Aide-Mémoire

Health New Zealand
Te Whatu Ora

Health in All Policies

Due to MO:	5 September 2024	**Reference**	HNZ00061614
To:	Hon Dr Shane Reti, Minister of Health		
From:	Dr Nick Chamberlain, National Director, National Public Health Service		
Copy to:	N/A		
Security level:	In Confidence	**Priority**	Routine
Consulted	Public Health Agency, Ministry of Health		

Contact for further discussion (if required)			
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Dr Nick Chamberlain	National Director, National Public Health Service	S(9)(2)(a)	x

Attachments	
Appendix 1:	Examples of the Health in All Policies and public health approach in Canterbury and Auckland
Appendix 2:	Draft Framework for the application of Health in All Policies

Purpose

1. You have requested information regarding Health in All Policies and how it is applied by Health New Zealand, and its relationship to government policy.

Executive Summary

2. Health in All Policies is an internationally recognised and widely used public health approach to ensure that public health considerations are included in policy and decision making. This is in recognition of the fact that many levers for health outcomes sit outside the health sector: education, employment, housing, transport and climate account for the majority of health loss, but when strengthened, these social determinants of health also provide a significant opportunity to improve health outcomes.

3. The Government Policy Statement on Health 2024 – 2027 (GPS) describes addressing the social determinants of health by partnering and influencing across sectors nationally, and with communities at a local and regional level. A Health in All Policies approach enables this wider approach to public health outcomes to be formalised, embedded and actively pursued in policy making.

4. The Health in All Policies approach is currently used by public health teams within the National Public Health Service in Health New Zealand. It is developed and implemented at local and regional levels, led by public health practitioners working with local government agencies and other local partners. Public health teams play an important role in providing public health advice and recommendations on policies, plans and statutory documents with the potential to impact public health, such as planning consents, and Long-Term Plans.

5. A key focus for a Health in All Policies approach is relationship management and stakeholder engagement, with activities including:

    - developing partnerships with regional and local councils, schools, community bodies, police and sports clubs
    - developing formal partnerships with Iwi-Māori Partnership Boards to ensure Māori perspectives on public health interventions form part of policy decisions
    - collaborating on statutory plans and policies with local government to ensure negative public health impacts are mitigated, and positive health impacts are supported
    - working with retailers, schools, hospitals to ensure modifiable risk factors for health are addressed.

6. There is work underway to agree a formalised Health in All Policies approach within the National Public Health Service. This will drive enhanced national consistency and also help ensure the Health in All Policies approach is aligned to current government policy and expectations. A formalised framework will also enable improved oversight of any submissions made to local Government bodies to ensure any contentious issues with high public interest are elevated to senior leadership.

Overview

Health in All Policies is an internationally recognised approach to public health

7. Health in All Policies, also known as HiAP, is an internationally recognised and widely used public health approach to ensure that health considerations are included in policy and decision-making.

8. It is estimated that 45 – 60% of health outcomes are attributable to social and environmental determinants of health.[1] Specifically, these outcomes are influenced by living conditions and a broad range of factors, including the natural, built, social and economic environments in which people live, as well as availability and promotion of products and behaviours that are detrimental to health (such as tobacco, alcohol, gambling and processed food). The following diagram (Figure 1) is a representation of this concept.

Figure 1. Determinants of health and wellbeing in our neighbourhoods (Barton and Grant, 2006)[1] [2]

9. This model demonstrates that some of the biggest challenges in health involve multiple interacting causal factors and are not the responsibility of a single government department or organisation. The HiAP approach recognises that a collaborative and multisectoral approach is necessary and effective because many levers for health outcomes sit outside the health sector.[3] At the local government level this includes factors such as environmental health, water management, food safety, emergency response and health protection.

[1] Donkin A, Goldblatt P, Allen J, et al. Global action on the social determinants of health *BMJ Global Health* 2018;3:e000603.
[2] Barton, H. and Grant, M. (2006) A health map for the local human habitat. The Journal for the Royal Society for the Promotion of Health, 126 (6). pp. 252-253. ISSN 1466-4240 developed from the model by Dahlgren and Whitehead, 1991
[3] World Health Organization. Key learning on Health in All Policies implementation from around the world – Information Brochure. Geneva, Switzerland: World Health Organization; 2018

10. The definition of HiAP currently used in New Zealand is based on a 2013 World Health Organization definition, adapted for our context as below:

    Health in All Policies is a structured approach to working across sectors and with communities on public policies. It promotes trusting relationships and engages stakeholders to systematically take into account the health implications of decisions. Health in All Policies seeks synergies and avoids harmful health impacts, in order to improve societal goals, population health and health equity.

How we implement Health in All Policies in New Zealand

11. A 1998 Ministry of Health report on the Social, Cultural and Economic Determinants of Health recommended that action on determinants had benefits for reducing health inequalities, economics and for wider society. This reinforced the value of public health as an essential feature of New Zealand's health system.

12. Since then, the health sector has been through a series of system changes and reform, but public health activities – including using HiAP – remains critical to achieving positive health outcomes for New Zealand. Today HiAP is implemented through the Public Health Agency (PHA) and the National Public Health Service (NPHS).

The role of the Public Health Agency and the National Public Health Service in implementing HiAP

Public Health Agency

13. The PHA, as part of the Ministry of Health has responsibility for policy, strategy and regulation for public health, and helps ensure the social determinants of health are included in overarching policy settings such as the GPS.

14. Prior to the health reform, the 2016 Public Health Service specifications set out the expectations for the commissioning and delivery of public health services and programmes. These specifications were used to support the commissioning of services to the 12 Public Health Units (PHUs – as they existed at that time). This included the expectation that PHUs work with partners to implement a HiAP approach. While these service specifications are due for review, they remain relevant to Health New Zealand and the NPHS.

15. The PHA will be monitoring NPHS's progress in implementing the HiAP approach, including through the New Zealand Health Plan once published[4], and via opportunities as part of work on the five modifiable risk factors for the NCD Prevention Framework.

National Public Health Service

16. The function of the NPHS is to work with whānau, iwi and communities to create and support healthier communities at a national, regional and local level. Along with public health protection and prevention activities, public health promotion activities form a large part of NPHS work.

17. The NPHS helps ensure the HiAP approach is implemented and operationalised at a

[4] The current draft of the NZ Health Plan refers to 'Health Equity in All Policies' as part of actions for addressing modifiable factors for non-communicable diseases.

local and regional level. This includes establishing and maintaining relationships with local government and other relevant government agencies that influence the determinants of health. The formation of the NPHS has created a significant opportunity to develop a coordinated HiAP approach across the regions. Since the reform, the NPHS has worked to align and share processes across regions within New Zealand, including for HiAP. This is described further in the following paragraphs.

Our current mandate for applying a Health in All Policies framework

18. The HiAP approach is enabled by current health legislation and the Government Policy Statement on Health.

19. The foundation for implementing HiAP comes from the health sector principles in section 7 of the Pae Ora (Healthy Futures) Act 2022. These principles outline how promoting health and wellbeing should be achieved, including that there should be collaboration with agencies and organisations to address the wider determinants of health; and the health sector should undertake promotional and preventative measures to address the wider determinants of health. This ensures consideration of social determinants of health is embedded in overarching strategy and policy documents.

20. The Government Policy Statement on Health 2024 – 2027 (GPS) describes addressing the social determinants of health by partnering and influencing across sectors nationally, and with communities at a local and regional level. Education, employment, housing, transport and climate account for the majority of health loss, but when strengthened, these same factors also provide a significant opportunity to improve health outcomes.

21. The GPS has a focus of improved prevention of non-communicable disease (NCDs), to be achieved by addressing five modifiable risk factors (alcohol, tobacco, physical activity, nutrition, social and environmental factors). This aligns with the aims of the HiAP approach to prevent NCDs by focusing on risk factors inside and outside of the health sector.

HiAP approach enables progress to be made on social determinants within current resourcing

22. The GPS sets clear expectations for health entities to address the unfair differences in health needs and outcomes across New Zealand's population groups. This includes a focus on a social investment approach to support collaboration between health and other supports and services to address the social determinants of health, as well as empowering communities to deliver for their people.

23. Given the fiscal constraints all government agencies are operating under, HiAP demonstrates an opportunity to make progress on health goals without the need for significant investment. It focuses on coordination and planning, partnerships and relationships, along with good cross-agency governance. With the right implementation, initiatives that bring together cross government action, and local cross-sectoral action can bring significant and long-term improvement in population health.

How the NPHS applies Health in All Policies in practice

24. Given the evidence for utilising the HiAP approach as part of public health activities,[5] the HiAP approach is used widely by a range of public health advisors (including clinicians). In practice, it is developed and implemented at the local and regional level, led by public health practitioners working with local government agencies and other local partners.

25. In each of the four regions of the NPHS, there are between 1 and 8 FTEs (depending on the size of the region) who are dedicated HiAP-related resource. We are working to ensure HiAP-related resource is more consistent across regions, drawing on lessons learned in Te Waipounamu, which is considered a centre of excellence in applying the HiAP approach.

26. A key action for the NPHS under HiAP is to build and maintain relationships locally, regionally and nationally, to provide advice on population health impacts. Relationships reduce siloes and allow for better understanding of mutual priorities; allow for more feedback and collaboration on projects – resulting in improved health outcomes.

27. An additional aspect of the HiAP approach is to support community submissions, and on occasion, make submissions on plans (often a last resort), proposals or other documents. Local government submissions are sometimes done at the request of Councils themselves so that a formal record of public health concerns may be captured. Submissions remain an important way to publicly inform the decisions of other organisations, and ensure public health considerations and outcomes are considered when local policy is being developed.

28. However, submissions are only a small part of the work of our NPHS teams. Specific examples of stakeholder engagement at the local level has included working with:

    - councils, schools and iwi to implement smokefree and vapefree policies
    - police, local government and NGOs to strengthen local alcohol policy
    - sports clubs to provide alcohol education around host responsibility
    - hospitals, retailers, schools, local government and other settings to implement healthy food and drink policies
    - local government on policies that support active transport and increase community access to recreation facilities (e.g. development of Ki o Rahi fields, supporting access for people with disabilities).

29. Further examples of how a HiAP and public health approach works at a local level in Canterbury and Auckland are included at **Appendix 1**.

30. The NPHS also contributes to other central government agencies work on policies relevant to public health. These are subject to a formalised process within Health New Zealand, including being coordinated with the PHA and Ministry of Health, and are reviewed to ensure consistency with government policy.

[5] For example, Association of State and Territorial Health Officials. The Value of Health in All Policies [Report]. Arlington, VA: ASTHOS, October 2022.

A framework for applying Health in All Policies

31. There are a number of guides and frameworks for local NPHS teams to ensure that a HiAP approach is explicitly considered and addressed in local plans and policies, but still has national consistency. These include:

    - the Health Impact Assessment guide;
    - the Health Equity Assessment Tool;
    - the Integrated Impact Assessment Model;
    - the Integrated Planning Guide for a Healthy, Sustainable and Resilient Future; and
    - national positions on issues such as alcohol licensing.

32. However, recognising the value and efficiencies to be gained in nationally coordinated, regionally and locally delivered approaches to HiAP, we have been working on formalising the HiAP approach within the NPHS. The intention is to develop a future framework, which is easily understood, disseminated and implemented across regions, to drive enhanced national consistency aligned to government policy and expectations.

33. As a first step, NPHS conducted an internal review (completed in July 2024) which has provided insights on the current approach across the regions and suggestions for future direction. It is clear from this review that some NPHS regions are more progressed in their HiAP approach and have worked hard to develop relationships, training and tools. There is obvious benefit in regions sharing their processes and tools to ensure alignment and consistency across the country.

34. Following on from this review, we have developed a draft framework which guides our national application of HiAP. The attachment at **Appendix 2** is the current draft of this framework to demonstrate work progressed so far. This draft framework outlines how existing approaches to HiAP will be consolidated across regions, and ensure a consistent approach, guided by overarching principles. The framework will also set out expectations and requirements for formal submissions to local government and other bodies. In the process of finalising the framework input will be sought from HiAP practitioners and include consideration of Māori public health perspectives.

Next steps

35. Work to develop a national framework for HiAP will continue and be completed in the coming weeks. You will be kept updated on progress via the Weekly Report.

Appendix 1: Examples of the Health in All Policies and public health approach in Canterbury and Auckland

Canterbury

The HiAP approach in Canterbury has received international recognition by the World Health Organization as an example of local implementation of the approach. The team works towards fostering strong partnerships and collaborating with other sectors to impact health and wellbeing for the people of Waitaha Canterbury, South Canterbury, the Te Tai Poutini West Coast, and the Chatham Islands.

The Canterbury HiAP approach works by developing formal and informal partnerships, collaborating on local plans and policies and building capacity within and outside the health sector. Formal partnerships include:

- *Waka Toa Ora (Healthy Greater Christchurch)* is a health-led cross-sector partnership that has enabled collaborative HiAP work in Canterbury since its initiation in 2005. Over 200 signatories agree to work collaboratively with the understanding that "*all sectors and groups have a role to play in creating healthy cities, whether their specific focus is recreation, employment, youth, environmental enhancement, transport, housing or any other aspect of city life*.' Signatories include government agencies, businesses, not for profits, voluntary sector groups, networks and Residents' Associations.
- *Joint Work Plans* have been in place with the Christchurch City Council and Environment Canterbury since 2012. These are used to plan and monitor collaborative work. These cover a diverse range of topics such as strengthening communities; transport; and supporting healthier homes and environments. Successful projects have included equitable support for home heating solutions leading to improved air-quality, smoke-free policies, encouraging healthier commutes, and exploring the health impacts of climate change to support local planning.
- The *Greater Christchurch Partnership* (Partnership) is a collaboration between health (previously Canterbury District Health Board, now Health NZ), councils, government agencies and iwi. The Partnership is focused on planning and managing the impacts of growth and development on the Greater Christchurch area, including towns in the Selwyn and Waimakariri Districts. The collaboration is based upon a series of key planning documents, including the Urban Development Strategy and the Resilient Greater Christchurch Plan. Recent HiAP work included a wellbeing impact assessment during the development of the Greater Christchurch Spatial Plan and a health analysis during the review of the regional transport plan.

Auckland – Healthy Auckland Together (HAT)

A further example of how an intersectional approach to public health can benefit local communities is the Healthy Auckland Together (HAT) coalition.

HAT is a coalition made up of over 25 partner organisations that include health agencies, local government, NGOs, academic institutions and community groups. HAT partners bring in diverse strengths and work collaboratively to create social and physical environments and systems that enable communities in Auckland to be healthy. The NPHS – Northern Region is a core member contributing to this goal.

The current focus is on physical activity and food environments in line with the five modifiable risk factors but there is also potential to increase the scope into new areas going forward. HAT has a priority focus on equitable outcomes for Māori, Pacific and lower socio-economic communities.

Recent initiatives in the HAT programme include:

- **Wai Auckland Initiative:** A partnership with Auckland Council, Auckland Transport and Watercare encouraging the use of clean and accessible tap water throughout the Auckland region via Refill New Zealand. Successes include:
    - Actively reducing plastic pollution by providing 182 water refill stations across Auckland
    - Publication of the locations of 384 drinking water fountains across the region on the AKL Paths website to enable the public to locate healthy drinking water.
    - Fourteen new fountains installed by Auckland Transport, in addition to 26 new drinking fountains across 22 schools.
- **Good Food Kai Pai initiative**: Supported the development of a guide to facilitate the creation of Healthy Environments for everyone involved in delivering Auckland Council Events. Healthier options were made available at major events like the Diwali, Lantern and Pasifika festivals. More than 292,000 people attend these events each year providing a significant opportunity to normalise healthy options and upskill vendors in preparing and selling nutritious kai.
- **Research Platform:** Organised a platform that connects academic expertise with partners seeking to develop real-world evidence and pursue new opportunities in order to inform policy and its application.
- **Advertising Standards Authority (ASA) Complaints:** Supported communities to identify and submit complaints that breached the ASA guidelines around marketing and healthy food, including around schools and GP clinics.
- **Healthy Food and Drink Policy for Organisations:** Chaired an interagency working group, including Auckland Council and several NGOs, to support organisations in Auckland to implement the Ministry of Health's Healthy Food and Drink Policy for Organisations. These guidelines were also implemented by Auckland Council across their sports and leisure centres.

Appendix 2: Draft Framework guiding NPHS application of Health in All Policies

Framework for applying Health in All Policies in the National Public Health Service

Overall Approach

The National Public Health Service Health in All Policies approach is informed by the World Health Organization Framework for Country Action, adapted for a New Zealand context

Key Principles

In implementing the Health in All Polices approach in New Zealand we are guided by the following principles:

- We are guided by our enabling legislation, the Pae Ora (Healthy Futures) Act 2022 and the Government Policy Statement on Health
- We have an equity/needs-based focus to ensure health disparities are eliminated, including for Māori
- Our work will be whānau and community focused
- Our work will take a consistent approach across New Zealand
- Our work will be evidence-based

Implementation and Delivery

To implement the Health in All Policies approach we will undertake the following activities:

a) Identify all relevant cross-agency coordination mechanisms to influence public health policy, including working with community groups and NGOs

b) Form partnerships and relationships with local government agencies across New Zealand

c) Incorporate health data and best available research into decision-making

d) Commit capacity and resources across all regions to ensure our relationships and partnerships flourish

e) Present written submissions to local authorities on matters relevant to core public health, to influence decision-making

Ensuring Effective Capability

To ensure that we implement our approach in line with our key principles we will:

a) Develop and maintain a clear, implementable New Zealand definition of Health in All Policies

b) Develop and maintain a national NPHS HiAP network with clear objectives

c) Develop proficiency in HiAP tools at a national and regional level

d) Develop HiAP training at a national level, including confirming HiAP as part of the NPHS Capabilities Framework

Oversight and Decision-Making

To ensure appropriate oversight and decision-making in how we implement our Health in All Policies Approach:

a) We will ensure our HiAP approach, including our advice to local government, has visibility at national Health New Zealand leadership levels

b) We will ensure that any public submissions meet a threshold of local public health importance before being prepared, and are done in collaboration with local councils, even when submissions are opposing local proposals

c) We will formally clarify our public submissions are subject to peer and clinical review processes

d) We will ensure each regional leadership team within NPHS has a HiAP lead and champion

e) We will ensure any contentious issues with a high level of public interest are proactively elevated to senior decision-makers and the relevant Ministers.

Meeting Briefing

Health New Zealand
Te Whatu Ora

Meeting with GenPro – 12 September 2024

Due to MO:	5 September 2024	**Reference**	**HNZ00061909**
To:	Hon Dr Shane Reti, Minister of Health		
From:	Martin Hefford, Director Living Well, Commissioning		
Copy to:	N/A		
Security level:	In Confidence	**Priority**	Routine
Consulted	N/A		

Contact for further discussion			
Name	**Position**	**Phone**	**1st contact**
Astuti Balram	Group Manager Primary Care, Living Well	S(9)(2)(a)	
Martin Hefford	Director Living Well	S(9)(2)(a)	**x**

Attachments	
Appendix 1:	GenPro feedback on the capitation uplift (July 2024)
Appendix 2:	Ministerial briefing – Taking Action (June 2024)
Appendix 3:	Four GenPro press releases from the past three months
Appendix 4:	GenPro Financial Analysis and Benchmarking (2024)

About the meeting

Purpose	This is a regular catch-up as part of an ongoing sequence of engagements with representatives from GenPro.
Date	12 September
Time	12.00pm – 12.30pm
Venue	TBA
Attendees	Dr Angus Chambers, Chair Dr Stephanie Taylor, Deputy Chair Mark Liddle, Chief Executive
Officials attending	Martin Hefford, Director Living Well, Commissioning Astuti Balram, Group Manager Primary Care, Commissioning
Media	No media are expected
Talking points	You may want to acknowledge the concerns that have been raised about the adequacy of the annual uplift offer, while reminding GenPro of the fiscally constrained environment that Health New Zealand | Te Whatu Ora (Health NZ) continues to operate in. You could acknowledge the concerns with the capitation model and note that you are expecting advice in the next month on the work that Health NZ is doing around capitation re-weighting. You may want to encourage GenPro to engage with other representative groups on how it might collectively organise a potential pay equity claim settlement.

Background and context

1. This briefing provides you with information to support your regularly scheduled meeting with the General Practice Owners Association of Aotearoa New Zealand (GenPro) on Thursday 12 September 2024.
2. You previously met with representatives from GenPro on 19 February 2024 (HNZ00037750 refers) and 22 April 2024 (HNZ00041948 refers).

Matters for discussion

3. As per previous engagements with GenPro, we expect the discussion topics will focus on funding for primary care (specifically on the FY2024/25 capitation uplift), concerns around service sustainability, and workforce pressures.

GenPro's response to Health NZ's annual capitation uplift

4. Health NZ has recently completed its annual capitation uplift offer process. GenPro (along with others who represent or are part of the primary sector) have raised concerns with the

level of uplift (4% increase in capitation rates plus a 7.76% increase in average allowable fee increases).

5. As you know, Health NZ has looked to target available funding where it is most needed to support primary health care and general practice and, while the annual uplift has not been well received by many in primary care, it is the largest uplift compared to other large community providers.

6. GenPro has shared a copy of its recently updated Financial Analysis and Benchmarking report (undertaken by Grant Thornton) (**Appendix 4**). The key headline from that report is that, while demand for GP services is increasing, funding has historically fallen short of both broader economic and GP specific cost pressures.

7. While we accept the findings of the Benchmarking report at a high level, our view is that the analysis likely slightly understates recent increases as it does not take account of the $31 million nurse disparity adjustment or the $24 million equity adjustor, which together made up a significant additional revenue boost.

8. Through its media releases, GenPro has continued to call for "a significant uplift in funding for primary healthcare and a review of the outdated funding model". In response to the known shortcomings of the capitation model, Health NZ is continuing to work on re-weighting of capitation rates to better reflect patient needs and provide more sustainable services.

9. The capitation re-weighting work within the Primary Care Development Programme is well progressed. Modelling of patient data from PHOs has been completed to understand the costs, utilisation and FTE needed to deliver general practice. A draft report, including initial draft weightings, has been developed and provided to the technical advisory group that is supporting the work. The capitation weightings will be revised following a peer review of the work and feedback from the advisory group.

10. We are planning to brief you in October on the revised weightings and next steps. Options for the redistribution of current capitation funding will be developed and presented to the PHO Services Agreement Amendment Protocol Group (the PSAAP Group) for consideration at the end of October.

Service sustainability concerns raised by GenPro

11. Building on the issues with the level of financial support offered to general practices, GenPro has raised concerns about service sustainability in advance of the FY2024/25 uplift being communicated.

12. In response, we are actively working with our regional colleagues where we become aware of concerns related to specific practices. We are also working collaboratively with General Practice NZ on the development of a primary care dashboard. The intent of the dashboard is to provide critical insights into what is happening in primary care, helping to focus attention on things such as workforce and accessibility issues, patient experience and key health outcomes.

Pay parity and equity

13. While funding for the 2023/24 pay disparity initiative has been uplifted by 2.51% as part of the PHO annual uplift process, GenPro is still likely to raise the issue of the pay gap between nurses employed in general practice and nurses employed by Health NZ.

14. Health NZ meets monthly with employer representatives (including GenPro, GPNZ and Green Cross) of the primary care nurses and administration claims which cover approximately 500 employers.

s9(2)(f)(iv)

16. The large number of employers covered by the claims presents a challenge for the employers to progress the claims due to the significant amount of organising required. In response, the employers have appointed an employment relations specialist, s9(2)(a) to assist with the work.

17. Health NZ has commenced planning to support the employers with settlement to the claim using the guiding principles agreed by Government for the care and support workers. Key to any potential Government contribution to a settlement of the pay equity claims is the availability of robust workforce and financial data to inform the decision. It will be valuable to have you reiterate to GenPro the value of them engaging with Health NZ on making data available.

Other areas of interest for GenPro

18. GenPro is also actively engaged in other PSAAP working groups, including the development of the updates to the System Level Measures programme and an update to the fees review process.

Appendix 1: GenPro feedback on the capitation uplift (July 2024)

Attached as a PDF document

Appendix 2: Ministerial briefing – Taking Action (June 2024)

Attached as a PDF document

Appendix 3: GenPro press releases from past 3 months

Attached as PDF documents

Appendix 4: GenPro Financial Analysis and Benchmarking (2024)

Attached as a PDF document

(Appendix 1 - HNZ00061909)

Briefing Paper

To: Martin Hefford, Director - Living Well, Te Whatu Ora

From: GenPro (The General Practice Owners Association)

Date: 12 July 2024

Feedback on the Proposed Capitation Uplift

Background

GenPro represents just over half of the general practices in Aotearoa who serve more than half of the enrolled population across the motu.

To represent the views of the majority of general practices, GenPro undertook a survey covering each of the proposed changes. Our response rate equals 25% of all contracted providers in Aotearoa. We received a single response per member practice and no questions were skipped.

This paper provides the summary of findings and is submitted under the PSAAP consultation process.

Summary

Overall, the proposed changes are not supported by GenPro.

The ASRFI and Fees Review Process that results from continued underfunding of general practice need to be overhauled. The calculation and ongoing underestimation cost pressures needs to reflect the actual cost pressures if New Zealand is to stabilise and maintain accessible general practice services for all New Zealanders.

The 5.88% ASRFI draft calculation falls well short of actual cost pressures.

The 4% proposed uplift in capitation is wholly inadequate and is rejected by GenPro. This is for both urban and rural practices.

This level of funding will force practices to pass the costs onto patients or to consider cutting services to remain viable. GenPro members are opposed to accepting 4% then expecting patients to pay the shortfall resulting from the inadequate uplift. The ability to shift costs to patients by increasing fees by at least 7.76% does not equate to practices receiving a 5.88% uplift. This theoretical, does not justify a 4% uplift and many practices have signalled that they simply will not receive additional income, just grow unpaid debt as their populations simply cannot afford to pay more.

While maintaining the right to increase fees is supported by GenPro, this is in addition to adequate funding from Te Whatu Ora, not in lieu of it.

The proposed 4% does not reflect Part 2 of Clause F21 of the PHO Services Agreement that states that it is the government's intention to:

a. regularly adjust the amounts payable for First Level Services to maintain the value of those payments; and
b. work with the sector to ensure the sustainability of general practice.

GenPro supports the proposal to allow VLCA practices to charge additional copayments for non-CSC patients, as the current VLCA contract is unfair and does not reflect patient need and circumstances.

GenPro rejects the proposal for zero fee increases for PHO management fees, Services to Improve Access, CarePlus and Health Promotion. This funding (excluding PHO management fees) often finds its way to general practice and therefore not increasing this effectively reduces funding to general practices. Again, this is contrary to the stated intention of the government to maintain the value of payments and work with the sector to ensure the sustainability of general practice.

Feedback & Data

Cost Pressures

Firstly, GenPro members do not agree that a draft ASRFI of 5.88% adequately reflects the cost pressures faced by their practices. The data used is out of date and underestimates the real cost pressures.

All respondents indicated cost pressure figures higher than 5.88%.

92% of respondents indicated that the real cost pressures exceed 10%.

More than 16% indicated that cost pressures at their practice exceed 20%.

More than 60% have cost pressures of 14% or more.

Proposed 4% uplift for First Level Services

This was rejected by 98% of respondents and deemed wholly unacceptable.

In line with the responses on cost pressures, all respondents indicated figures higher than the proposed 4% are needed to provide the funding required.

92% of respondents indicated that they need a funding increase at or above 10%.

More than 25% of respondents indicated that they need a funding uplift of 20% or more.

More than 60% indicated that they need a funding uplift of 14% or more.

Proposed zero increases

The proposal to not increase PHO management fees, Services to Improve Access, CarePlus and Health Promotion was rejected by the majority of respondents.

- 61% are opposed to a zero increase for PHO Management Fees
- 93% are opposed to a zero increase for Services to Improve Access
- 90% are opposed to a zero increase for CarePlus
- 77% are opposed to a zero increase for Health Promotion

Proposal to increase copayment by 7.76% to offset the shortfall in funding

88% of practices are opposed to shifting the cost to patients to offset the difference between a 4% proposed uplift and required funding.

Community Services Card (CSC) and Free U14s funding proposal

There was mixed response from members to each proposal:

- For the CSC, a small majority of 57% rejected the proposal of a 9.8% funding increase and keeping the copayment at $19.50
- For the Free U14s, a smaller majority of 52% accepted the proposal to increase funding by 10.65% and keeping the copayment at zero.

Proposed 4% uplift for Rural Funding

20% of respondents identified as rural practices.

97% of them rejected the proposed uplift of 4%

94% of respondents indicated that they need a funding increase at or above 10%.

More than 31% of respondents indicated that they need a funding uplift of 20% or more.

75% indicated that they need a funding uplift of 14% or more.

Very Low-Cost Access (VLCA)proposals

13% of respondents identified as VLCA practices.

Proposed increase of 9.99% for VLCA practices

There was a 50/50 split in terms of accepting or rejecting the 9.99% uplift.

Proposed option to charge a higher fee for non-CSC patients

69% of respondents supported this proposal.

Briefing Paper

To: Hon. Dr Shane Reti, Minister of Health

From: GenPro (The General Practice Owners Association)

Date: 13th June 2024

Taking Action Survey Highlights

Purpose

The purpose of this paper is to:

- Brief Hon. Dr Shane Reti, Minister of Health, on the key findings from the GenPro Taking Action survey, and
- Do so ahead of it being released to GenPro Members in the interest of no surprises.

Background

The February 2024 survey sought to understand what action, if any, GenPro members were considering as a result of the current plight of general practice.

The survey was sent to core GenPro members, with 193 responses.

Please note: GenPro's role is to advocate on behalf of its members and to provide information and advice to its members. GenPro is not, and will not be, organising any action by its members. GenPro is using the information provided by members to guide the approach GenPro takes to its advocacy. This includes providing the results of the survey to the Minister.

This paper incorporates the responses that have strong themes and provided for indicative results.

Findings

The headline responses are as follows:

1. 72.54% of respondents are considering taking some kind of action.
2. The actions being considered were spread across a variety of options, with respondents choosing more than one action. The most common responses were:
    a. Closing the practice for a day (one off)
    b. Revising the treatment threshold and referring on to secondary care sooner
    c. Withdrawing from the Free U14s scheme
    d. Closing the practice for a half day per week until issues are resolved

e. Ceasing afterhours care and redirect to telehealth

f. Withdrawing from CSC

g. Withdrawing from back-to-back and going private

h. Turning off recalls

i. Submitting clause 14 notifications.

3. The main driver for taking action is funding, with many respondents reporting that they do not see their business as viable in the short to medium term.
4. Workforce was the second driver, but this response is inextricably linked to the lack of funding due to wage costs and affordability.
5. Respondents confirmed that action will not be taken if adequate funding is provided. While undefined, reference was made to the Sapere report commitment by the government.
6. There was a theme of the need for action to be at scale.

Conclusions

There is a strong indication that the majority of respondents will take action if the GP funding shortfall is not addressed in the upcoming budget.

The viability of practices is a continuing major concern.

The actions identified by the respondents are varied, but all are likely to garner significant media attention and impact negatively on patient access in the short term.

An uplift in capitation that is greater than the ASRFI indicated amount may prevent action from being taken.

Next Steps

GenPro will issue the survey report to all members and seek their views on the findings. GenPro will ask for all members and affiliates (which will cover more than 50% of general practices and of the enrolled population of New Zealand) to provide a response on what action they are considering, if any, and when.

This will provide an updated and comprehensive overview of what practice owners are considering.

This follow up survey will be issued post uplift announcement.

Media release from General Practice Owners Association (GenPro)

August 23, 2024

Adequate funding will help end GP shortage and improve patient care

The chronic shortage of general practice doctors will only get worse until the government steps in to fix the main problem – a lack of funding for primary healthcare.

"General practice doctors are overworked and underpaid. They are overworked because there are fewer doctors and higher patient demand. And they are underpaid because New Zealand general practices cannot compete with salaries offered by the public sector, other specialties and overseas," said Dr Angus Chambers, Chair of the General Practice Owners Association (GenPro).

"The key reason for both these problems is the decades-long shortfall in government funding for general practice."

Commenting on media reports saying that New Zealand has a GP workforce crisis that is only expected to deepen, Dr Chambers said that being a GP was a fantastic job with flexibility, interesting work, and the opportunity to form relationships and get unique insights into people's lives. But it needed to be worthwhile.

GPs were dealing with more complex patients and expected to do in 15 minutes what specialists were doing in an hour, Chambers said.

"General practice is an incredibly rewarding job. A specialist GP does great things for the health and wellbeing of communities. GPs make long-lasting connections with their patients and work through complex yet rewarding challenges in helping them manage their health. No workday is the same, GPs are always learning on the job, and have workplace flexibility to be owner, partner or locum, rural or urban, full time or part time.

"It's not about coughs and colds – a GP is a general physician managing complex conditions.

"Despite these upsides, increasing numbers of GPs are facing burnout and leaving the profession. In addition, more than half of all family doctors will retire by 2030, placing increasing pressures on those left to maintain high standards of community healthcare," Dr Chambers said.

Chambers says it's hard for general practices in New Zealand to compete with salaries on offer in public hospitals or overseas. New Zealand GPs were routinely offered jobs with better pay and better conditions in Australia.

GenPro is calling for a significant uplift in funding for primary healthcare and a review of the outdated funding model. Progress in both areas would retain and eventually increase the supply of doctors into general practice, Dr Chambers said.

Angus Chambers, 027 658 5143

Media Release from General Practice Owners Association (GenPro)

August 21, 2024

Tairāwhiti primary care crisis 'the canary in the coal mine'

The crisis in Tairāwhiti primary healthcare is another warning of the looming collapse of primary healthcare in New Zealand unless drastic action is taken, says Dr Angus Chambers, Chair of the General Practice Owners Association (GenPro).

The significant problems in Tairāwhiti were laid bare by Dr Hiria Nielsen, a managing partner of Three Rivers Medical in Gisborne, on Radio New Zealand's Nine to Noon today.

Three Rivers, Tairāwhiti largest practice with 20,000 patients, is closing its books to new patients and no longer opening on weekends and public holidays.

"The issues in Tairāwhiti are being seen in other parts of New Zealand, meaning communities are losing their access to general, injury and mental healthcare."

Dr Chambers said general practice had absorbed decades of underfunding and worked under a flawed funding model, both of which contributed to chronic shortages in specialist GPs and other medical professionals.

GenPro member Three Rivers' closure of its face-to-face after-hours service comes on top of other after-hours services, including in Auckland and Christchurch, stopping or reducing their services.

"The drip is turning to a trickle which threatens to become a torrent."

"Urgent care, the most expensive service to deliver, and most difficult to staff, is therefore the canary in the coal mine, and signals the beginning of wider service closures," he says.

"Health Minister Shane Reti has acknowledged the problems in primary healthcare and says that solutions are on the way, but we cannot wait until the Budget in May next year for a solution. That is too late," Dr Chambers says.

"The government must as a matter of urgency increase its support of primary healthcare, overhaul the current out of date funding model, and help increase the supply of medical professionals to primary healthcare," Dr Chambers says.

GenPro represents more than half of all general practices and over 2.5 million patients in New Zealand. It has nationwide reach combined with clinical expertise and its members are ready to work with the Minister and Commissioner of Health to develop the solutions needed.

Dr Angus Chambers, 027 658 5143

Media Release from General Practice Owners Association (GenPro)

July 14 2024

Fall in primary care enrolments highlights pressures on general practice

Severe funding pressures on primary healthcare providers are making it harder for people to enrol at a general practice, many of which have closed their books to new patients, says the General Practice Owners Association (GenPro).

GenPro estimates the number of people not enrolled in primary healthcare grew by 123,000 people in the first quarter of this year, meaning 290,000 people are not enrolled with their local GP.

The estimates are based on new Health New Zealand Te Whatu Ora data showing primary care patient enrolments falling from 96.8 to 94.4 per cent of the New Zealand resident population in the first quarter of 2024.

"We think that about half of general practices have closed their books to new patients. Without significant change to the way general practices are funded and regulated, we're concerned that more and more people will not be enrolled with a local GP," said Dr Angus Chambers, Chair of GenPro.

Next week Te Whatu Ora will likely confirm a four percent funding uplift for general practices, which pays for about half the cost of a patient consultation.

General practices are constrained from increasing copayments, which pay for the other half of patient fees, by regulations no longer fit for purpose.

The result from many years of cost increases outstripping incomes, combined with a GP shortage, means many general practices have become financially unsustainable, closed, or reduced their services.

Coupled with a growing and ageing population, and higher community health needs, demand for primary healthcare is outstripping supply.

Closure means that communities lose access to mental health, injury and general health care, which is particularly hard in areas where there are no accessible alternatives.

The poor policy settings that are increasing non-enrolment are disproportionately impacting Māori, with the Te Whatu Ora report showing patient enrolment at only 83.9 per cent, a full 12 percentage points lower than other ethnicities.

"The current general practice funding model is broken, and the four percent uplift nowhere near adequate.

"About one in three practices surveyed last year were losing money. Fixing the situation will require investment to retain the shrinking workforce, attract doctors to general practice, and recognise the quality and continuity of care they deliver," Dr Chambers said.

GenPro wants a greater percentage of the $30 billion health budget to be directed to frontline services in primary care. It also seeks an urgent review of regulations which restrict general practices from adjusting their copayments.

For more information:

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GenPro represents General Practice owners. We work to ensure that primary health services are appropriately supported and that general practises are sustainable, so they can focus on providing responsive, patient-centred, high quality health and wellbeing services in local communities.

Media Release: June 19, 2024

Inadequate funding from Health New Zealand puts further pressure on patients

The General Practice Owners Association of Aotearoa New Zealand (GenPro) has firmly rejected the latest funding offer from Health New Zealand, warning that patients will be the ones who feel the pinch.

Health New Zealand this week confirmed that it will increase base level funding by 4% despite the strong messages from the health sector that much more is needed to ensure general practices remain viable and continue to provide services to their patients.

“Effectively, Health New Zealand has shifted the cost of keeping general practice viable onto the patients by underfunding general practices,” said Dr Angus Chambers, Specialist GP and Chair of GenPro, which represents most general practices across New Zealand.

“Practices are facing increasing cost pressures and workforce shortages, and all indications are that a 14% increase in funding is desperately needed to stabilise general practice. Health New Zealand has chosen to increase the base funding by only 4%.”

Despite strong initial feedback from GenPro on the inadequacy of the proposed increase, the offer was confirmed this week, and swiftly rejected by all general practice representatives. Health New Zealand will impose the increase through a compulsory variation to the contract.

“This will impact our most vulnerable communities the most and create further inequity in health outcomes, putting the viability of many practices at risk,” said Dr Chambers.

He said the proposal effectively means that patients will be forced to pay more to fill the gap created by inadequate funding, or general practices will be forced to reduce services to stay viable.

“Many patients are already struggling financially and this lack of investment by Health New Zealand will only add to their woes.”

Increased barriers created by affordability are going to hit the highest-need populations the hardest, furthering unmet need.

“These poor policy settings are causing the worst access to general practice services in memory. Some communities will lose all access to general health services, injury care and mental health care in the coming year.”

Dr Chambers also noted Health New Zealand’s zero investment in Careplus and Services to Improve Access, which are targeted at improving access to care for the most vulnerable and highest-needs patients.

“Under-investment in general practice is a false economy that will result in delayed diagnoses, greater ED attendance and hospital admissions, all of which will cost a lot more than the investment needed to adequately fund a sustainable GP service.

“This increase recognises neither the fragile state of general practices nor the cost-of-living crisis that New Zealanders are facing. Health New Zealand needs to justify its decision.”

-ends-

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Grant Thornton

GenPro

Financial Analysis and Benchmarking Update

August 2024

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Background and Scope

Background

General Practice Owners Association of Aotearoa New Zealand Incorporated ("GenPro") is a body established and mandated to provide formal representation to its members who are owners of General Practice and Urgent Care Centres throughout New Zealand.

GenPro has previously engaged (2023) Grant Thornton New Zealand to conduct financial analysis and benchmarking to produce insights into historic trends for General Practice funding in New Zealand, the current number of GPs compared to other doctors and New Zealand's healthcare spending compared to other OECD countries.

This report is an update with the latest available data.

Scope

The scope of this report & analysis includes:

- An analysis of changes to the Government Capitation Rate[1], Input-cost Related Adjustment Rate[2], the allowable Patient Co-Payment Fee Increase, and CPI[3] over a historical 20-year period.
- A comparison of the change in the utilisation rate of General Practice to the age demographic of New Zealand's population.
- A comparison in the growth in the number of GPs over the last 22 years compared to the growth in the total number of doctors in New Zealand.
- A comparison of the value of New Zealand health funding as a percentage of GDP compared to other OECD nations.

1 Changes to actual Government funding of General Practices through the Capitation system.

2 A weighted measure calculated by Sapere using three healthcare-related cost indices.

3 Consumer Price Index.

Executive summary

Demand for General Practice (GP) services is increasing, yet funding has historically fallen short of both general NZ economic and GP specific cost pressures.

This report analysed the variations in the increases to each of

- the Input-cost Related Adjustment Rate,
- the Patient Co-Payment Fee Increase,
- the CPI rate, and
- the actual increase of Government funding to GPs through Capitation Rate increases.

Analysis showed between 2005 and 2024 increases to the Capitation Rate have fallen short of both the Input-cost Related Adjustment Rate and CPI. The shortfall in Government Capitation funding has led to a greater increase in the Patient Co-Payment.

When comparing the compounded differences in these rates during this period[1], we found:

1. The Capitation Rate has frequently been below the input recommendations. Funding would be **6.9% higher** if the recommended Input-cost Related Adjustment Rate was followed.
2. Had the Capitation Rate changes met CPI, funding would be **3.9% higher**.
3. The Input-cost Related Adjustment Increased 73.6%, while the **Patient Co-Payment fee** rose by **86.4%**, compared to the **Capitation Rate** which rose **62.4%**.

Furthermore, this analysis details:

- The GP-specific Input-cost Related Adjustment Rate has historically not addressed the economy-wide cost pressures represented by CPI and has been slow to respond to spikes in inflation.
- New Zealand's healthcare spend as a percentage of GDP has consistently lagged behind leading OECD nations.
- The demands placed on General Practices have consistently increased alongside growth in New Zealand's aging population.
- Growth in the number of vocational doctors has outstripped growth in the number of GPs.

1 Measured in 2004 dollars.

Executive summary

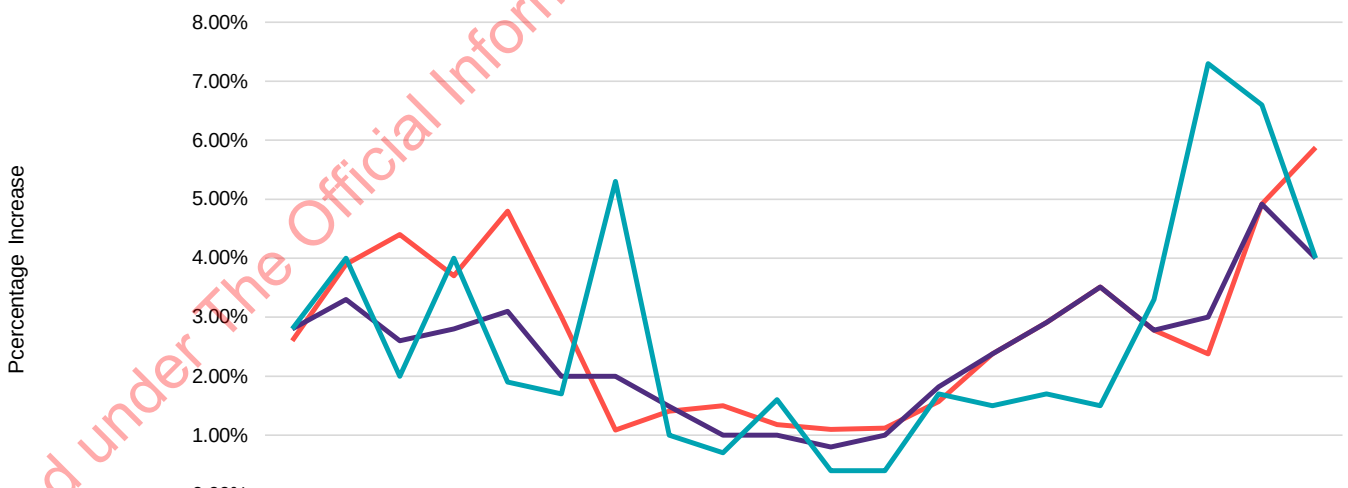
Funding for General Practice in New Zealand has historically fallen short of both the economy-wide and GP-specific cost pressures represented by CPI and Input-cost Related Adjustment Rate respectively.

Actual Government funding increases for General Practice through increases to the Capitation Rate have not kept pace with either the general increase in prices (CPI) or the recommended increases outlined by the Input-cost Related Adjustment Rate.

Furthermore, recent funding increases have not made up for historic shortfalls in funding, whereby the change to the Capitation Rate did not meet either GP-specific or economy-wide cost pressures represented by the Input-cost Related Adjustment Rate and CPI respectively.

This report details the quantum of the funding gap experienced by General Practice arising from the Capitation Rate changes not meeting either of CPI or the Input-cost Related Adjustment Rate when measured over the last 20 years.

Annual changes in Capitation Rate, Input-cost Related Adjustment Rate, and CPI from 2005 to 2024



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Input-Cost Adjustment	2.60%	3.90%	4.40%	3.70%	4.80%	3.01%	1.09%	1.41%	1.50%	1.18%	1.10%	1.12%	1.57%	2.38%	2.91%	3.51%	2.78%	2.38%	4.92%	5.88%
Capitation Rate	2.80%	3.30%	2.60%	2.80%	3.10%	2.00%	2.00%	1.49%	1.00%	1.00%	0.80%	1.00%	1.82%	2.38%	2.91%	3.51%	2.78%	3.00%	4.92%	4.00%
CPI	2.80%	4.00%	2.00%	4.00%	1.90%	1.70%	5.30%	1.00%	0.70%	1.60%	0.40%	0.40%	1.70%	1.50%	1.70%	1.50%	3.30%	7.30%	6.60%	4.00%

3 Analysis

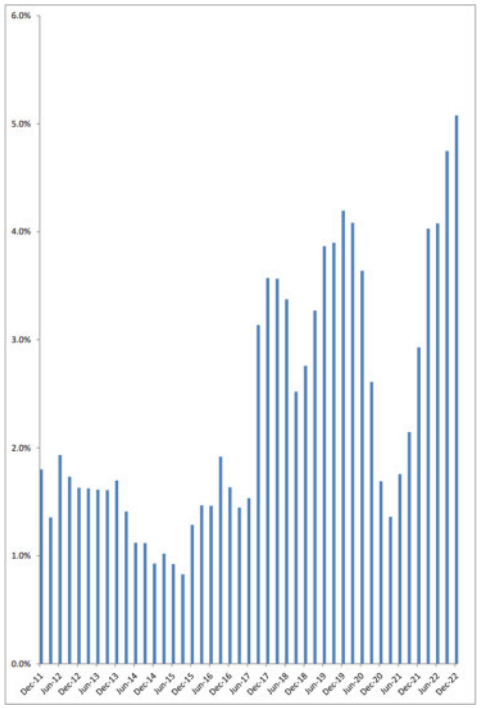
Input-cost Related Adjustment Rate explainer

The Input-cost Related Adjustment Rate is a model designed by Sapere using three indices to approximate the cost pressure impacts faced by General Practice.

The indices used to calculate the input-cost adjustment rate are:

1. **Labour Cost Index** (Health Care and Social Assistance): the cost of wages and salaries for health care and social assistance workers
2. **Producer Price Index**: the change in prices paid by providers of goods and services.
3. **Capital Goods Price Index**: The cost of non-residential buildings, and the cost of plant, machinery and equipment.

This is intended to inform the Capitation rate increase decision made by Te Whatu Ora – Health New Zealand.



Patient Co-Payment Fee Increase explainer

The Patient Co-Payment Fee Increase is calculated based on the Input-cost Related Adjustment, and the Capitation Rate Increase to Government Funding.

The Patient Co-Payment Fee Increase is the allowable increase to the patient co-payment based on the 50/50 split of patient fees and the Government funded Capitation Rate. Following Sapere's calculation of the Input-cost Related Adjustment, and the subsequent Government funding increase through the Capitation Rate, the Patient Co-Payment Fee Increase is determined.

When the Capitation Rate does not meet the Input-cost Related Adjustment, the Patient Co-Payment Fee Increase will be higher to make up for the shortfall (see year 13/14 in the images to the left). In cases where the Capitation Rate is higher than the Input-cost Related Adjustment, the Patient Co-Payment Fee Increase is lower (see year 11/12 in the images to the left).


sapere

Annual statement of reasonable GP fee increases - 2023/24 update

Report prepared for Te Whatu Ora- Health New Zealand

June 2023

	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19
Input-cost adjustment	1.09%	1.41%	1.50%	1.18%	1.10%	1.12%	1.57%	2.38%

	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19
Government adjustment	2.0%	1.49%	1.0%	1.0%	0.8%	1.0%	1.82%	2.38%

	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19
Reasonable fee increase	0.19%	1.34%	2.01%	1.37%	1.40%	1.25%	1.32%	2.38%

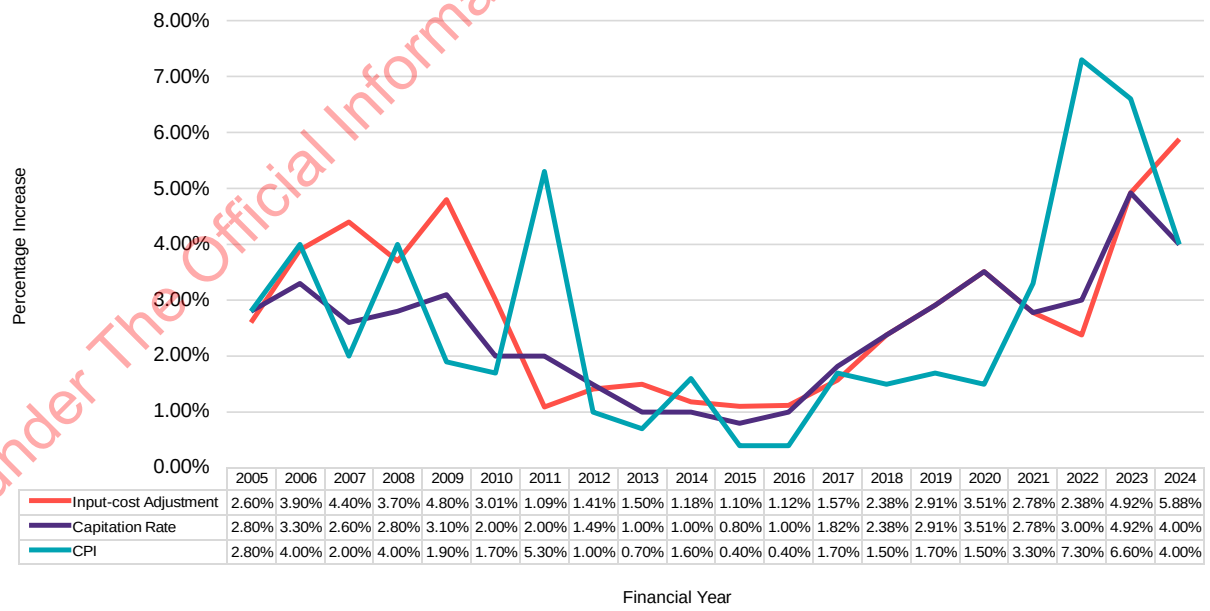
Government funding increases for General Practices have failed to keep pace with both the Input-cost Related Adjustment Rate and the CPI

Actual funding increases through Capitation Rate increases have been inconsistent in meeting either CPI or the Input-cost Related Adjustment Rate between 2005 and 2024.

When measured against each of CPI and the Input-cost Related Adjustment Rate individually (see Slides 9 & 10), increases to the Capitation Rate over time have not covered the cost pressures represented by either index.

General Practice funding would be 3.92% higher had Capitation Rate changes matched CPI, or 6.90% higher had it matched the Input-cost Related Adjustment Rate.

Annual changes in Capitation Rate, Input-cost Related Adjustment Rate, and CPI from 2005 to 2024



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Capitation Rate	2.80%	3.30%	2.60%	2.80%	3.10%	2.00%	2.00%	1.49%	1.00%	1.00%	0.80%	1.00%	1.82%	2.38%	2.91%	3.51%	2.78%	3.00%	4.92%	4.00%
CPI	2.80%	4.00%	2.00%	4.00%	1.90%	1.70%	5.30%	1.00%	0.70%	1.60%	0.40%	0.40%	1.70%	1.50%	1.70%	1.50%	3.30%	7.30%	6.60%	4.00%

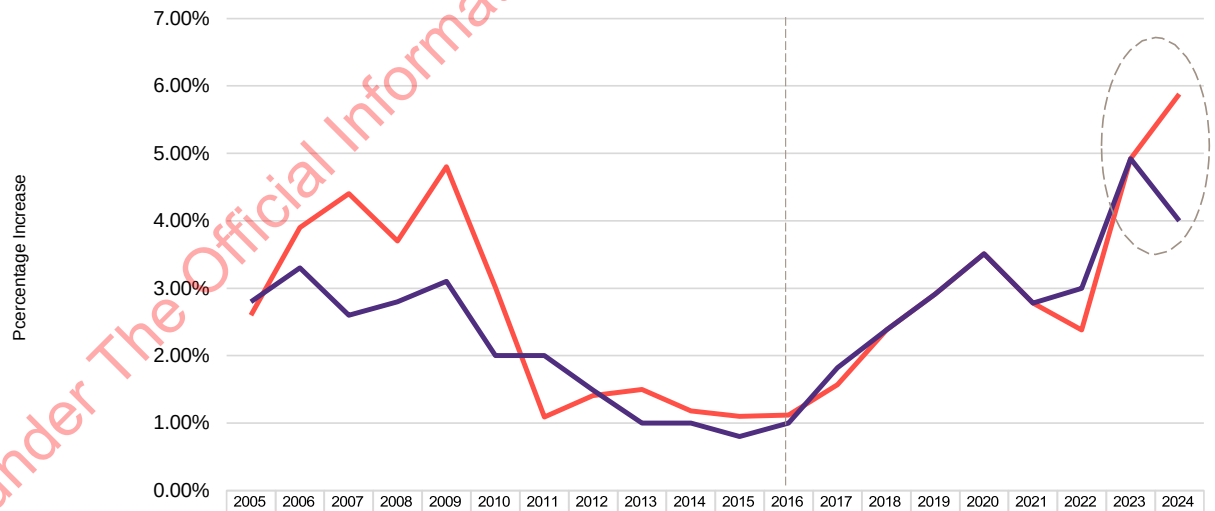
For the first 10 years of the data set, actual funding consistently fell short of what the Input-cost Related Adjustment Rate suggested

Across the 20 years of available data, actual funding increases fell short of the Input-cost Related Adjustment Rate on ten occasions, including most recently in 2024.

On the remaining ten occasions, the Input-cost Related Adjustment Rate was exceeded by Capitation on six occasions and equaled on the remaining four.

Notably, in the 11-year period between 2006 and 2016, funding for General Practices met or exceeded the Input-cost Related Adjustment Rate just twice.

Annual changes in Capitation Rate and the Input-cost Related Adjustment from 2005 to 2024



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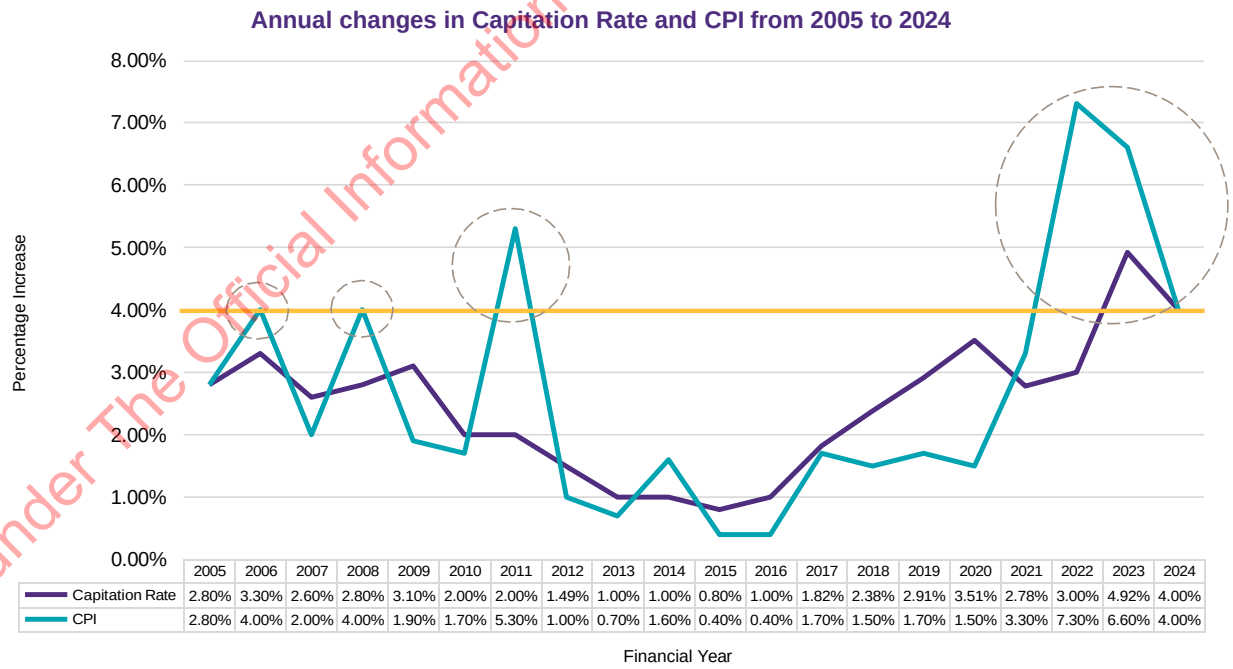
Actual funding increases have failed to keep pace with CPI, especially when CPI changes rapidly

CPI has been 4% or higher on five occasions since 2005, and actual funding increases have been above 4% only once in the same period.

When each figure is measured in 2004 dollars, actual funding increases have cumulatively fallen short of CPI by 3.92%.

Actual funding has decreased over time in relation to the value of a New Zealand dollar. The effect of this is the purchasing power of GP funding has decreased since 2005.



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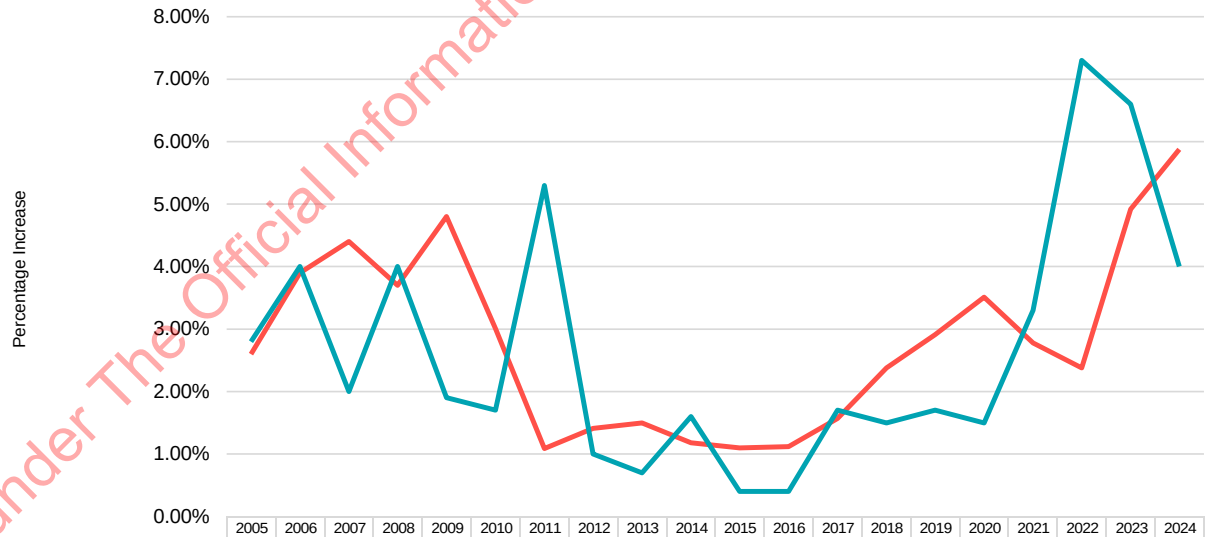
The Input-cost Related Adjustment Rate has historically been slow or unable to respond to spikes in inflation

The Input-cost Related Adjustment Rate responds more slowly than CPI, and with a lag. The result is the suggested funding to GPs is lower than the costs they experience driven by CPI.

This is evident most recently in 2024, where the Input-cost Related Adjustment Rate increased 5.88% following the high CPI rates between 2021 to 2023.

The cumulative increase in the Input-cost Related Adjustment Rate between 2021 to 2024 is 16.8% which is short of the cumulative increase in CPI of 22.8%[1].

Annual changes in the Input-cost Related Adjustment Rate and CPI from 2005 to 2024



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CPI	2.80%	4.00%	2.00%	4.00%	1.90%	1.70%	5.30%	1.00%	0.70%	1.60%	0.40%	0.40%	1.70%	1.50%	1.70%	1.50%	3.30%	7.30%	6.60%	4.00%

1 Figures obtained by using 2021 as a base year and applying the rates of CPI and the Input-cost Related Adjustment Rate between 2021 and 2023.

Shortfalls in Capitation Rate Increases have led to higher Patient Co-Payment Fee Increases

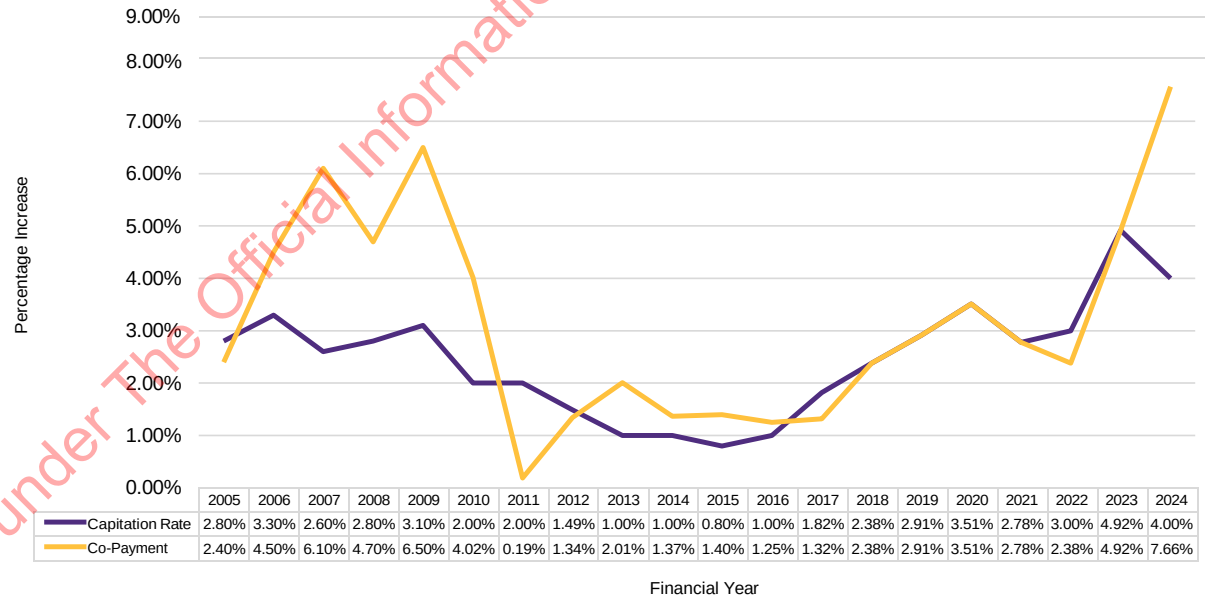
Increases to the Capitation Rate have in many cases fallen short of recommended Input-cost Related Adjustment Rate, leading to larger increases to the Patient Co-Payment Fee Increase

In 2024, the Input-cost Related Adjustment Rate increased 5.88%. The Government's Capitation Rate increase was 4.00%, resulting in a 7.66% increase to the Patient Co-Payment Fee.

Since 2005, Patient Co-Payment Fee increases have exceeded the Capitation Rate increase on 10 occasions. The Capitation Rate has exceeded the Patient Co-Payment Fee Increase only 5 times.

The result of this is that since 2005, the Patient Co-Payment Fee Increase has increased 86.4%, compared to the 62.4% increase to the Capitation Rate.

Annual changes in Capitation Rate and the Patient Co-Payment Fee Increase from 2005 to 2024



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Co-Payment	2.40%	4.50%	6.10%	4.70%	6.50%	4.02%	0.19%	1.34%	2.01%	1.37%	1.40%	1.25%	1.32%	2.38%	2.91%	3.51%	2.78%	2.38%	4.92%	7.66%

1 Figures obtained by using 2004 as a base year and applying the rates of the Capitation Rate and Patient Co-Payment Fee Increases between 2005 and 2024.

Historic underfunding has created pressures

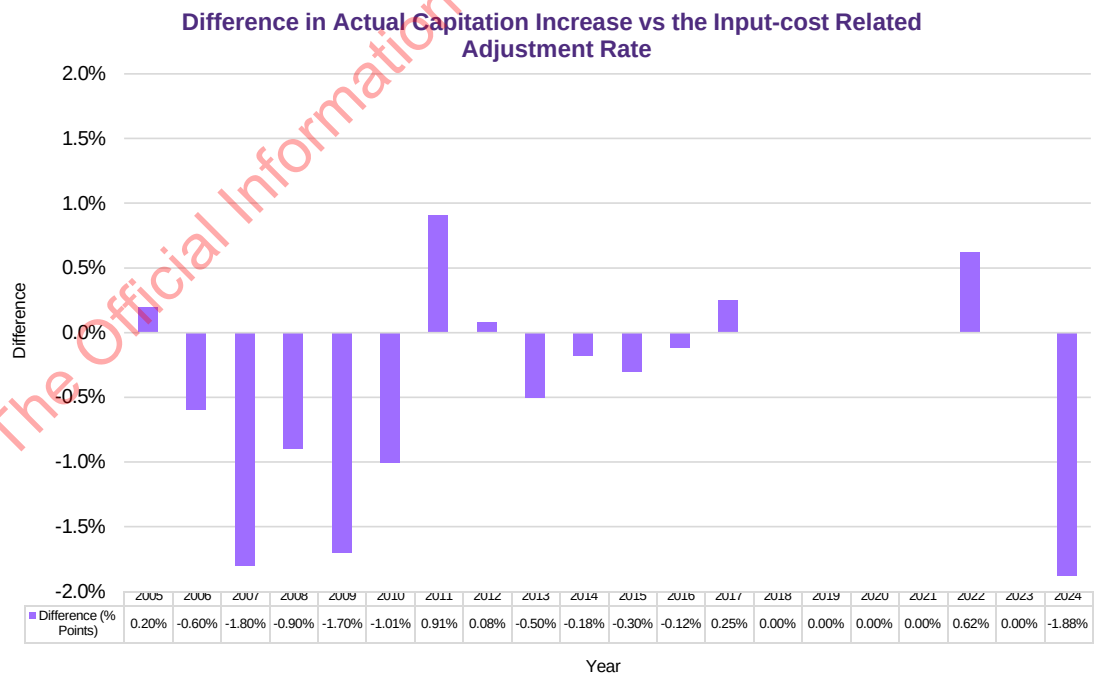
Despite actual funding increases meeting or exceeding the Input-cost Related Adjustment Rate between 2018 and 2023, historic underfunding has caused cost pressures on General Practice that are yet to be corrected.

To demonstrate the impact of actual funding previously not meeting the Input-cost Related Adjustment Rate, the difference between the Capitation Rate and the Input-cost Related Adjustment Rate between 2005 and 2024 is shown here.

As mentioned before, Capitation Rate increases have only been above the Input-cost Related Adjustment Rate increase in five of the last 20 years.

Additionally, Capitation Rate changes fell short of the Input-cost Related Adjustment Rate between 2006 and 2010, and again in 2024 by 1.88%, the largest shortfall in the data set.

The 2006 to 2015 shortfalls have not been made up for in more recent years where Capitation Rate changes met or exceeded the Input-cost Related Adjustment Rate. The cumulative impact of this is detailed on the following slide.

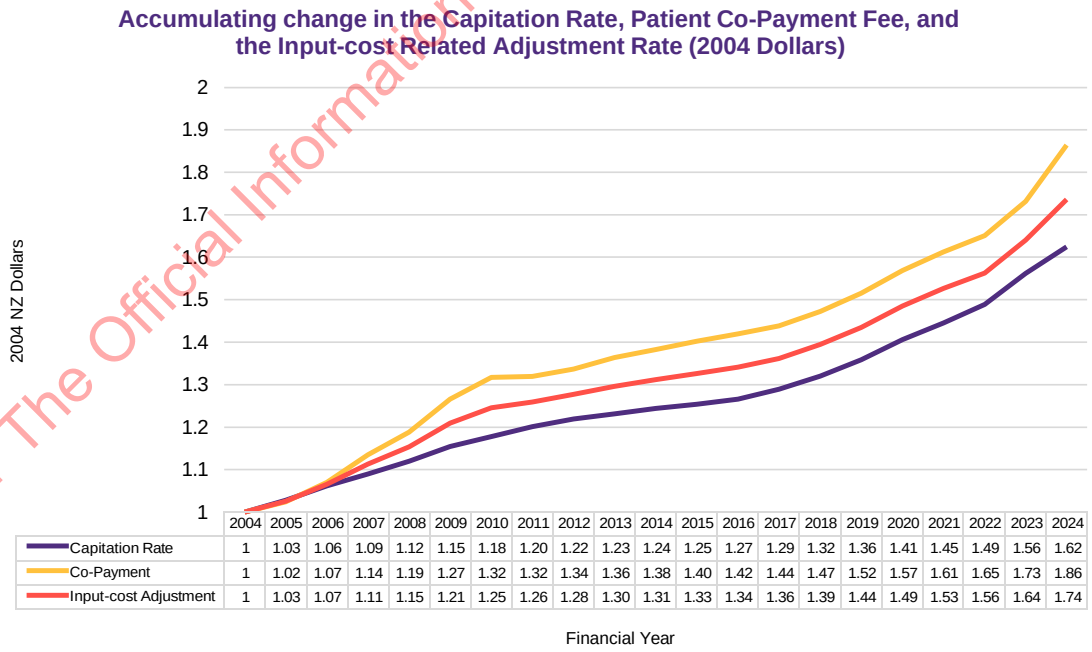


Historic Government funding shortfalls has resulted in patients paying a greater proportion

Indexing the Input-cost Related Adjustment Rate, the Capitation Rate, and the Patient Co-Payment Fee Increase to 2004 dollars demonstrates that over time Capitation Rate increases falling short of the recommended Input-cost Related Adjustment Rate have pushed costs onto patients.

Increases in Government funding fell short of the Input-cost Related Adjustment Rate between 2006 and 2010, 2013 and 2016, and again in 2024.

The compounding effect of this Government under funding is that the actual funding levels through Capitation Rate increases would be 6.9% higher had the recommended Input-cost Related Adjustment Rate been met. This shortfall has been passed onto patients through higher increases to the Patient Co-Payment Fee.



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Capitation Rate	1	1.03	1.06	1.09	1.12	1.15	1.18	1.20	1.22	1.23	1.24	1.25	1.27	1.29	1.32	1.36	1.41	1.45	1.49	1.56	1.62
Co-Payment	1	1.02	1.07	1.14	1.19	1.27	1.32	1.32	1.34	1.36	1.38	1.40	1.42	1.44	1.47	1.52	1.57	1.61	1.65	1.73	1.86
Input-cost Adjustment	1	1.03	1.07	1.11	1.15	1.21	1.25	1.26	1.28	1.30	1.31	1.33	1.34	1.36	1.39	1.44	1.49	1.53	1.56	1.64	1.74

As the New Zealand population ages, the demands placed on General Practice have increased

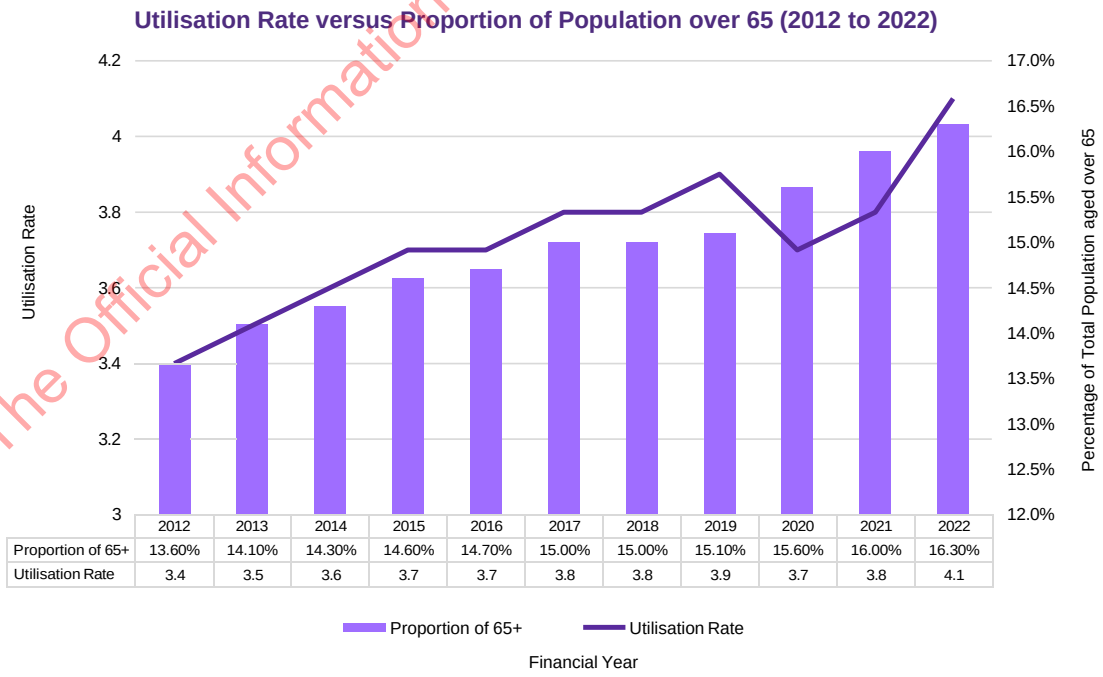
Utilisation rates rose 20.5% between 2012 and 2022. Concurrently, the proportion of Kiwis aged 65 and over rose 19.8%

This graph demonstrates the relationship between New Zealand's aging population (the proportion of the population aged 65 and over), and the rising demand of patient consultations by General Practitioners (referred to as the utilisation rate).

During this period, the utilisation rate increased by 0.7, alongside an increase to the population of New Zealanders aged 65 and over of 237,170. These are increases of 20.5% and 39.3% respectively.

As the proportion of New Zealand's population aged 65 and over has grown, the number of patient consultations GPs handle annually has risen alongside it to meet this high-need proportion of the population.

Notably, in 2023 the proportion of those aged 65 and over rose again, from 16.30% to 16.86%.



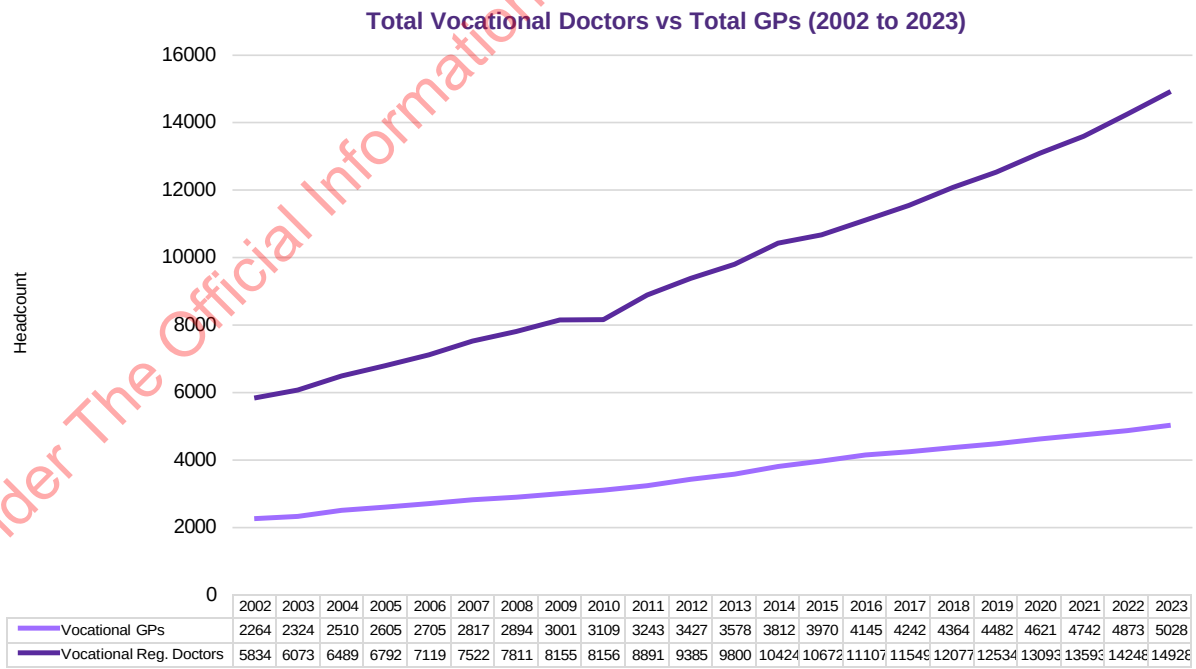
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Proportion of 65+	13.60%	14.10%	14.30%	14.60%	14.70%	15.00%	15.00%	15.10%	15.60%	16.00%	16.30%
Utilisation Rate	3.4	3.5	3.6	3.7	3.7	3.8	3.8	3.9	3.7	3.8	4.1

Growth in the number of GPs is lower than Doctors, and the gap is widening

The total number of vocational doctors is increasing at a faster rate than that of GPs and has been doing so consistently over the last two decades.

In 2002, GPs made up 38.8% of total doctors in New Zealand and in 2023, GPs make up just 33.6%.

This trend is evident when analysing the percentage growth of both total doctors and total GPs. Since 2002, the total number of doctors in New Zealand has risen from 5,834 to 14,928, a rise of 155%. This is a higher growth rate than the 122% rise in the number of GPs from 2.264 to 5,028 over the same period.



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Vocational GPs	2264	2324	2510	2605	2705	2817	2894	3001	3109	3243	3427	3578	3812	3970	4145	4242	4364	4482	4621	4742	4873	5028
Vocational Reg. Doctors	5834	6073	6489	6792	7119	7522	7811	8155	8156	8891	9385	9800	10424	10672	11107	11549	12077	12534	13093	13593	14248	14928

When benchmarked against the leading OECD nations, New Zealand's healthcare funding has historically not kept pace

New Zealand's healthcare spending as a proportion of GDP was compared against the following OECD data:

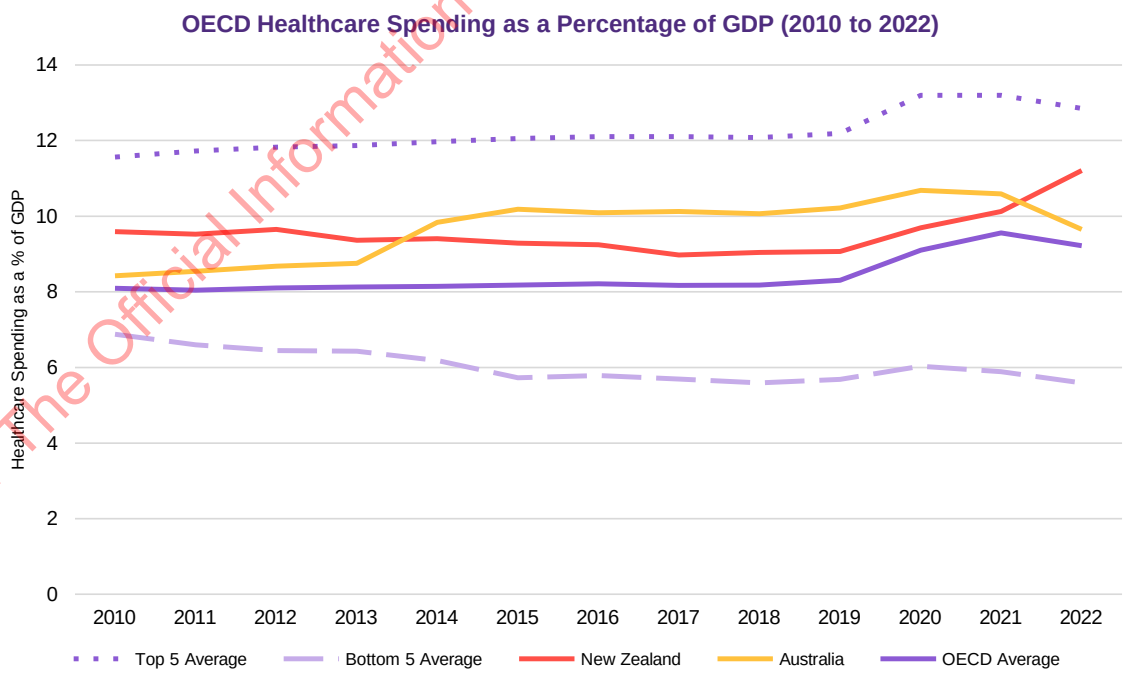
- the 5 highest & lowest nations by percentage spent[1]
- Australia
- The OECD average.

New Zealand's healthcare spend as a percentage of GDP has been lower than the average spend of the top 5 OECD nations. At 11.2% of GDP, New Zealand trails the top 5 OECD nations, who sit at an average spend on healthcare of 12.8%.

NZ's spend as a percentage of GDP trended downwards from 2010 to 2019 and trended closer to the OECD average.

Since 2019 each of NZ, the OECD average, and top 5 rose.

2024 is the first year since 2014 that NZ's spend as a percentage of GDP has exceeded Australia's.



1 Based on 2022 spend data.

4 Appendices

Glossary

Term	Definition
Input-cost Related Adjustment Rate	A weighted measure calculated by Sapere using three healthcare-related cost indices.
Patient Co-Payment Fee Increase	The maximum allowable increase to patient co-payments.
CPI	Consumer Price Index.
Actual Change	Ministry of Health agreed increase to all Capitation rates.
Capitation Rates	Government funding for GPs.
Vocational Doctors	Permanent registered doctors permitting the ability to work independently.
OECD	Organisation for Economic Co-operation and Development.

Data Sources & References

Data source	Graphs where data is used
Actual Capitation Rate, Input-cost Related Adjustment Rate, and Patient Co-Payment Fee Increase Sourced from: • Sapere: Annual Statement of Reasonable GP Fee Increases reports. • PSAAP Final Papers 2022/23 (for updated 2022/23 rate) • Te Whatu Ora Memo on Annual Uplift 2023/24 (for updated 2023/24 rate)	Capitation Rates: Comparison of Actual Capitation Rate, Input-cost Related Adjustment Rate, Patient Co-Payment Increase and CPI changes Capitation Rates: Comparison of Actual Capitation Rate, Patient Co-Payment Increase and CPI (cumulative)
CPI Sourced from: Stats New Zealand: Consumers price index, annual percentage change (Quarterly)	Capitation Rates: Comparison of Actual Capitation Rate, Input-cost Related Adjustment Rate, and CPI changes Capitation Rates: Comparison of Actual Capitation Rate and CPI (cumulative)
GP headcount/FTE data Sourced from: Medical Council of New Zealand	Comparison of vocational doctors and vocational GPs
OECD: percentage of GDP spend on healthcare Sourced from: OECD.Stat – Health expenditure and financing	OECD: Percentage of GDP spent on Healthcare
General Practice Utilisation rates Sourced from: OIA request to Health New Zealand (in 2023)	Comparison of utilisation and population over 65
Population over 65 Sourced from: Infometrics	Comparison of utilisation and population over 65

Aide-Mémoire

Health New Zealand
Te Whatu Ora

Accelerated Procurement Savings

Due to MO:	19 September 2024	**Reference**	HNZ00065594
To:	Hon Dr Shane Reti, Minister of Health		
From:	Andy Windsor, National Director Procurement, Supply Chain & Health Technology Management, Health New Zealand		
Copy to:	n/a		
Security level:	In Confidence	**Priority**	Routine
Consulted	N/A		

Contact for further discussion (if required)

Name	Position	Phone	1st contact
Andy Windsor	National Director Procurement, Supply Chain & Health Technology Management	S(9)(2)(a)	x

Attachments

N/A

Purpose

1. This aide-mémoire is to inform you of a Health New Zealand | Te Whatu Ora (Health NZ) procurement initiative, known as Accelerated Procurement Savings, that commenced in September 2024. This initiative is designed to reduce our external spend on products and services.

Background

2. Health NZ Procurement is implementing a series of accelerated cost saving initiatives to better leverage our national scale to reduce our overall expenditure, delivering more value, faster.

3. We have a commenced a series of Quick Win initiatives to urgently challenge, review

and revise pricing across all supplier agreements, including contracts executed by Pharmac (which is supportive of the Accelerated Procurement Savings initiative).

4. The initiatives include:

   a) *Price variation analysis*: Addressing and harmonising variations in prices paid for the same product across the country.

   b) *Review of tiered pricing*: Adopting a whole of Health NZ approach to volumes within current tiered pricing agreements, thereby reducing overall prices to the lowest tiered level.

   c) *Supplier Day*: Negotiating with suppliers who, based on international benchmarking, have scope to reduce their margins.

   d) *Internal Policy announcements*: Making internal policy decisions to stop or change non-business critical expenditure with immediate effect.

5. Health NZ will be engaging with suppliers starting 19 September 2024.

Underpinning principles

6. The Accelerated Procurement Savings initiative is underpinned by these principles:

   a) decisions about which clinical products to purchase will continue to be made following clinical consultation.

   b) the Quick Wins stage of the Accelerated Procurement Savings initiative is focussed on the price Health NZ pays for those products.

Risks and Mitigations

7. This initiative is explicitly designed to achieve cost savings. As such it may reduce the revenue and/or profitability of a number of our suppliers.

8. It is not our intention to jeopardise the supply of any product through this initiative, and we will be working closely with Clinical Leaders to mitigate such risks.

9. A comprehensive communications plan has been developed and will be shared with your office.

10. We will keep you updated on key developments as the programme rolls forward.