

The Treasury

Budget 2021 Information Release

August 2021

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- [37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
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- [40] Not in scope
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Treasury Report: Briefing for Vote Health Budget 2021 Bilateral Meeting - 15 March

Date:	11 March 2021	Report No:	T2021/383
		File Number:	DH-1-2-3-2

Action sought

	Action sought	Deadline
Hon Grant Robertson Minister of Finance	<p>Discuss the contents of this briefing with the Minister of Health at your bilateral meeting on 15 March 2021.</p> <p>Indicate any changes you would like to make to the recommended Budget 2021 health package.</p>	Ahead of the Vote Health Budget bilateral on 15 March 2021.

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Henry Neas	Vote Analyst, Health	[39]	N/A (mob) ✓
Niki Lomax	Vote Manager, Health		N/A (mob)
Jess Hewat	Manager, Health	[35]	

Minister's Office actions (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: Annex 1: Treasury recommended 'minimum viable' health package

Treasury Report: Briefing for Vote Health Budget 2021 Bilateral Meeting - 15 March

Executive Summary

This briefing is provided ahead of your Budget 2021 bilateral with the Minister of Health on Monday 15 March. We recommend you use this time to discuss the Treasury's recommended 'minimum viable' package for Vote Health.

[34]

We suggest you discuss the following points with the Minister of Health:

- The priority for Budget 2021 should be ensuring that the **Health and Disability System Reform** has the resources it needs to succeed and that critical reform enablers are progressed. The package should include initiatives deemed 'HDSR critical', including investment in implementation of the new system operating model, first steps towards establishing locality networks, additional investment in hauora Māori services and foundational investments in data and digital infrastructure and capability.
- **Critical cost pressures** should be met at a level that supports the health sector through the reforms. Further scaling of the recommended 'minimum viable' package carries risks for service delivery and may undermine implementation of reform.
- All **manifesto commitments** that are not highly time-sensitive should be deferred to future Budgets so that there is room within allowances to prioritise the HDSR critical initiatives and fund critical cost pressures.
- DHBs have **capital intentions** over the next four years exceeding [33]. We have noted long-standing issues with the pace at which health capital projects are delivered. However, there is a clear need to invest, and allocating further capital in Budget 2021 helps spread the costs of capital investment over time and provides a clear signal that projects, such as the major hospital redevelopment in either Whangārei or Nelson, should progress.

The body of this report does not provide detail on all individual initiatives in the package. **Annex 1** provides the Vote team's assessment of each initiative including the key risks of scaling below the recommended 'minimum viable' package.

Recommended Action

We recommend that you:

- a **discuss** the contents of this report with the Minister of Health on Monday, 15 March, and
- b **indicate in Annex 1** any changes you would like to make to the Treasury's recommended minimum viable Budget 2021 package for Vote Health.

Jess Hewat
Manager, Health & ACC

Hon Grant Robertson
Minister of Finance

Treasury Report: Briefing for Vote Health Budget 2021 Bilateral Meeting - 15 March

Purpose of Report

1. You are meeting with the Minister of Health on Monday 15 March for the second Vote Health bilateral for Budget 2021. This briefing is provided to support that discussion.
2. We recommend you use this time to discuss the Treasury's recommended 'minimum viable' package for Vote Health with the Minister of Health and to consider whether you support this package or, alternatively, to indicate any changes you would like to make to it.
3. The body of this report does not provide detail on all individual initiatives in the package. **Annex 1** provides the Vote team's assessment of each initiative including the key risks of scaling below Treasury's recommended 'minimum viable' package.

Vote Health Budget 2021 package – overview

4. ^[34]

Strategic considerations for Budget 2021

5. As highlighted in our advice for the December Vote Health bilateral (T2020/3595 refers), a key challenge in Budget 2021 is striking a balance between constraint within

¹ Figures may not sum due to rounding

the tight fiscal environment, keeping pace with the significant financial pressures in the sector and progressing much-needed sector reforms. DHBs are currently operating with significant deficits (with some requiring large cash injections), and financial risk is exacerbated by the uncertainty of COVID-19 and the transitional period with reform. The health sector is also experiencing other acute pressures for which there is limited discretion over funding short of significant policy decisions to withdraw or scale key services. Given this context, Treasury's key high-level advice for Budget 2021 is to:

- a Position yourself for Health and Disability System Reform (HDSR) by ensuring that the reform programme has the resources it needs to succeed and that critical reform enablers are progressed. We have identified six 'HDSR critical' initiatives that we do not recommend are scaled further than what has been recommended in the Treasury package.
- b Ensure that critical cost pressures are met at a level that supports the health sector through the reforms. As such, we consider the recommended package to be a 'minimum viable' cost pressure package. There are significant risks involved in any further scaling of cost pressure initiatives which are discussed in paragraphs 15-25.
- c Defer all manifesto commitments that are not highly time-sensitive so that there is room within allowances to prioritise the HDSR critical initiatives and fund critical cost pressures.

Health and Disability System Reform

6. The Treasury is strongly supportive of the case for health system reform (T2021/419 refers) and agrees that there is a need to address the governance and accountability issues, inequities, and fragmentation in the current system.

Budget 2021 reform costs

7. There are six HDSR critical initiatives in the Budget process.
 - a *Health and Disability System Review – System Operating Model* (Vote Prime Minister and Cabinet) ([33] average operating per annum and \$0.61 million total capital)
 - b *Health and Disability System Review – Locality Health and Wellbeing Networks and Hauora Māori* (\$43.20 million average operating per annum)
 - c *Health Sector Agreements and Payments Programme* (\$14.18 million average operating per annum and \$59.93 million total capital)
 - d *Investment in foundational data and infrastructure and capability to enable Health System transformation* ([33] average operating per annum and [33] total capital)
 - e *Hira programme* (formerly the National Health Information Platform) ([33] average operating per annum and [33] total capital)
 - f *Accelerating Health Infrastructure Unit work programme* (\$4.24 million average operating per annum)
8. Initiatives (a) and (b) above directly relate to implementation of health reform. It is necessary that the new institutions are set up to succeed, and experience from recent reforms [34] underscores the importance of adequately resourcing the transition and implementation

phases of this work. We have tested costing assumptions within these bids and are comfortable they are broadly in line with those seen with other large reforms. Scaling options are unlikely to be viable and deferring these initiatives would delay implementation of reform.

9. Furthermore, the ambition of health reform cannot be achieved without significant new investment in health digital assets. Initiatives (c), (d) and (e) above aim to ensure that critical digital infrastructure does not fail; and that data and digital infrastructure and capability are in place to support and deliver more value from health reform. The Hira programme (initiative (e)) seeks to provide key elements of the data and digital transformation envisaged by HDSR, including better access to and use of health system data.
10. Foundational data and digital investment (initiative (d)) will help mitigate urgent operational IT risks in the sector from vulnerable legacy systems; lift data and digital maturity; and achieve full benefit from Hira investment. We have proposed scaled funding of \$400m (held in contingency) across the Hira and Investment in Foundational Data initiatives (initiatives d and e above). A single contingency across both initiatives, tightly targeted to the core investment needed for health reforms and underpinned by a health data and digital strategy and implementation plan, is recommended so that potential investments can be further developed and prioritised.
11. Deferring any of these six initiatives would delay or impede the delivery of benefits from health reform.

[33]

12. [33]

13.

Other manifesto commitments

14. Excluding HDSR and *Achieving Smokefree 2025*, we have recommended deferring all the other manifesto commitments submitted in Budget 2021 as they are not time-sensitive. We have recommending progressing the initiative *Achieving Smokefree 2025* as, without immediate significant investment directed at priority groups, Smokefree 2025 targets will likely not be met. However, we recommend scaling this initiative to [33] to help manage pressures on allowances which decreases the likelihood of meeting this target. If you want to progress additional manifesto commitments in Budget 2021, we recommend that these are funded in addition to the HDSR critical and critical cost pressure initiatives.

Critical cost pressures

15. We have supported a large majority of the critical cost pressures submitted. In general, further scaling of initiatives will result in the need to make significant policy decisions to

withdraw or scale key services. Providing adequate cost pressure funding is also a critical enabler to reform. [34]

This represents a 'minimum viable'

package for Budget 2021.

District Health Board operating cost pressure

16. [33] per annum of the operating cost pressure funding recommended is to support DHBs cost pressures and limit deficit growth. The Ministry of Health considers [33] to be sufficient to halt deficit growth in 2021/22 (one-off costs aside), although this would need to be supported by an increased focus on managing DHB financial performance. This includes a need to manage the heightened risk to DHBs over the reform transition period (refer to T2021/493 for further advice on managing these risks).

17. [34]

[33]

However, even if the full [33] is provided, it will be necessary to manage the communications risks with DHBs as this is less than the \$980 million provided in Budget 2020.

18. In the long-term, health reform provides a critical opportunity to reset the funding and budget management settings for the health sector and to address DHB deficits. [33]

Disability Support Services

19. [34]

Further scaling increases the risk of service reductions.

20. The Minister of Health has also submitted an initiative (*Transforming the cross-government disability support system*) to provide ongoing funding to continue and improve the existing Enabling Good Lives (EGL) pilots and to fund the detailed design and development of an implementation plan. Deferring or scaling this funding would not be in line with the Government's strategic direction regarding EGL and, in the case of the design and development work, would delay the nationwide rollout.

21. [33]

Primary, community and public health cost pressures

22. A large proportion of the cost pressure initiatives included in the Budget 2021 package aim to maintain the level of key primary, community and public health services, vital for improving equitable health outcomes.² Scaling, deferring or not funding these initiatives

² See a list of these initiatives in Annex 1 on page 12-15
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risks reducing the level of health services across primary, community and public health. Many providers in this space have signalled that, if full funding is not received, they would need to cut services, request policy setting changes to reduce coverage or not enter contracts due to financial viability concerns. There is also a risk of service disruption (including to the COVID-19 response), government expectations not being met, growing health inequities and rising acute demand.

Other cost pressures

23. [33]

He Ara Waiora – equity considerations

24. Consideration was given to He Ara Waiora when the health initiatives were assessed. Many of the cost pressure initiatives included in this package directly contribute to improving Māori health outcomes, primarily through increasing access to, and participation in, health services. Any further scaling is not recommended, as it risks cutting services, reducing targeted support for Māori and increasing health inequities.
25. The biggest opportunity to address the persistent health inequities is through health system reform, in particular the proposals to establish a Māori Health Authority, strengthen Iwi/Māori Partnership Boards, and provide targeted investment to strengthen hauora Māori capability both within the Māori health provider sector and across the wider health workforce. The proposals offer the potential for a strengthened model for Tiriti-based governance, ensuring that Iwi/Māori exert greater leadership, voice and control over how the health system is configured and how the health services will be delivered to best serve the needs of Māori.

Health physical capital investment

26. We have recommended providing [33] total capital into the Health Capital Envelope for *District Health Boards' Capital Investment*.
27. DHBs recently indicated four-year capital intentions exceeding [33] and ten-year intentions exceeding [33]

a [33]

[33]

b [33]

28. We have noted long-standing issues with the pace at which the health capital projects are delivered. However, we also consider it necessary to manage known capital costs across several Budgets and ensure funding provides the appropriate signals to DHBs and the market. Treasury therefore supports a further [33] to be provided to the Health Capital Envelope through Budget 2021. Business cases would be submitted to you and the Minister of Health for approval before funding could be drawn down. [33]
29. There is a need to ensure that health system reforms deliver a step change in the effectiveness and efficiency of the health capital system. Furthermore, the initiative *Accelerating Health Infrastructure Unit work programme* provides an opportunity to strengthen national oversight and prioritisation of health capital projects, which is essential for a more effective health capital system and will help lay the groundwork for HDSR reforms.
30. Further advice on health capital system settings will be provided to you in the coming weeks, alongside our advice on the New Dunedin Hospital Detailed Business Case.

Talking Points

- The priority for Budget 2021 should be ensuring that the **Health and Disability System Reform** has the resources it needs to succeed and that critical reform enablers are progressed. It is important that the package include initiatives deemed 'HDSR critical', including investment in implementation of the new system operating model, first steps towards establishing locality networks, additional investment in hauora Māori services and foundational investments in data and digital infrastructure and capability.
- **Critical cost pressures** should be met at a level that supports the health sector through the reforms. Further scaling of the recommended 'minimum viable' package carries risks for service delivery and may undermine implementation of reform.
- All **manifesto commitments** that are not highly time-sensitive should be deferred to future Budgets so that there is room within allowances to prioritise the HDSR critical initiatives and fund critical cost pressures.
- DHBs have **capital intentions** over the next four years exceeding [33] Allocating further capital in Budget 2021 helps spread the costs of capital investment over time and provides a clear signal that projects, such as the major hospital redevelopment in either Whangārei or Nelson, should progress.

Treasury recommended 'minimum viable' draft package – Vote Health											
Initiative ID	Priority Area	Initiative title	Department (\$m)			TSY Draft Package (\$m)			Risks of deferring or further scaling	Vote team assessment	Minister of Finance comment
			Annual Opex Average	Opex Total	Capex Total	Annual Opex Average	Opex Total	Capex Total			
		Total	1,511.09	6,044.34	3,424.55	1,235.77	4,943.08	1,018.30			
HDSR-critical											
13221	Manifesto Commitment Source	Health and Disability System Review - System Operating Model (Vote Prime Minister and Cabinet)	[33]		0.613	[33]		0.613	Deferring any of these six initiatives would delay or impede the delivery of benefits from health reform. The top two initiatives in this table are interdependent and are both related to the implementation of health reform. We have scrutinised the costings and believe them to be robust. Experience from other recent reforms [34]	Support in full. This funding will provide for the transition and establishment entities for the new health system operating model. These reforms will reduce fragmentation, strengthen leadership and accountability, address persistent system inequities, and support delivery of a financially sustainable health system. This is the first tranche of funding required for reform – [33] Ministers should note that there are dependencies between the two HDSR Budget initiatives, the other being for Locality Networks and Hauora Māori.	
13223	Manifesto Commitment Source	Health and Disability System Review - Locality Health and Wellbeing Networks and Hauora Māori	43.195	172.781	-	43.195	172.781	-	underscores the importance of adequately resourcing the transition and implementation phases of this work.	Support in full. This funding will provide initial investment to progress reform of primary and community health service delivery/coordination (via Locality Networks), an initial commissioning budget for the Māori Health Authority and funding to build Māori health provider capability and capacity. These elements of reform are critical to delivering the population health vision of the overall reform programme and addressing health system inequities. This is the first tranche of funding required for reform – [33] There are key dependencies between the two HDSR bids, the other being for the System Operating Model.	
13165	Cost Pressure Driver	Health Sector Agreements and Payments Programme	14.178	56.711	59.933	14.178	56.711	59.933	Furthermore, the ambition of health reform cannot be achieved without significant new investment in health digital assets - both to ensure critical IT infrastructure does not fail and to release more value from health data and health expenditure. We are already proposing scaled funding of \$400m (held in contingency) across the Hira and Investment in Foundational Data initiatives. Scaling this contingency further would mean we would have to substantially reconfigure the initiatives.	Support in full in contingency. There is no scope to delay or scale funding, [34] We recommend holding funding in contingency, [33] The Minister of Health is expected to seek Cabinet approval for the Programme Business Case and the proposed funding approach in late March 2021.	
13164	Cost Pressure Driver	Hira programme (previously referred to as the national Health Information Platform)	[33]							Support scaled in contingency (a health data and digital contingency shared by the Hira and Investment in foundational data initiatives). A single contingency across both initiatives, tightly targeted to the core investment needed for health reforms and underpinned by a health data and digital strategy and implementation plan, is recommended so that potential investments can be further developed and prioritised. An assessment and approval process, similar to the current Capital Investment Committee approach, is recommended to review investments once they are developed. A detailed business case for the Hira programme is expected in the coming months.	
13190	Cost Pressure Driver	Investment in foundational data and digital infrastructure and capability to enable Health System transformation	[33]			32.500	130.000	70.000	Finally, not funding the initiative Accelerating Health Infrastructure Unit work programme will delay work to strengthen national oversight and prioritisation of health capital projects, which is essential for a more effective health capital system and will		
13161	Cost Pressure Driver	Accelerating Health Infrastructure Unit work programme	4.240	16.960	-	4.240	16.960	-		Support in full in contingency. Achieving the goals of health system reform will require stronger health service and capital planning and capability at the centre. Current funding is insufficient for this purpose. To maintain consistency with wider system reform as well as confirm costs and feasibility, it is recommended that funding be held in contingency, with drawdown conditional on Joint Ministers' approval of a costed	

Treasury recommended 'minimum viable' draft package – Vote Health											
Initiative ID	Priority Area	Initiative title	Department (\$m)			TSY Draft Package (\$m)			Risks of deferring or further scaling	Vote team assessment	Minister of Finance comment
			Annual Opex Average	Opex Total	Capex Total	Annual Opex Average	Opex Total	Capex Total			
									help lay the groundwork for HDSR reforms.	implementation plan. Information gathered from the proposed asset assessments should be shared with other government entities as appropriate (for example, the Government Chief Digital Officer) and should inform future health service and infrastructure (including digital) planning and funding requests.	
Other Manifesto Commitments											
13180	Manifesto Commitment Source	Achieving Smokefree 2025	[33]						Without significant investment, Smokefree 2025 targets will likely not be met. Scaling decreases the likelihood of meeting this target. [34]	Support in full. This manifesto commitment is time sensitive as, without significant investment now, New Zealand will not achieve the Smokefree 2025 targets. [34] [33] [34] [33]	
Critical Cost Pressures											
District Health Boards											
13158	Cost Pressure Driver	Supporting District Health Boards Cost Pressure	[33]						Scaling this initiative will likely lead to additional deficit growth and increase the need for cash injections in the short-term (further undermining regional equity of funding and risking health sector buy-in ahead of system transformation) [33]	[34] [33] [34]	
13159	Cost Pressure Driver	District Health Boards' Capital Investment	[33]						[34] [33] [34]	Support scaled. DHBs' four-year capital intentions exceed [33] and further funding is needed to enable new health capital projects to progress. Joint Ministers will be asked to agree priority projects and approve business cases before funding can be drawn down. [33] [34] [33,37]	
13174	Cost Pressure Driver	Planned Care Initiative - Cost Pressure	48.620	194.480	-	48.620	194.480	-	Scaling or deferring this price cost pressure would likely result in wait-list growth due to DHBs reducing intervention numbers (with flow on effects for any	Support in full. Funding for this initiative will be used to maintain the existing 84,746 centrally funded Planned Care interventions per annum by addressing the anticipated national price increase. In Budget 2020, District Health Boards received a one-off injection of \$232.5m for planned care catch ups after COVID-19. This one-off did not include funding for price	

Treasury recommended 'minimum viable' draft package – Vote Health											
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			Annual Opex Average	Opex Total	Capex Total	Annual Opex Average	Opex Total	Capex Total			
									remaining COVID-19 wait list catch ups) in order to avoid further deterioration of their financial position.	increases. Scaling or deferring this price cost pressure would likely result in wait-list growth due to DHBs reducing intervention numbers (with flow on effects for any remaining COVID-19 wait list catch ups) in order to avoid further deterioration of their financial position.	
Disability Support Services											
13175	Cost Pressure Driver	Disability Support Services - Cost Pressure	[33]		-	84.400	337.600	-	[34]	Support scaled. We support funding in full the basic price and volume pressure of \$84.4m pa to maintain current service levels. Furthermore, we support funding in full the \$15.4m pa for unfunded cost and wage pressures over the last two years to give providers some relief from their continuing sustainability issues. [33]	
13181	Cost Pressure Driver	Transforming the cross-government disability support system	18.198	72.790	-	18.198	72.790	-	Scaling or deferring this initiative would not be in line with the Government's strategic direction regarding EGL and, in the case of the design and development work, would delay the nationwide rollout.	Support in full. Funding for the existing Enabling Good Lives (EGL) pilots ends after the 2020/21 financial year. This initiative provides ongoing funding to continue and improve the existing EGL pilots, and provides funding for detailed design and development of an implementation plan for national scale expansion of the EGL model. We support funding in full as doing so is in line with the Government's strategic direction with regard to EGL and represents value for money. [33]	
Primary, Community and Public Health											
Public Health – COVID-19 related											
13157	Cost Pressure Driver	Sustainable funding for public health units	[33]			13.315	53.260	-	This initiative is already scaled in the Treasury recommended package. Scaling further would inhibit smooth running of critical public health programmes, including the COVID-19 Immunisation Programme.	Support scaled [33] funding to address price and volume pressures in Public Health Units and provide full funding for public health medicine registrar training to build capacity within the Public Health system. The [33] scaled option recognises the capacity issue in PHUs and the need for more funding this year to ensure that critical public health programmes, including the COVID-19 Immunisation Programme, run smoothly. It also recognises the uncertainty around expectations for PHUs in the context of Health Reform and the role of a future Public Health Agency. This scaled option aims to provide funding at a level which will avoid locking in large numbers of new FTE when future expectations are unclear. Our recommendation supports around 75 of the [33] FTE sought. [33]	

Treasury recommended 'minimum viable' draft package – Vote Health											
Initiative ID	Priority Area	Initiative title	Department (\$m)			TSY Draft Package (\$m)			Risks of deferring or further scaling	Vote team assessment	Minister of Finance comment
			Annual Opex Average	Opex Total	Capex Total	Annual Opex Average	Opex Total	Capex Total			
13182	Cost Pressure Driver	Supporting the National Immunisation Programme	6.258	25.030	-	6.258	25.030	-	If this initiative is scaled or deferred, there is a risk that the programme will not deliver at expected levels. Lack of success in immunisation programmes generally could have adverse flow on implications in a year when the government is trying to achieve a successful COVID immunisation programme.	Support the National Immunisation Programme (NIP) cost pressure to cover existing contracts and provide ongoing funding for the additional MMR vaccination event for 12-month-olds. Since 2012, the Ministry has had to fund core contracts and services from underspends or one-off sources, which they expect to become unsustainable. It is appropriate to realign funding this year to ensure that all immunisation campaigns have the best chance of succeeding at a time when the government is trying to encourage high rates of vaccine uptake (especially for COVID-19). [34] but we support this cost pressure to reduce the risk of any difficulties arising due to insufficient funding.	
Public Health - Screening											
13156	Cost Pressure Driver	Breast Screening Aotearoa (BSA) Critical Infrastructure Replacement	7.468	29.870	25.730	7.468	29.870	25.730	[34]	Support in full. Appropriate 5.353m to support phase 1 of the project, which is establishment and IT design (first half of the 2021/22 financial year) and hold the remainder in a tagged contingency [33] [34]	
13183	Cost Pressure Driver	To address the price, volume, and COVID-19 catch up pressures faced by the National Breast Screening Programme	2.502	10.006	-	2.502	10.006	-	If this initiative is scaled or deferred, there is a risk that service provision may be reduced e.g. policy settings may need to change to reduce coverage to manage within existing funding, support for Māori and Pacific women may be deprioritised, providers may exit the contract due to financial viability concerns and screening may be delayed.	Support in full. This initiative seeks funding to address volume, price, personnel and COVID-19 pressures faced by the National Breast Screening Programme.	
13155	Cost Pressure Driver	Implementing human papillomavirus (HPV) primary screening for the National Cervical Screening Programme (NCSP)	10.243	40.970	12.022	10.243	40.970	12.022	If this initiative is scaled or deferred, the IT system for national cervical screening will remain unsustainable and [34] and the expected reduction in incidence of and mortality from cervical cancer, with particular benefits expected for Māori women, will not be achieved. Progressing only the IT component of this initiative may cost more over the long term and carries workforce risks.	Support in full, funding Phase 1 development costs (\$3.683m operating and \$0.994m capital) up front and holding remaining funding in contingency pending Cabinet approval of the Single Stage Business Case, which is expected this financial year. The initiative will fund a legislatively compliant and sustainable information technology solution that is expected to link to the existing screening platform; and a more effective, World Health Organisation-endorsed screening approach that allows for reduced screening frequency and is expected to help address barriers to screening for Māori women. 20-year costs are estimated at \$31.249 million due to out-year savings in laboratory and IT support costs.	

Treasury recommended 'minimum viable' draft package – Vote Health											
Initiative ID	Priority Area	Initiative title	Department (\$m)			TSY Draft Package (\$m)			Risks of deferring or further scaling	Vote team assessment	Minister of Finance comment
			Annual Opex Average	Opex Total	Capex Total	Annual Opex Average	Opex Total	Capex Total			
13185	Cost Pressure Driver	National Cervical Screening Programme Sustainability	7.055	28.220	-	7.055	28.220	-	If this initiative is scaled or deferred, there is a risk of service cuts as several service providers may exit from the contract in 2021 and policy settings may also need to be adjusted to reduce the number of eligible people. Funding is also critical for implementing the new cervical screening programme.	Support in full. This initiative seeks funding to address the price cost pressures associated with delivering the current National Cervical Screening Programme (NCSP).	
13162	Cost Pressure Driver	National Bowel Screening Programme Implementation Year 4	16.004	64.014	-	16.004	64.014	-	If this initiative is scaled or deferred, there is a risk that timeframes for implementation will not be met and targeted support for Māori and Pacific peoples to access screening will be deprioritised.	Support in full. This initiative is also a time-sensitive manifesto commitment. Funding this initiative will help to improve access to bowel screening for Māori and Pacific peoples aged 60-74 years. We recommend holding a portion of this funding (\$50.6 million out of the \$64.0 million sought) in a tagged contingency until an implementation business case has been approved by Joint Ministers. This is expected to be provided to joint Ministers by the end of March.	
<i>Primary and Community</i>											
13152	Cost Pressure Driver	Primary Care Cost and Volume Pressures	46.652	186.608	-	46.652	186.608	-	If this initiative is scaled or deferred, co-payments may increase, and general practices may choose to opt out of these schemes, reducing access to primary care.	Support in full. Funding for this initiative will enable general practices to continue to provide low-cost primary care to priority populations, by addressing price and volume pressures. It will also enable general practices to keep co-payments below \$20 as requested by the previous Minister of Health for Very Low Cost Access practices and eligible Community Service Card holders.	
13150	Cost Pressure Driver	Continuing Section 88 primary maternity funding to enable ongoing access to free maternity services for NZ women	4.306	17.224	-	4.306	17.224	-	If this initiative is scaled or deferred, there will likely be an inability to maintain the current level and quality of service. Scaling or deferring also poses a risk to the maintenance of a stable maternity workforce, which supports that service level and quality.	Support in full. The price and volume pressure component of this bid supports the continuation of critical maternity services with low barriers to access, supporting positive health outcomes for pregnant people and children. The Business Contribution Funding for one year is an interim measure that has been implemented each since 2018 while work continues towards fair and reasonable pay for Lead Maternity Carers (LMCs). This component supports a stable maternity workforce.	
13160	Cost Pressure Driver	Well Child Tamariki Ora price and volume pressures	4.200	16.800	-	4.200	16.800	-	If this initiative is scaled or deferred, there is a risk that the current level and quality of service provision will not be able to be maintained.	Support in full. This is a price and volume pressure to maintain existing services for the Well Child Tamariki Ora (WCTO) programme, which supports the health and wellbeing of young children and their families. [33]	
13173	Cost Pressure Driver	Strengthening viability and sustainability across the NGOs sector for population health and prevention service delivery	[33]		-	0.844	3.376	-	This initiative has already been scaled. If scaled further or deferred, there is a risk of reduced service provision in terms of scope or geographic coverage of services, including for NGOs which	Support in full. Support the price and volume cost pressure component. [33]	

Treasury recommended 'minimum viable' draft package – Vote Health											
Initiative ID	Priority Area	Initiative title	Department (\$m)			TSY Draft Package (\$m)			Risks of deferring or further scaling	Vote team assessment	Minister of Finance comment
			Annual Opex Average	Opex Total	Capex Total	Annual Opex Average	Opex Total	Capex Total			
									reach vulnerable communities.		
13178	Cost Pressure Driver	Continuing Mana Ake – Stronger for Tomorrow	1.918	7.670	-	1.650	6.600	-	[34]	Support in full. Mana Ake provides mental wellbeing support to children aged 5-12 years in schools across Canterbury. Funding for Mana Ake comes to an end after the 2020/21 financial year. This initiative continues funding for Mana Ake for one more year. Mana Ake is currently being externally evaluated [33]	
13153	Cost Pressure Driver	Improving equitable access to sexual and reproductive health services through Family Planning New Zealand	0.941	3.764	-	0.941	3.764	-	If this initiative is scaled or deferred, there is a risk of reduced service provision (reduce staff numbers, clinic numbers and the scale and quality of services) or increased co-payments, resulting in increased barriers to health care.	Support in full. Family Planning's contract renewals have only included one annual price adjustment since 2011. These services are important for vulnerable groups who are disproportionately affected by sexually transmitted infection and who need access to contraception without increasing costs exacerbating barriers to access.	
Other Critical Cost Pressures											
Ambulance											
13187	Cost Pressure Driver	Supporting Emergency Road Ambulance Services for New Zealand (includes Vote Labour Market funding and funding from ACC levies)	20.758	83.032	-	20.758	83.032	-	Providing funding below the full amount requested will not be sufficient to maintain the current level of service delivery.	Support in full. [38]	
13189	Cost Pressure Driver	Additional funding for emergency air ambulance	4.316	17.264	-	4.316	17.264	-	Scaling or deferring this initiative below the funding sought will incur contractual and legal risks, as well as risks to safety and possible service reduction.	Support in full. This funding is sought to meet the costs of existing contractual obligations. The costs arise from annual fixed cost increases that were not accounted for in baselines and two contractual variations that were made urgently in the 2020/21 year. There is no room to fund this out of baselines.	
Other											
13151	Cost Pressure Driver	Assisted Dying Services / End of Life Choice (EOLC)	[33]	-	-	[38]	-	-	[34]	Support, scaled. This legislation driven cost pressure seeks funding to implement and deliver assisted dying services by 7 November 2021 as specified in the End of Life Choice (EOLC)	

Treasury recommended 'minimum viable' draft package – Vote Health											
Initiative ID	Priority Area	Initiative title	Department (\$m)			TSY Draft Package (\$m)			Risks of deferring or further scaling	Vote team assessment	Minister of Finance comment
			Annual Opex Average	Opex Total	Capex Total	Annual Opex Average	Opex Total	Capex Total			
		Act 2019 Implementation							[34]	Act 2019. The cost of delivering this service is highly dependent on service design. We recommend appropriating only the funding required to undertake the policy work in 2021/22 [38] [33]	
13188	Cost Pressure Driver	Implementing the In-Between Travel Settlement	[33]	-	-	20.456	81.822	-	[34]	Support, scaled. This initiative seeks funding to address the price cost pressures arising from commitments made in the 2015 In-Between Travel Settlement (IBT) for the home and community support workforce. [33] Support the cost pressures related to the settlement, [33]	
		Total	1,511.09	6,044.34	3,424.55	1,235.77	4,943.08	1,018.30		-	

Initiatives not in Treasury's recommended package											
Initiative ID	Priority Area	Initiative title	Department (\$m)			TSY Draft (\$m)			Key risks	Vote team assessment	Minister of Finance comment
			Annual Opex Average	Opex Total	Capex Total	Annual Opex Average	Opex Total	Capex Total			
Cost Pressures											
13176	Cost Pressure Driver	HQSC Historic Cost Pressure resolution to enable continued oversight of system quality, safety and equity during change	[33]	-	-	-	-	-	Although we have excluded this from the minimum viable package, we recommend including this in the final package if allowances allow. If deferred, there is the risk that the Commission will not be able to maintain current levels of work while maintaining oversight of quality, safety and equity of the whole system. The information and skillsets of HQSC will be critical to supporting monitoring of system transformation.	Support. This bid will support the Health Quality & Safety Commission (HQSC) to sustain their work programmes in response to government and sector demands and respond to emerging quality issues. HQSC provides a quality, safety and equity overview of the whole of system and has not received any new funding since it was established in 2011/12. Addressing HQSC's underfunding is particularly important this year as New Zealand recovers from the Covid-19 response, undertakes the largest vaccination programme in history and progresses health and disability system reforms.	
13177	Cost Pressure Driver	Urgently addressing the sustainability of HDC and ensuring funding for expansion of scope	[33]	-	-	-	-	-	Although we have excluded this from the minimum viable package, we recommend including this in the final package if allowances allow. If deferred, resolution times	Support scaled. In 2021/22, recommend only funding half the component relating to the predicted increase in complaint volumes and complexity as a result of the new End of Life Choice Act to reflect the fact that the EOLC Act only comes into force in November 2021. Fully fund the rest of the bid as not doing so will likely result in either service reduction or increased	

		due to new legislation							will increase, and services may be reduced. There is also an expectation that demand will increase as a result of the End of Life Choice Act.	wait times or the Health and Disability Commissioner being unable to fulfil its educational role as part of the EOLC Act implementation.	
[33]											
Manifesto Commitments											
13184	Manifesto Commitment Source	Increase in the Combined Pharmaceutical Budget	50.000	200.000	-	-	-	-	These initiatives have not been included in the minimum viable package as they are not highly time-sensitive as we consider that they can still be delivered within the electoral term if they are not funded at Budget 2021.	Defer to Budget 2022 or 2023 so that the findings of the independent review of PHARMAC can be considered before committing this funding. There is no way to scale this initiative and still deliver on the manifesto commitment as the manifesto specifically mention the \$200 million figure.	
[33]										[33]	
[33]											
13186	Manifesto Commitment Source	Ola Manuia: Pacific Health and Well-being Action Plan 2020-2025 implementation plan and activities	[33]		-	-	-	-		Defer initiative to Budget 2022 or 2023. [34]	
13191	Manifesto Commitment Source	Cochlear Implants	7.080	28.320	-	-	-	-		Defer to Budget 2022 or 2023 as this initiative is not highly time-sensitive. [34]	

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