



## Tertiary Education Report: Proposed response to the business case for a new medical school in the Waikato region

<b>Date:</b>	28 October 2016	<b>TEC priority:</b>	Medium
<b>Security level:</b>	In Confidence	<b>Report no:</b>	B/16/01163
		<b>Minister's office No:</b>	

ACTION SOUGHT		
	Action sought	Deadline
<b>Hon Steven Joyce</b> Minister for Tertiary Education, Skills and Employment	<p>Agree to respond to the University of Waikato and the District Health Board suggesting they develop the proposal further.</p> <p>Agree to share this briefing with the Minister of Health.</p>	
<b>Enclosure:</b> No	<b>Round Robin:</b> No	

CONTACT FOR TELEPHONE DISCUSSION (IF REQUIRED)				
Name	Position	Telephone		1st contact
Tim Fowler	Chief Executive	s9(2)(a)	s9(2)(a)	
s9(2)(a)	Special Advisor, Chief Executive's Office	s9(2)(a)	s9(2)(a)	✓

THE FOLLOWING DEPARTMENTS/AGENCIES HAVE SEEN THIS REPORT						
<input type="checkbox"/> CERA	<input type="checkbox"/> DPMC	<input type="checkbox"/> ENZ	<input type="checkbox"/> ERO	<input type="checkbox"/> MBIE	<input checked="" type="checkbox"/> MoE	<input type="checkbox"/> MFAT
<input type="checkbox"/> MPIA	<input type="checkbox"/> MSD	<input type="checkbox"/> NZQA	<input type="checkbox"/> NZTE	<input checked="" type="checkbox"/> TEC	<input type="checkbox"/> TPK	<input type="checkbox"/> Treasury

<b>Minister's Office to Complete:</b>	<input type="checkbox"/> Approved	<input type="checkbox"/> Declined
	<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 Withdrawn

## Recommendations

---

**Hon Steven Joyce**, Minister for Tertiary Education, Skills and Employment

*It is recommended that you:*

1. **agree** to suggest to the University of Waikato and the Waikato District Health Board they further develop and refine their proposal and produce an Indicative Business Case.
2. **agree** to share this briefing with the Minister of Health.
3. **note** the Prime Minister is meeting the University of Waikato and the Waikato DHB to get an update on the medical school proposal on Thursday, 3 November. We will provide your office with a background briefing for forwarding to the Prime Minister.



**Tim Fowler**

Chief Executive, Tertiary Education Commission

27 October 2016

**Hon Steven Joyce**

Minister for Tertiary Education, Skills and Employment

\_\_\_ / \_\_\_ / \_\_\_

## Purpose

---

1. The purpose of this briefing is to seek your agreement to the proposed response to the receipt of the business case for establishing a third medical school submitted by the University of Waikato (Waikato) and the Waikato District Health Board (DHB).
2. Overall, we think the business case has some merit in that it provides a different and innovative approach to medical education, focussing on General Practitioner training and rural health. It seeks to address a much discussed issue - the ability to attract and retain doctors in rural and provincial areas.
3. However, the business case needs to be developed further in several areas. These are outlined later in this briefing. Given the likely scale of government investment implied in the proposal, we need to ensure that we balance investing in innovation with investing in affordable and sustainable initiatives.
4. We recommend you share the briefing with Hon Dr Jonathan Coleman, Minister of Health.
5. Note the Prime Minister is meeting the University of Waikato and the Waikato DHB to get an update on the medical school proposal on Thursday, 3 November. We will provide your office with a background briefing for forwarding to the Prime Minister.

## Background

---

### **You recently discussed the proposed new medical school with Waikato and the DHB ...**

6. Last week we provided you with an initial assessment (B/16/01142 refers) of the business case for establishing a third medical school for your meeting on 17 October 2016 with Professor Neil Quigley, Vice-Chancellor of the University of Waikato; Waikato DHB Chief Executive, Dr Nigel Murray; and Minister of Health, Dr Jonathan Coleman.
7. At this meeting, you and Minister Coleman indicated that the business case would be given further consideration.

### **There are existing medical training programmes at the Universities of Auckland and Otago...**

8. Both Universities of Auckland and Otago offer medical training. At both universities, prospective medical students undertake their first year in health sciences along with other students seeking admission to other programmes such as pharmacy and physiotherapy in their second year.
9. Following their first year in health sciences, successful students continue on for a further five years to complete the Bachelor of Medicine and Bachelor of Surgery (MB ChB). The fourth and fifth years are clinical training years, with much of the training delivered through supervised work placements, while the final year is an apprenticeship-style year known as the Trainee Intern year.
10. There is a graduate entry pathway at both universities for those who already have an undergraduate degree in another field. Successful applicants usually enter the second year of the training programme to complete the five years MB ChB programme.
11. Appendix 1 presents the scale of the government investment in the existing programmes in 2016.

### **The proposed new medical school in the Waikato region differs from the existing programmes ...**

12. The proposed new medical programme differs to the existing programmes in that it is a four-year graduate entry programme with entry criteria based on recruiting students with academic strength who also, from the outset, are more likely to choose rural practice. The new programme also intends to reflect the demographics of the region with a high percentage of Māori enrolled.
13. The design of the proposed programme is largely complementary to the existing programmes in that it will focus on attracting a different cohort of students (i.e. those who already have a qualification and have chosen to pursue a medical career later in life).
14. There is strong emphasis on rural practice and specialities in which Waikato and the DHB indicate there are currently shortages. The new programme will be primarily delivered in Hamilton, but have clinical education and training centres throughout the central North Island to enable students to undertake a high proportion of clinical placements in community settings outside the main centres.

### **There have been previous proposals to establish a third medical school which have not been supported.... but these were both more 'standard' programmes.**

15. In the mid-1990s, the University of Canterbury (UC) and the University of Otago proposed establishing a joint graduate entry medical school in Christchurch. This was designed to be operated in parallel with the existing programmes. UC was going to teach the base science courses, with the Otago Medical School in Christchurch picking up the clinical training. The reduced time graduate entry programme was similar to that planned in the Waikato proposal. But in other respects it was standard medical training, and did not have the focus on GPs and rural health that the Waikato proposal does. However, the University of Otago subsequently decided to consolidate its medical training within its own existing facilities and programmes. Therefore, this proposal was not formally submitted to the government for consideration.
16. In 2013, Victoria University of Wellington (VUW) presented you 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). At the time, there was no compelling rationale to justify the creation of a third medical school in New Zealand. 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. There was also an issue with access to clinical placements. The TEC advised that the proposal did not provide sufficient justification for the development for a third medical school and raised many broader risks that would require significant mitigation.

### **The business case is based on Treasury's BBC guidance but requires further work ...**

---

17. Our initial assessment (B/16/01142 refers) of the business case indicates there is further work required before the business case can be considered for capital and operational funding from the government. The business case broadly follows the Treasury's Better Business Case (BBC) guidelines. It appears to fit somewhere between a Strategic Assessment and an Indicative Business Case (IBC). Typically, an IBC would be required before Ministers could make a decision whether or not Waikato should proceed to the next stage of developing a Detailed Business Case.

18. To summarise our initial assessment, there are five main areas we would recommend be addressed in a revised business case:

- The revised version should be consistent with Treasury's BBC guidelines for the development of an **Indicative Business Case**, and this includes stronger economic case i.e. analysis of competing / existing programmes.
- The revised version should reflect the outcomes of **deeper engagement with all 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 DHBs) to reach a common understanding of the workforce problem in New Zealand and of the likely solutions. Deeper engagement with Iwi and local communities should also be undertaken.
- 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 the Waikato DHB, borrowings, public-private partnership etc.
- **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.
- 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.

## Proposed response to the proposal

---

**We recommend that you write to both parties suggesting the proposal be further developed...**

19. Given the merits of the proposal, and the gaps in the business case list above, we recommend that you write to the University of Waikato and the DHB to suggest they revise the business case to ensure it addresses the above issues and that it follows the Treasury's BBC guidelines for an Indicative Business Case. The draft letter is attached (Appendix 2).

20. The revised business case should then be subjected to an independent quality assurance (IQA) review at Waikato's and the DHB's expense. We would like to have input to the terms of reference for the review and the selection of the IQA provider with Waikato and the DHB. The IQA review report should also be made available to government. This is a similar process used for other major capital development proposals in their early phases.

**The TEC will then work with relevant government agencies to review the revised proposal and IQA report...**

21. The TEC has established an internal working group to manage the next stages of this work.

22. The TEC can assist Waikato and the DHB to coordinate meetings with the relevant government departments in the first instance, to deepen their engagement and ultimately reach a common understanding of the workforce problem in New Zealand and the likely solutions. We would suggest that the University and the DHB present to a senior officials group in the first instance.

23. Once a revised Indicative Business Case is produced. The TEC can 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. The TEC is happy to take the lead on this work.

## Appendix 1: Medical training pathways at the Universities of Otago and Auckland – data for 2016

Medical pathway years 1-6	Medical undergrad 1st year national EFTS CAP split	Learner Count	EFTS	SAC funding rate	SAC
<b>University of Auckland</b>					
Year 1*	257	511	228.50	\$12,798	\$2,919,037
Years 2 and 3		522	520.25	\$36,139	\$18,801,315
Years 4, 5 and 6		656	651.67	\$42,622	\$27,775,321
Trainee intern year (year 6)		220	NA	\$26,756	\$5,886,320
<b>University of Otago</b>					
Year 1**	282	4,019	3205.74	\$12,798	\$41,028,730
Years 2 and 3		570	555.75	\$36,139	\$20,084,249
Years 4, 5 and 6		823	777.75	\$42,622	\$33,149,261
Trainee intern year (year 6)		276	NA	\$26,756	\$7,384,656
<b>Total</b>	<b>539</b>	<b>7,597</b>	<b>5,939.66</b>	<b>\$236,630.00</b>	<b>\$157,028,889</b>

Note \* Year 1 includes all students undertaking the first year in a Bachelor of Health Science (i.e. including those who wish to pursue medical training in their second year)

Note \*\* Year 1 includes all students undertaking the first year in a Bachelor of Science (i.e. including those who wish to pursue medical training in their second year)

## Appendix 2: Draft letter to Waikato and the 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 providing us with your business case for a proposed new medical school and for discussing it with myself and the Hon Minister Coleman. I was encouraged by the innovative solution to training more General Practitioners to address to the needs of rural communities in the Waikato region.

I would like to give your idea further consideration. For this, I 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. I expect you to discuss the terms of reference for the review and the selection of a suitable IQA provider with TEC officials.

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

Sincerely,

**Hon Steven Joyce**

Minister for Tertiary Education, Skills and Employment

Cc: Rt Hon Jim Bolger, Chancellor, the University of Waikato

Cc: Mr Robert Simcock, Chair, Waikato District Health Board