Tertiary Education Commission
Te Amorangi Mātauranga Matua

Aide-Memoire: University of Waikato and Waikato DHB proposal for a third New Zealand Medical School

To:	Hon Paul Goldsmith, Minister for Tertiary Education, Skills and Employment
From:	Deirdre Marshall, Acting Deputy Chief Executive - Operations, Tertiary Education Commission
Date:	19 January 2017
Reference:	AM/17/00011

Purpose

1. The purpose of this Aide Memoire is to provide you with more information on the Waikato Medical School proposal.

2. This Aide Memoire:

   - summarises the University of Waikato/Waikato DHB proposal (the Waikato proposal) to establish a third New Zealand medical school; and
   - provides information about the current New Zealand medical schools and their position regarding the Waikato proposal.

3. You are meeting with Professor Harlene Hayne, Vice-Chancellor of the University of Otago (Otago) when you visit the University on Wednesday 25 January 2017. We have provided separate advice to you in preparation for that meeting (B/16/01238 refers). Note that it is likely that Otago's views on the establishment of an additional medical school will be raised at that meeting.

The Waikato proposal

The Waikato proposal is a four-year, graduate-entry medical school programme

4. In the last quarter of 2016, the University of Waikato (Waikato) and the Waikato District Health Board (DHB) submitted a joint business case to Hon Steven Joyce, then Minister for Tertiary Education Skills and Employment, proposing to establish a new medical school. The proposed programme is a four-year graduate entry programme with students able to enter from any prior degree programme providing they meet academic and dispositional criteria.

5. In addition, the focus will be on accepting students keen on rural practice, and likely to continue to practice within the region (or within other rural areas in New Zealand). It is envisaged that many of these students will be Māori, reflecting the demographics of the Waikato region.

6. The new school would be based in Hamilton, with clinical education and training centres located throughout the central North Island. This will enable students to undertake a high proportion of clinical placements in community settings outside the main centres.

7. The Waikato proposal specifies enrolling up to 60 students a year from 2020. Waikato and the DHB are hoping to secure capital funding from the Crown to finance the school with operating revenue coming from TEC funding. Over a 10-year period, capital expenditure is estimated to be between $58m and $70m, and operating expenditure between $142m and $240m.

8. The proposed model is based on established Community-Engaged Graduate Entry Medical Education schools such as the Northern Ontario School of Medicine (NOSM) in Canada and Flinders University in Australia.

9. These Schools instil students with a sense of community responsibility and connectedness through clinical placements in remote rural settings with significant opportunities to interact with the community. In addition, student recruitment takes into account factors that indicate students are more likely to seek rural practice including coming from a rural background, and having an early interest in rural practice.

10. Representatives of the University and the DHB have met with both Minister Joyce (B/16/01142 refers) and Rt. Hon. John Key (B/16/01202 refers) to discuss the proposal.

The rationale for the School is to address the shortage of rural practitioners in the medical workforce

11. Waikato and the DHB indicate there is currently a shortage of rural GPs and associated specialities. Therefore, student recruitment at the Waikato school would focus on selecting students who from the outset are more likely to choose rural practice.

12. The Waikato proposal indicates that New Zealand imports around 1,100 doctors per year to meet its medical workforce needs. These doctors comprise around 60% of the psychiatry, palliative medicine, obstetrics, rehabilitation, and elderly care workforce.

13. The proposal also notes that only 15% of current medical school graduates elect to enter general practice with the result that around 60% of GPs outside metropolitan areas are either locums, or recruited from overseas. Despite this, around 25% of rural GP positions are unfilled and with 40% of existing GPs set to retire by 2025, there are risks that rural areas will be further under-served.

14. It is noted that Health Workforce New Zealand remains unconvinced by the need for a third medical school. It queries the need for more doctors to be trained in NZ, and the ability of this type of programme to address the issues of difficulty in attracting and retaining rural GPs.

Current medical provision

Current medical school provision is delivered by the Universities of Auckland and Otago

15. The Universities of Auckland (Auckland) and Otago both offer six-year medical programmes primarily focussed on enrolling school-leavers. At both universities, prospective medical students enrol in a Bachelor's qualification in their first year, along with students seeking admission to other aligned programmes such as pharmacy, dentistry and physiotherapy.

16. The first-year acts as a 'weeding-out' process to ensure students progressing to the medical programme are academically equipped. Following this, successful students continue for a

further five years to complete their medical qualification, which includes several clinical placements. The final year of study is the Medical Intern year in which students complete a preparation year of clinical attachments – learning the skills to become a house surgeon.

17. There is a graduate entry pathway at both universities where those who already have an undergraduate degree start at the second year. About 30% of students commencing the second year of the current medical training programmes enter as graduates from another degree programme. Compared to the Waikato proposal, the graduate pathway at Auckland/Otago involves an additional year of study at a cost of approximately $14,600 to the student and $43,000 to Government (per EFTS).

18. In 2015, Auckland delivered over $44.5 million (approximately 1,100 EFTS) and Otago delivered over $52 million (approximately 1,300 EFTS) SAC3+ funded provision in years 2-6 of the Bachelor of Medicine/Bachelor of Surgery qualification. This adds to costs for previous years, either through the first year of medical study, or a previous qualification.

The impact on existing provision is likely to be on the availability of clinical placements rather than demand for places

19. Medical provision is considered high-cost and the amount of delivery is therefore capped on the first-year EFTS intake. The cap currently sits at 565 SAC 3+ funded EFTS. Auckland and Otago work together to agree the distribution of the cap. Applications to Auckland and Otago far exceed the number of places.

20. Whilst not affecting demand for places, increasing the existing EFTS cap may affect the availability of clinical placements in public hospitals. The Waikato proposal involves providing additional funding and support for community based-placements for students – thus creating more overall placements. However, there are still likely to be some placements required (particularly at hospital level) which are currently used by Auckland and Otago schools. Waikato DHB has already informed the Auckland Medical School that if the Waikato proposal is successful, it will look to reduce the number of Auckland students undertaking clinical placements in its hospitals.

21. Auckland and Otago already report difficulties in securing enough clinical placements for their students. One of the issues behind this appears to be funding, and the demands on already busy practitioners resulting from having students in their practice.

Auckland and Otago oppose the establishment of a third medical school

22. The Deans of the Auckland and Otago Medical Schools wrote to Minister Joyce on two occasions regarding the Waikato proposal. The first letter (August 2016, M/16/00944 refers) indicated that a third school will bring increased pressure on the number of clinical training placements available to students.

23. The letter highlighted that the universities are addressing issues with the medical training pipeline that have been identified in the Waikato proposal as follows:

- There is a graduate entry pathway at both universities.
- Both universities operate a Rural and Regional Admissions Scheme that aims to attract students from a rural background. The Universities report that 50% of students admitted under the scheme move into rural practice, but it is not known how long they stay. Both universities have established training options in rural and regional settings and report a significant number of students undertaking these options. Although there remain problems with rural practice.
- Auckland and Otago operate Māori and Pasifika preferential admission schemes. Both Universities are now preferentially enrolling Māori at demographic equity with a completion rate of over 90% and report similar success for Pasifika.

24. The letter also noted that Health Workforce New Zealand has increased funding for GP training and indicate that there are approximately 40% more students undertaking GP training in 2015/16 compared to 2012/13.

25. The second letter (October 2016) reiterated Auckland and Otago's commitment to educating New Zealand's medical workforce and included a letter from the Waikato DHB regarding reducing the number of clinical placements available for Auckland students if the Waikato proposal is successful. Officials and advisors from the relevant Ministers' Offices met with the Deans following this letter (B/16/01276 refers).

There have been other attempts to establish a third medical school, but they were not successful

26. In the mid-1990s the University of Canterbury (UC) and Otago proposed establishing a joint graduate entry medical school in Christchurch to be operated in parallel with the existing programmes. The proposal included a reduced time graduate entry programme similar to that of the Waikato proposal, but did not have the focus on GPs and rural health. Otago subsequently decided to consolidate its medical training within its existing facilities and programmes and the proposal was not formally submitted for consideration of funding.

27. In 2013 Victoria University of Wellington (VUW) presented Minister Joyce with a business case for a new graduate medical school, targeting both domestic and international (Malaysian) students (B/13/00622 and B/13/00252 refer). The Ministry of Health advised that current and future numbers of medical student places were appropriate for New Zealand's short-term and long-term needs. The issue of access to clinical placements was also raised.

28. The VUW proposal was not supported because it was considered that there was no compelling rationale to justify creating third medical school, the Ministry of Health advised that current and future numbers of medical student places were appropriate for New Zealand's short-term and long-term needs, and the proposal did not show sufficient evidence of the school's future sustainability and alignment to regional and national needs.

29. These proposals were both for a "generalist" medical school, as compared to the particular focus the Waikato school is proposing.

Initial views on the Waikato proposal

The initial proposal needs to be further developed in line with Better Business Case (BBC) requirements before it can be considered for funding

30. The TEC has reviewed the proposal and considers it has some merit as it provides a different and innovative approach to medical education, focussing on general practitioner training and rural health. It also seeks to address a much discussed issue - the ability to attract and retain doctors in rural and provincial areas. Minister Joyce indicated he would like to give the proposal further consideration.

31. Our initial view (B/16/01142 refers) is that given the amount of capital funding sought, the Waikato proposal should be further developed to meet the requirements of an Indicative Business Case (IBC) under Treasury's Better Business Case guidelines. Typically an IBC is required for initial consideration by Ministers and if Ministers are interested in progressing the proposal further, the IBC would be developed into a Detailed Business Case.

32. There are five main areas we recommend are addressed in developing an IBC:

    - engagement with government, regulatory and health organisations, iwi and the community (e.g. the Ministry of Health, Health Workforce New Zealand, the Royal College of General Practitioners, the Medical Council, neighbouring DHBs etc) should be

undertaken to reach a common understanding of health workforce issues and their likely solutions;

- a full financial case is required which provides greater detail on the quantum of funding sought and its form. It should also identify all potential sources of financing such as leveraging the balance sheets of the University and Waikato DHB, borrowing, public-private partnerships etc;
- the long term affordability of the programme for the University needs to be addressed looking at recent financial performance, current assets (cash, buildings etc), and a 10-year financial model to assess the affordability and sustainability of the proposal;
- a stronger management case should be included that outlines a high-level project plan describing the critical pathway from conception to implementation, and the risks associated with the project; and
- a full consideration of the other options available to address the issues raised in the proposal – i.e. is this the best option to address rural provision?

33. We have drafted a letter (Attachment 1) to be sent jointly from you and the Minister of Health that outlines suggested revisions to the Waikato proposal in order to address the above issues and meet the Treasury's BBC guidelines for an IBC. This letter is currently being reviewed by the Ministry of Health.

Next Steps

34. We understand that the Deans of the existing medical schools at the Universities of Auckland and Otago may be eager to meet with you to discuss Waikato's proposal. If you do wish to meet with the Deans we would recommend you first meet with the representatives of the University of Waikato and Waikato DHB.

35. If a revised business case is developed, it should undergo an independent quality assurance (IQA) review with the final report made available to agencies. This is a similar process used for other major capital development proposals in their early phases.

36. If an Indicative Business Case is submitted, the TEC can lead work with the Ministry of Health, Treasury, MoE and DPMC to assess the revised business case and the IQA report and provide advice to relevant Ministers accordingly.

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Deirdre Marshall

Acting Deputy Chief Executive, Operations,

Tertiary Education Commission

19 January 2017

Hon Paul Goldsmith

Minister for Tertiary Education, Skills and Employment

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Attachment 1 – Draft letter to University of Waikato/Waikato DHB

[Date]

Professor Neil Quigley
Vice Chancellor
University of Waikato
Private Bag 3105
HAMILTON 3240

Dr Nigel Murray
CE Waikato District Health Board
Private bag 3200
HAMILTON 3240

Dear Prof Quigley and Dr Murray

Business case for the proposed third medical school in the Waikato region

Thank you for providing us with your business case for a proposed new medical school and for initial discussion held on 17 October 2016. We were encouraged by the innovative solution to training more General Practitioners address to the needs of rural communities in the Waikato region.

We would like to give your idea further consideration. For this, we expect the business case to be developed further. In particular:

1. Make it into an Indicative Business Case, following the Treasury's Better Business Case guidelines. This requires that the proposal would be further developed in a number of specific areas.

2. Given that several organisations will have a strong interest in your business case, I would like you to engage deeply with the relevant government, regulatory, and health organisations (e.g. the Ministry of Health, Health Workforce New Zealand, the Royal College of General Practitioners, the Medical Council, and neighbouring District Health Boards). The purpose of the engagement would be to try to reach a common understanding of the workforce problem in New Zealand. This may require some modification of your long listed options and subsequent analysis. This should be reflected in the Indicative Business Case.

3. The revised financial case should provide much greater detail on the quantum of funding being sought, and the nature of that funding. It should also identify all potential sources of financing such as leveraging the balance sheets of the University and Waikato DHB, borrowings, public-private partnerships, etc.

4. Long term affordability also needs to be addressed for both the University and the DHB. This analysis should look at recent financial performance, current assets (cash, buildings etc.), and a 10 year financial model. This should be used to assess the affordability and sustainability of the proposed model.

5. A stronger management case should be included that outlines a high-level project plan describing the critical pathway from conception to implementation, and the risks associated with the project.

The TEC will be in contact to discuss the next steps with you, and will be able to help facilitate engagement with the other government agencies with an interest in the proposal.

The revised business case should then undergo an independent quality assurance (IQA) review and the subsequent IQA report made available to government. We expect you to discuss the terms of reference for the review and the selection of a suitable IQA provider with TEC officials.

We wish you all the best with these next steps and look forward to hearing from you again in due course.

Yours sincerely

Hon Paul Goldsmith

Minister for Tertiary Education, Skills and Employment

Hon Dr Jonathan Coleman

Minister of Health

Cc: Rt Hon Jim Bolger, Chancellor, the University of Waikato
Cc: Mr Robert Simcock, Chair, Waikato District Health Board