including cancer treatments	Included in the Speech from the Throne	Full implementation of this initiative is contingent on forthcoming Cabinet decisions on the level of funding provided for Pharmac's CPB, as well as on the ranking of other approved medicines.	
7	Primary care funding – support for immunisations and health targets	This initiative reflects an adjusted scope from the invited initiative, which specified immunisation support based on the manifesto commitment. The adjusted scope is directed at general practices to improve access (open books, improve enrolment, increase vaccination rates).	Separate advice has been provided to you on this, as well as on the additional back-pocket initiative developed by HNZ. We have ranked this initiative below the Medicines initiative, as it was not included in this format in the Speech from the Throne. However, you may prefer to prioritise this initiative on other grounds.	
8	Health Workforce – Training more doctors	Included in the Speech from the Throne	There would be choices around further phasing of the increase in the cap to reduce costs. We have ranked this initiative below the Medicines initiative s [REDACTED] [REDACTED] 9(2) [REDACTED] (g)(1) [REDACTED]	
9	Health Workforce – Bonding scheme for nurses and midwives	Included in the Speech from the Throne	There may be some opportunity to defer consideration to Budget 2025, which would enable further policy and design work to be undertaken.	

Appendix 3: Uninvited new spending initiative templates

Attached separately as follows:

- s 9(2)(f)(iv) [REDACTED]

PROACTIVELY RELEASED

Appendix 4: Capital templates

Attached separately as follows:

- Capital Pipeline Review summary

Recommended*:

- Cost pressure - New Dunedin Hospital
- s 9(2)(j)

Recommend defer to Budget 2025:

- s 9(2)(j)

Not recommended (fund from baseline):

- Cost pressure – National contingency

- s 9(2)(j)

-
-
-
-
-
-

* Note that there is potential for these to be funded by deferring a separate project, with further advice to come.

Appendix 5: Targeted savings initiative templates

Attached separately as follows:

- Targeting the removal of prescription co-payment
- Disestablishing the MHA

PROACTIVELY RELEASED

Appendix 6: Baselines savings

Attached separately as follows:

- Ministry of Health – Baseline Savings

PROACTIVELY RELEASED

PROACTIVELY RELEASED

PROACTIVELY RELEASED