

The Treasury

Budget 2021 Information Release

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- [36] 9(2)(h) - to maintain legal professional privilege
- [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
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [40] Not in scope
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Reference: T2021/651 SH-1-6-14

Date: 15 March 2021

To: Minister of Finance (Hon Grant Robertson)

Deadline: Ahead of the Finance Priorities Meeting on 18 March

Aide Memoire: Budget 2021 – further information on Health and Disability Reform Initiatives

On 15 March you met with the Minister of Health and officials to discuss the health package for Budget 2021. This aide memoire provides additional information you requested at that meeting on the components of the initiatives seeking funding to implement health reforms. The Treasury Health team supports both of these initiatives in full, and acknowledges that [33]

The table below provides a breakdown of the key components across the two interdependent initiatives that provide for the implementation of health reform. An explanation of each component is provided below.

Health and disability system reform initiatives submitted in Budget 2021

<i>\$million</i>	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26 (& outyears)	Total Operating (forecast period)	Total Capital
Initiative 13221 - Health and Disability System Review – System Operating Model								
Transition Unit	[33]							
Health New Zealand establishment entity	[33]							
Additional Ministry of Health costs	0.240	0.958	0.491	-	-	-	1.689	-
Workforce capability building	-	2.965	4.253	4.260	2.467	2.467	13.945	-
Māori Health Authority	[33]							
Iwi/Māori Partnership Boards	-	1.596	6.626	4.777	4.830	4.830	17.829	-
Subtotal (initiative 13221)	[33]							
Initiative 13223 - Health and Disability System Review – Locality Health and Wellbeing Networks and Hauora Māori								
Hauora Māori	-	15.800	37.000	37.000	37.000	37.000	126.800	-
Locality Health and Wellbeing Networks	-	9.642	12.217	12.296	11.826	11.826	45.981	-
Subtotal (initiative 13223)	-	25.442	49.217	49.296	48.826	48.826	172.781	-
Total (both initiatives)	[33]							

Transition Unit, Health New Zealand establishment entity, and additional Ministry of Health costs

<i>\$million</i>	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26 (& out years)	Total Operating (forecast period)	Total Capital
Transition Unit	[33]							
Health New Zealand establishment entity	[33]							
Additional Ministry of Health finance and HR costs	0.240	0.958	0.491	-	-	-	1.689	-

Time-limited funding ([33] over 4 years) is sought to implement the proposed structural changes to the health sector. The changes will see the disestablishment of 20 DHBs and the consolidation of their functions, as well as some functions currently delivered by the Ministry of Health, into a single entity – Health New Zealand (HNZ). [33]

The establishment HNZ entity will be supported by the Transition Unit, which will lead and oversee the initial phases of transformation. HNZ will formally be established under legislation as a separate new Crown entity in mid-2022.

[33]

A small amount of funding is also sought to for additional Ministry of Health costs to support its human resource and finance functions over an 18 month period. The initiative also builds in some contingency for unknown costs.

[33]

Key areas where these additional staff will be required to design and deliver change include:

- planning and commissioning including the development of the New Zealand Health Plan, tools, frameworks and best practice guidance;
- coordinating and building capacity for a stronger data, insights and intelligence function across the system;
- leadership and performance improvement support to transform functions that are expected to shift from the Ministry of Health to HNZ²; and
- specialist change management, finance and HR resource to implement and manage transition.

While it is expected that some of the staff will sit nationally, a significant component will be needed at the regional level to support DHB change management. [33]

The Transition

Unit has built this into the budget bid costings.

The costs associated with this period of transition, given the scale of change proposed and the complexity of the health system, are comparable to other large reform programmes. For example, the cost of the design and implementation of the Oranga Tamariki reforms was approximately \$75 million over 3 years. The Reform of Vocational Education (RoVE) cost \$130m over 3 years. Comparatively, the scale of change proposed for the health system is larger than these reform programmes, which accounts for the additional cost. Experience from these recent reforms underscores the importance of adequately resourcing the transition and implementation phases of this work.

The Treasury is working with the Transition Unit to understand whether there are any opportunities to scale the Transition Unit and HNZ establishment costs. Options might include reducing the contingency built into the bid and considering options to reduce FTE requirements. Although this scaling is unlikely to materially change the total quantum of funding sought, we consider that more significant scaling will create significant risks to the delivery of reform at the pace outlined in the draft Cabinet paper.

² Where the current way of operating within these functions is insufficient to meet the requirements of the future health system, some functions will need to undergo a review and change process (e.g. digital and facilities, and DHB performance improvement).

Workforce Capacity building

[34]

A small portion of the funding is sought to provide targeted investment to strengthen workforce capability in the transition to new roles, functions and entities in areas where existing capability in the sector is limited and overall capability will require uplift to deliver the key shifts as part of the new operating model. In particular, this work will focus on strengthening commissioning, cultural competence, Māori service design and delivery, and data and digital capabilities.

Māori Health Authority, Iwi/Māori Partnership Boards, and Hauora Māori

[34]	[34]
	[33]
	[34]

There are three interrelated components across the two initiatives seeking an investment of [33] over the forecast period to initiate transformation of the governance, commissioning and delivery of hauora Māori. The Transition Unit considers this investment a critical step to addressing the persistent health inequities that Māori experience and ensuring that the new system operating model upholds the principles of Te Tiriti o Waitangi. The three components are:

- Ongoing funding for the establishment of the Māori Health Authority (MHA) [33]
- Ongoing funding for the establishment of strengthened iwi/Māori partnership boards, which will operate at a sub-national level to support an effective Te Tiriti o Waitangi partnership. The design of these boards will be determined following engagement with Māori. [33]
- Ongoing funding for hauora Māori to build Māori provider capability and capacity, and to provide an initial commissioning budget for the MHA focused on growing the range of and access to kaupapa Māori services. [33]

The MHA is a core part of the proposed system operating model and it will not be possible to defer these components in isolation from the rest of the reform programme. Scaling investment in these components of reform would undermine deliverability and the impact of this investment.

Locality Health and Wellbeing Networks

[34]

[33]

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