In Confidence

Office of the Minister of Health

Cabinet Social Outcomes Committee

Programme of work to establish a new medical school

Proposal

1 This paper sets out the programme of work required to establish a new medical school. I am seeking your agreement to proceed with development of a Programme Business Case.

Relation to government priorities

2 This paper delivers a programme of work for establishing a new medical school, as agreed in the Memorandum of Understanding between the University of Waikato and the Ministry of Health – a 100-day priority of the Government.

Executive Summary

3 My priority is to grow more domestically trained doctors committed to the delivery of primary care in provincial and rural New Zealand. The new medical school proposal will need to demonstrate that it can increase training capacity in the tertiary education system, select medical students who are committed to serving provincial and rural areas, align training pathways with health system needs, and increase training capacity and capability in health settings to enable additional clinical placement opportunities.

4 I intend to return to Cabinet in line with the following pathway for decision making:

4.1 **Quarter 3, 2024: Programme Business Case** – seeks agreement to key components of the programme;

4.2 **Quarter 1, 2025: Detailed Business Cases** – seeks agreement to proceed with a new medical school and provides the full Cost Benefit Analysis;

4.3 **Budget 2025 initiative** – Confirms the Government's financial commitment for establishment costs of the proposed medical school;

4.4 **May 2025: Implementation Business Cases** – seeks agreement to progress with the commercial and contractual arrangements for delivery;

4.5 **Budget 2027** – confirms financial commitment for the ongoing operating and capital costs associated with increasing the medical trainee cap.

5 The timeframe is ambitious but provides the best path for making funding decisions in Budget 2025. To ensure that the proposal is credible and that the programme can be delivered successfully and is financially viable, several assurance process will be put in place. This includes the Cost Benefit Analysis (CBA), independent quality

assurance of the business cases and an Executive Leadership Group which includes key government agencies, University of Waikato and external representatives.

6 Addressing workforce shortages will require significant government investment over the long-term and careful management of that investment, should this programme of work proceed. The Government has indicated its commitment to contributing $280 million in establishment costs for a new medical alongside the University of Waikato's commitment of $100 million.

7 s 9(2)(f)(iv)

8 [redacted]

Context

9 On 12 February 2024, Cabinet [CAB-24-MIN-0028] agreed that the Ministry of Health and the University of Waikato would sign a Memorandum of Understanding (MoU) to develop a programme of work to progress a new medical school as part of the Government's 100-day plan.

10 The Ministry of Health has developed a programme of work (set out in this cabinet paper) for establishing a new medical school with information provided by the University of Waikato and Government agencies on the process and timeframes.

11 This initiative is part of a wider programme of work being delivered by the Ministry of Health and Health New Zealand focused on my priority of growing more domestically trained doctors and improving health outcomes for New Zealanders.

My priority is to grow more domestically trained doctors committed to the delivery of primary care in provincial and rural New Zealand

12 Further investment in medical education and training is required to ensure our health system has the skills and capabilities it needs to improve health outcomes for New Zealanders. This will be critical to addressing:

12.1 Shortages of doctors in New Zealand, with an estimated 1,700 additional doctors needed to meet current staffing shortages;

12.2 New Zealand producing fewer medical graduates than other OECD countries (10.6 per 100,000 people, compared to the average 14.2 per 100,000) increasing reliance on internationally trained doctors;

12.3 The ongoing decline in the proportion of medical students expressing a preference to enter general practice or rural generalist specialties (22.2% in 2016 compared to 16.2% in 2020);

12.4 The maldistribution of doctors, with only 0.6% of physicians working in rural areas, reduces access to healthcare in these places;

12.5 The workforce not being representative of the New Zealand population (for registered doctors, 4.4% are Māori and 2.1% are Pacific peoples); and

12.6 Insufficient training capacity limiting the availability of clinical placements and the need to better support capability in health settings for high-quality training.

Case for change

13 As part of programme development, the Ministry of Health has worked with Health New Zealand | Te Whatu Ora and University of Waikato to ensure that the strategic case for change meets the needs of our health system. Appendix 1 provides the investment logic map and rationale for the investment objectives, noted below.

14 I am seeking your agreement to the proposed investment objectives in Table 1 below. Investment objectives have been developed through consideration of best practice, international evidence, and engagement with the University of Waikato. The proposal for a new medical school will need to demonstrate that it can achieve these objectives.

Table 1. Investment objectives

- More doctors are trained in New Zealand
- A high-quality medical graduate cohort that has the skills and experience to meet the needs of local communities
- A medical curriculum that is aligned to health system needs, providing the skills and capabilities to:
    - meet needs of people in rural, provincial and high-needs communities;
    - work effectively within interdisciplinary teams
- Clinical placements that provide greater exposure to rural areas and in primary care settings
- Students' academic, cultural, and broader wellbeing needs are considered and managed
- Increased training and placement capacity and capability in health settings with:
    - clear expectations, resources, infrastructure, training and time for health workforce to provide clinical supervision and mentorship; and
    - more health providers across the full breadth of health settings providing clinical placements

Pathway for establishment of a new medical school

15 The Ministry of Health has worked with Treasury to align the work with Budget, Better Business Case, and assurance processes. The timeframe is ambitious but provides the best path for making funding decisions in Budget 2025. I am confident that this process will provide Cabinet with the right information to support decision making and ensure success of the programme.

16 The Better Business Case process is structured to provide information for decision makers on five cases[1], with information on each of the five cases developed in increasing detail for each business case, as follows:

16.1 Programme Business Case;

16.2 Detailed Business Case/s; and

16.3 Implementation Business Case/s.

17 The timeframes and scope of each the Business Cases are outlined in Table 2 below, alongside when funding commitments are made through Budget. Timeframes are dependent on quality assurance and review process outcomes and agreement by Cabinet to proceed at each stage.

18 A fully costed CBA will be provided as part of the Detailed Business Case, which will be presented before a binding agreement is made as per the previous Cabinet decision. [CAB-24-MIN-0028 refers].

19 The Programme Business Case will draw on the previous work undertaken by the University of Waikato, including the 2017 Business Case, which will help expediate development for the submission of the Programme Business Case in Quarter 3, 2024.

Table 2. Decision points

Milestone/Activity	Decision	Timeframe
Programme Business Case *provided to Cabinet*	Seeks agreement to the preferred programme and outline key components of the programme	Q3 2024
Detailed Business Cases *provided to Cabinet*	Seeks agreement to proceed with a new medical school (subject to Budget 2025 decisions) and provides detailed options analysis, the Cost Benefit Analysis, Budget 2025 implications and delivery planning	**Q1 2025**
Budget 2025 confirmation	Confirms the Government's financial commitment for establishment costs	May 2025
Implementation Business Cases *provided to Cabinet*	Seeks agreement to progress with the commercial and contractual arrangements and detailed management for delivery	May 2025
Budget 2027	Confirms the Government's financial commitment for the ongoing operating and capital costs associated with increasing the medical trainee cap	May 2027

[1]There are five cases for the Better Business Case Methodology which are: Strategic Case – is there a need for investment; Economic Case – does the investment offer value for money; Commercial Case – is the investment viable; Financial Case – is the investment affordable; Management – is the investment achievable.

20 The Ministry of Health will be responsible for submission of the Programme Business Case in Quarter 3, 2024. Responsibility for leading development of the detailed business case/s will be considered with submission of the Programme Business Case.

Timeframes for decision making impact on the establishment phase of a new medical school

21 s 9(2)(b)(ii), s 9(2)(f)(iv) [redacted]

22 s 9(2)(b)(ii) [redacted]

23 [redacted]

Engagement approach

24 Assurance will also be provided through engagement, which is necessary given the complexity and number of stakeholders involved in the education and training of the medical workforce, the critical role of students and trainees in the design of the programme, and the communities where they live, learn and ultimately work.

25 I expect engagement will need to be considered at each phase of the work to ensure:

25.1 all relevant stakeholders have been identified who will play a critical role in the development of the proposal; and

25.2 that the proposal will achieve the objectives and meets the needs of stakeholders.

Assurance processes and Cost Benefit Analysis will ensure the proposal is credible and can be delivered successfully

26 Officials have completed a risk and strategic assessment of the proposal for a new medical school. The proposal is a high-risk investment due to the complexity of the

interface across multiple agencies, the University of Waikato and other stakeholder dependencies, e.g. accreditation of the programme.

27 Given the level of risk associated with the successful delivery of the programme of work, several assurance processes will be put in place to ensure that:

27.1 the programme aligns with the Government's strategic objectives;

27.2 implementation timeframes are tested and realistic;

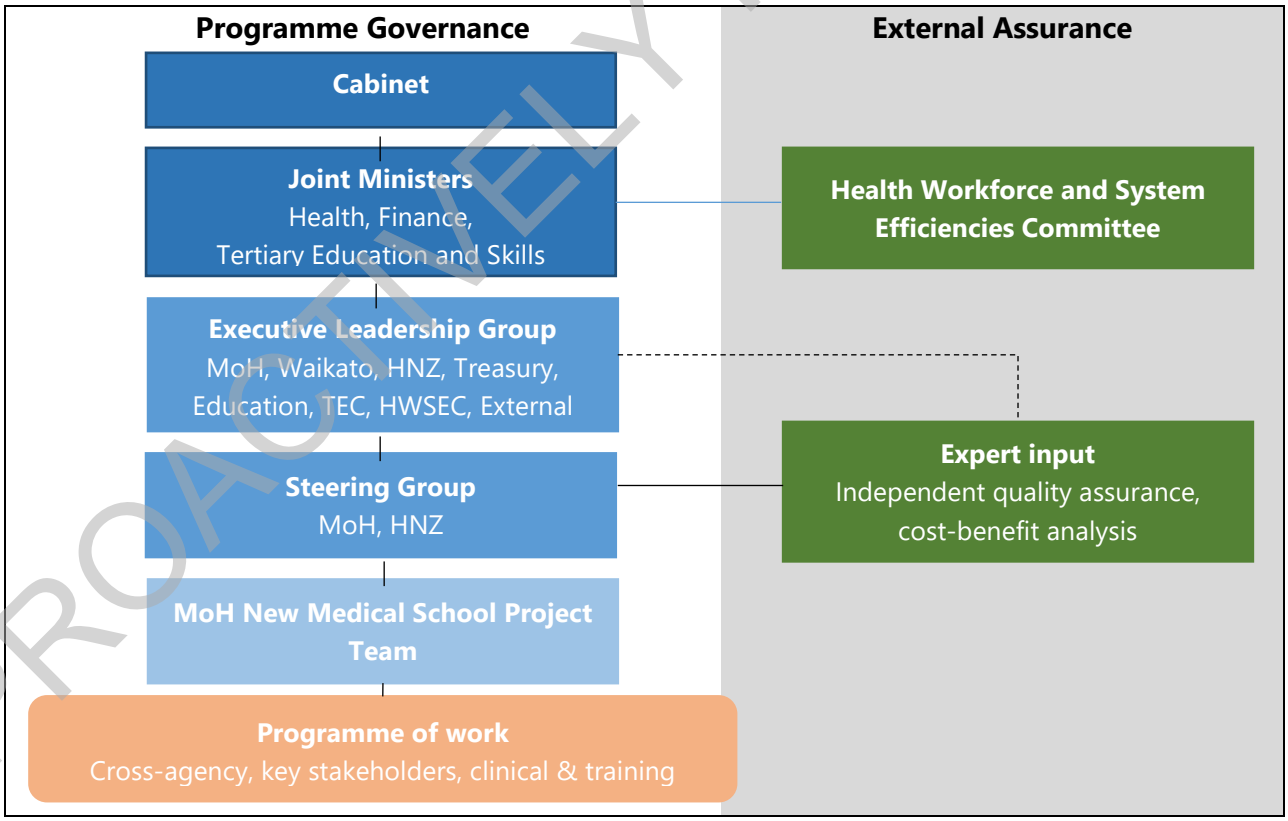
27.3 costs are accurate and are less likely to over-run;

27.4 risks are managed for successful delivery of the programme.

Governance

28 To support successful delivery, the programme of work will require oversight by multiple agencies and Ministers. The governance arrangements will support progress through the Business Case process, providing strategic oversight, ensuring cross-sector perspectives inform development and managing risks as they emerge. The governance structure is shown in Figure 1.

Figure 1. Governance arrangements for the programme of work



29 I am seeking agreement to joint Ministerial oversight by the Minister of Health, Minister of Finance and Minister for Tertiary Education and Skills.

Cost Benefit Analysis

30 The CBA will be provided in two phases. The first iteration will include indicative costs and benefits as part of the Programme Business Case and the completed CBA as part of the Detailed Business Cases.

31 To manage delivery risks and ensure robust economic analysis can take place, the scope of the CBA will focus on comparators that are most likely to achieve the investment objectives. Development of the CBA will also include engagement with key stakeholders on the parameters of each of the options being considered, e.g. engagement with tertiary providers and health providers.

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

33

Independent Quality Assurance

34 Independent Quality Assurance will provide an independent audit of the programme of work and information provided through the Better Business Case process at each phase, ensuring that:

34.1 the business cases meet the Better Business Case guidance;

34.2 the information is accurate (i.e. review financial models and evidence); and

34.3 there is sufficient information for Ministers to make decisions.

Financial Implications

A new medical school establishment costs

35 Addressing health workforce shortages will require significant investment from Government over the long-term and careful management of that investment should this programme of work proceed.

36 The Government signalled that investment of $280 million in capital funding could be provided for establishment of a new medical school, subject to a Cost Benefit Analysis of the proposal. The $280 million is a contribution with the expectation that an additional $100 million would be provided by the University of Waikato.

37 To provide confidence that we have a financially viable proposal, that the level of investment required is accurate and to provide a sufficient detail to support decision making by Cabinet. Officials will undertake work to:

37.1 provide a breakdown of financial information to support development of the Cost Benefit Analysis

37.2 understand the basis for the cost estimates and their reliability

37.3 confirm the level of investment required by Government and the source of any additional funding

37.4 allow consideration of the financial viability of the proposal and any specific risks and mitigations that are needed.

38 Changes in the proposal, timeframes for establishment, or changes to existing funding parameters will have an impact on the cost of the programme. The Governance arrangements ensure that this is managed as with any investment of this size.

Ongoing operating and capital costs associated with increasing government-funded medical training places

39 Any proposal that increases medicine training capacity will have significant fiscal implications due to the need to provide tuition subsidy funding, student support costs, final year intern grants and the associated flow on costs into the health system, including prevocational medical training (Postgraduate year 1 and 2).

40 Costs associated with increasing government-funded medical places are incurred regardless of whether the proposal is a new medical school or training capacity is increased within existing providers. It is a necessary investment if we wish to address the critical shortages of doctors in New Zealand.

41 The ongoing operating and capital expenditure will require further refinement following confirmation of the detailed design of the proposal, including any impacts on health system capital investment and operating costs.

Programme development costs

42 There are costs associated with programme development. Costs include business case development, independent quality assurance (audit of the final business cases before submission to Cabinet) and procurement of the CBA. Programme development costs will be approved by Cabinet in Budget 2024, with a transfer of underspends in 2023/24.

s 9(2)(f)(iv) [redacted]

43 s 9(2)(f)(iv) [redacted]

s 9(2)(f)(iv) [redacted]

Table 3. Indicative programme development, establishment and ongoing costs

Area	Scope	Estimated Cost	Date incurred
Programme development	Business Case development, independent quality assurance (audit of business cases) and Cost Benefit Analysis	$3 million	2024 from 23/24 underspends in baselines

s 9(2)(f)(iv) [redacted]

Treasury comment

44 The Treasury supports this paper and are working with Health officials to support the development of a quality Programme Business Case. At this stage in the process, we think it is important that Cabinet note two key risks ahead of the development of the PBC:

44.1 s 9(2)(f)(iv) [redacted]

44.2 the indicative timeframes outlined in this paper are ambitious and major milestones individually contain risk. In particular, in ensuring that a quality Programme Business Case is developed within six months in order to align with Budget 2025 timeframes, in construction timeframes, and in the ability to ensure the school achieves accreditation within outlined timeframes.

Legislative Implications

45 There are no legislative implications arising from the proposals in this paper.

Population Implications

46 There are no population implications arising from this paper. However, further development of the proposal will provide visibility of the impact on different population groups. Addressing medical workforce issues, particularly in provincial and rural areas and in primary and community care settings, will help improve the health outcomes of populations experiencing inequities by reducing barriers to care.

Human Rights

47 There are no human rights implications.

Use of external Resources

48 The Ministry of Health will procure an independent provider for the CBA of the Programme and for quality assurance of the business case process. The costs will be determined by the timeframes and scope of what is required to deliver the CBA.

Consultation

49 The Ministry of Health engaged with the University of Waikato on the programme of work required for decision making. The following agencies have been consulted in development of the work plan and this Cabinet paper: Health New Zealand, Ministry of Education, Treasury, Tertiary Education Commission, ACC, Whaikaha – Ministry of Disabled People and the Department of Prime Minister and Cabinet.

Communications

50 I will provide a press release following agreement by Cabinet to announce the decision to proceed with the next phase of the work. This will ensure that we maintain transparency about the process and approach we are taking on delivering on our commitment.

Proactive Release

51 This Cabinet paper will be released within 30 business days of decisions being confirmed by the Cabinet with redactions as appropriate under the Official Information Act 1982.

Recommendations

The Minister of Health recommends that the Committee:

1 **agree** that the Ministry of Health will proceed with developing a Programme Business Case, which the Minister of Health will provide to Cabinet by Quarter 3 of 2024;

2 **agree** to the investment objectives:

2.1 More doctors are trained in New Zealand

2.2 A high-quality medical graduate cohort that has the skills and experience to meet the needs of local communities

2.3 A medical curriculum that is aligned to health system needs, providing the skills and capabilities to:

2.3.1 meet needs of people in rural, provincial and high-needs communities;

2.3.2 work effectively within interdisciplinary teams

2.4 Clinical placements that provide greater exposure to rural areas and in primary care settings

2.5 Students' academic, cultural, and broader wellbeing needs are considered and managed

2.6 Increased training and placement capacity and capability in health settings with:

2.6.1 clear expectations, resources, infrastructure, training and time for health workforce to provide clinical supervision and mentorship; and

2.6.2 more health providers across the full breadth of health settings providing clinical placements;

3 **note** that the investment objectives will be used to assess:

3.1 possible options through the programme business case, including the preferred option of a new medical school

3.2 provides the key parameters for the Cost Benefit Analysis;

4 **agree** that to support delivery of the business cases to Cabinet, the Minister of Finance, Minister of Health, Minister for Tertiary Education and Skills will have joint oversight of the programme of work.

Hon Dr Shane Reti

Minister of Health

Appendix 1. Summarised strategic case for change and investment objectives

	Current challenges	Strategic Workforce Aspirations	Outcomes	Investment objectives
Create Capacity	• Shortage of doctors in New Zealand, with an estimated 1,700 additional doctors needed to meet current staffing shortages. • New Zealand produces fewer medical graduates than other OECD countries (10.6 per 100,000 people, compared to the average 14.2 per 100,000) increasing reliance on internationally trained doctors and contributing to shortages.	• There is sufficient **availability** of the workforce to meet the health needs of the New Zealand population. • The workforce is **representative** of the community it serves and responsive and flexible to meet the needs of people and their whānau. • Communities can **access** the workforce to receive the healthcare they need, particularly in rural areas and primary care settings. • The workforce delivers safe, efficient and effective care aligned and has the competencies needed to achieve high-**quality** outcomes. • The workforce is **productive** and motivated to achieve equitable outcomes, operating in an environment of continuous improvement.	• Higher proportion of medical workforce is trained locally with New Zealand specific training and experience.	• More doctors are trained in New Zealand.

New training pathway	• There has been a steady decline in the proportion of medical students expressing a preference to enter general practice or rural generalist specialties (22.2% in 2016 compared to 16.2% in 2020).
	• Maldistribution of doctors, with only 0.6% of physicians working in rural areas, reduces access to healthcare in these places.
	• The workforce is not representative of the New Zealand population (for registered doctors, 4.4% are Māori and 2.1% are Pacific peoples).
			• Graduate doctors' career aspirations aligned to health system needs.
			• Graduates equipped with the right skills and capabilities (including cultural) to meet the needs of diverse communities.
			• Strengthened interdisciplinary and community collaboration for integrated healthcare.
				• A medical graduate cohort with:
				  ○ diverse skills and experience
				  ○ local population demographics
				• A medical curriculum that is aligned to health system needs, providing the skills and capabilities to:
				  ○ meet needs of people in rural, provincial and high-needs communities
				  ○ be inclusive, accessible and culturally safe
				  ○ work effectively within interdisciplinary teams
				• Clinical placements that provide greater exposure to rural areas and in primary care settings.
				• Student's academic, cultural, and broader wellbeing needs are considered and managed.

Capable health settings	• Insufficient capacity and capability in health settings to provide consistent high-quality training • Gaps in training provision in some regions and types of health settings, limiting the availability of clinical placements		• Graduate doctors have received quality clinical training and supervision in a diverse range of health settings aligned to health needs.	• Increased training and placement capacity and capability in health settings with: ○ clear expectations, resources, training and time for health workforce to provide clinical supervision and mentorship. • More health providers across the full breadth of health settings providing clinical placements.