

# Memorandum

## Memo title

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<b>Security level:</b>	IN CONFIDENCE	<b>Health Report number:</b>	20201069
<b>To:</b>	Hon David Clark, Minister of Health		
<b>Copy to:</b>			

## Contact for telephone discussion

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## Action for Private Secretaries

N/A

Date dispatched to MO:

Released under the Official Information Act

# Response to Auditor General's report on PPE

## Purpose of report

1. This report provides information on the Ministry of Health's (the Ministry's) response to the report by the Auditor General titled *Ministry of Health: Management of personal protective equipment in response to COVID-19*.

## Background

2. The Office of the Auditor General (OAG) released their report titled *Ministry of Health: Management of personal protective equipment in response to COVID-19* on 17 June 2020. The report found that while the Ministry and district health boards (DHBs) had planned for a national health emergency, there were gaps in the planning about how personal protective equipment (PPE) would be procured and distributed to mitigate the risks of any shortages. In addition, reserve stock had not been well managed nor maintained, and guidelines for the use of PPE evolved during the pandemic causing some confusion among users.
3. The report concludes that COVID-19 would have challenged any public health and disability system, and that the Ministry moved quickly to establish a new centralised system for procuring, prioritising, and distributing stock.
4. The Ministry largely agree with the conclusions of the report and has accepted all ten recommendations. In some cases, work ahead of the release of the report has addressed some recommendations. Overall however, the recommendations provide useful guidance to the Ministry as we look to strengthen the systems and processes that support the supply of PPE and improve our preparedness for any future events.

## Response to the recommendations made in the report

5. At the time the report was released, the Ministry had already initiated several pieces of work relating to the PPE supply system for the health and disability sector, with further work planned. Some of the work underway spans multiple recommendations. Once completed the work will address the recommendations in the report in full.

## National Health Emergency Management planning gaps

6. The Ministry is currently completing an interim update to the National Reserve Supplies Management and Usage Policy (3rd edition). This interim update will clarify roles and responsibilities for the national reserve supply, eligibility for accessing the national reserve and prioritisation.
7. The National Health Emergency Plan (NHEP) will be reviewed in 2020/21, reflecting the actions carried out in response to the recommendations from the OAG report and the lessons learned from COVID-19 overall.
8. **section 9(2)(f)(iv)**

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9. The Emergency Management sections of the Ministry's accountability documents will be reviewed in 2020/21 to ensure alignment with national planning documents and roles and responsibilities.
10. A full review and update to the National Reserve Supplies and Management Usage Policy will be completed following the planned update to the national reserve supply system.
11. This activity will address recommendation 2 in the report.

**Monitoring and review of DHB plans**

12. DHBs have responsibilities under the Civil Defence Emergency Management Act (2002) and the Ministry's accountability documents (Operational Policy Framework and Service Schedule) to have health emergency plans in place. The Ministry will engage with DHBs to re-establish a nationally consistent process to ensure that DHB health emergency plans are current, meet the minimum planning requirements and align with national plans and policies.
13. This activity will address recommendation 1 in the report.


**Updating the national PPE procurement strategy and governance**

14. In response to the report, the Ministry is establishing a governance framework with clear roles and responsibilities to determine and agree on the criteria for the management and purchasing of critical medical supplies, including PPE.
15. The roles and responsibilities will include a national procurement coordination function performed by NZ Health Partnerships Ltd, with oversight, strategic direction, monitoring and funding continuing to be provided from the Ministry. The coordination function will be reviewed after four months to assess its effectiveness and to amend the model as required.
16. In addition, the Ministry is:
  - a. working with regional DHB Chief Financial Officers, NZ Health Partnerships Ltd and regional procurement leaders to strengthen the short-, medium- and long-term procurement strategies and plan for the active and reactive management of critical medical supplies (including PPE), which we anticipate will be completed by the end of July
  - b. working with DHBs and procurement category leads to implement a reporting structure that will provide clarity on inventory forecasting and support better quality sourcing
  - c. reviewing processes for sourcing and defining acceptance criteria of products given the increasing global reports about non-compliant PPE.
17. This activity addresses recommendations 4, 7 and 10 in the report.

## Updating the national reserve supply system

18. The Ministry is reviewing the national reserve supply system, which spans policy and scope of the national reserve supply, supply item requirements (types, specifications, size and volume), procurement and management.
19. The review will reflect the lessons learned from the response to COVID-19 and include consideration of:
  - a. the range of PPE items required be held in the national reserve
  - b. the types, specifications and sizing requirements for each identified item
  - c. the volume required to meet forecast requirements.
20. National reserve system stock levels for each item need to reflect the known supply chain risk and the anticipated demand during an emergency. National reserve system levels will be reviewed on an ongoing basis to ensure the levels are set on the latest information and demand calculations.
21. A national reserve system inventory model has been developed that can account for PPE demand from within the health system and people providing essential services during an emergency. It is a demand-based inventory model that can set inventory at an agreed level for a specified period.
22. We will continue to work with stakeholders to refine the model and begin to replenish the reserve, based on a revised operating model as described below. Once refined, the model will be applied by the central coordination function.
23. In addition, the Ministry will work with DHBs and users to agree the size and fit, and specifications of the PPE held in the national reserve system. Ongoing review of PPE will take place to ensure it meets current and future needs.
24. This activity will address recommendations 3b and 6 in the report.

## Management of the national reserve

25. section 9(2)(f)(iv)  

26. Based on the recommendations made in the report, the Ministry intends to create an iterative stock rotation supply model for PPE that operates at a national level which addresses inventory management, stock rotation and obsolescence management.
27. To ensure ongoing readiness of the supply, the national reserve of PPE will be part of the overall DHB inventory and managed centrally using inventory management principles to maintain the appropriate levels.
28. PPE will be rotated where possible, mitigating the impacts of aging, damaged, or expired stock. Regular cycle counting will ensure inventory accuracy, condition and expiry meet expectations. The distribution network will be designed to accommodate the national reserve inventory, facilitate normal demand, deal with surges created through an emergency, and facilitate the distribution of the national reserve supply to all needing PPE during an emergency, including essential workers outside of the health sector.

29. We accept the need to regularly report to the public on the national reserve system. The process for how this would happen is still to be developed, meanwhile we will continue to report regularly on correct PPE stocks and expected supplies.
30. This work will address recommendations 2, 5, 7, 8 and 9 in the report.

### **Clinical guidance**

31. We are currently working through how recommendation 3a will impact future clinical guidance. Progress on this recommendation will be provided as part of future updates.

### **Equity**

32. During the COVID-19 response, a national approach to PPE ordering and distributing PPE was established and managed by the Ministry. This national system also included access to the national reserve supply of masks, when appropriate.
33. To ensure equitable access to a constrained mask supply, five categories were determined for prioritisation:
  - a. DHBs
  - b. Non-DHB publicly funded health services e.g. general practices, community pharmacies, aged care and residential services
  - c. Non-DHB privately funded health services
  - d. Non-health emergency services
  - e. Non-health essential workforce.
34. The recommendations made in the report will provide a basis for the Ministry to continue to further strengthen equitable access to PPE in the event of a national emergency.

### **Next steps**

35. The Ministry will continue to work with stakeholders to develop and finalise these proposals over the coming months. Given the likely scale of some of the proposed changes, Cabinet endorsement may be required. Further information can be provided on request. In any event, we will provide an update on the progress to strengthen the systems and processes that support the continuity of supply of PPE and improve our preparedness for any future events by the end of August 2020.

Dr Ashley Bloomfield  
Director-General of Health

**Ministry of Health**

## Appendix 1 - Recommendations

1. The Ministry of Health regularly review district health boards' health emergency plans to ensure that they are complete, up to date, and consistent with each other and with the Ministry's overarching Emergency Plan. The plans need to be kept current and tested regularly;
2. The health emergency planning framework contain specific guidance about responsibilities for procuring and distributing personal protective equipment;
3. (a) The Ministry of Health and district health boards, with appropriate health and disability sector representatives, review how clinical guidelines for personal protective equipment will be prepared or amended and consistently communicated during emergencies.  
  
(b) The Ministry needs to ensure that demand forecasting, supply, and procurement are updated to take account of changes to guidance that have an effect on demand;
4. The Ministry of Health consider whether the roles, responsibilities, coverage, requirements, and planning assumptions for maintaining the national reserve of personal protective equipment are clear and remain appropriate;
5. The Ministry of Health work with other government agencies to determine how workers and providers not currently covered by the national reserve of personal protective equipment access it in the future and clarify roles and responsibilities for this change;
6. The Ministry of Health regularly reassess assumptions for the categories and amount of personal protective equipment to be held in the national reserve;
7. The Ministry of Health implement a centralised system for regular public reporting on the national reserve and implement periodic stocktakes to confirm the accuracy of the data and the condition of the stock;
8. The Ministry of Health reintroduce a requirement for district health boards to manage national reserve stock in such a way as to reduce the risk of stock becoming obsolete;
9. The Ministry of Health, in collaboration with district health boards, prepare more detailed operational plans and processes that describe how the national reserve system should operate (including distribution mechanisms) and test these as part of future national health emergency exercises; and
10. The Ministry of Health and the district health boards strengthen the procurement strategy by including an analysis of risks to the supply chain and have a plan to address those risks.

## Appendix 2 – Current composition of the National Reserve Supplies

The Ministry manages and/or controls several reserve supplies for use in an emergency. Some of these are held locally in DHBs and others are held centrally by the Ministry.

National reserve supply items	Stored locally by DHBs	Stored centrally by Ministry
Respiratory personal protective equipment (P2/N95 masks, general purpose [surgical] masks)	√	√
Other personal protective equipment (aprons/gowns, gloves, eye protection, hand sanitiser)	√	
Clinical equipment (syringes, IV access and fluids)	√	
Antiviral medication - Tamiflu	√	√
Antiviral medication - Relenza		√
IV antibiotics	√	
H5N1 pre-pandemic vaccine		√
Vaccination supplies (sharps bins, syringes)		√
Body bags		√