

The Treasury

Budget 2024 Information Release

September 2024

This document has been proactively released and is available on:

- The Budget website from September 2024 to May 2025 only at: <https://budget.govt.nz/information-release/2024>, and on
- The Treasury website from later in 2024 at: <https://www.treasury.govt.nz/publications/information-release/budget-2024-information-release>

Information Withheld

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act).

Where this is the case, the relevant sections of the Act that would apply have been identified.

Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Key to sections of the Act under which information has been withheld:

- [1] 6(a) - to avoid prejudice to the security or defence of New Zealand or the international relations of the government
- [23] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [25] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
- [27] 9(2)(ba)(ii) - to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest
- [31] 9(2)(f)(ii) - to maintain the current constitutional conventions protecting collective and individual ministerial responsibility
- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;
- [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] 18(c)(i) - that the making available of the information requested would be contrary to the provisions of a specified enactment

Where information has been withheld, a numbered reference to the applicable section of the Act has been made, as listed above. For example, a [23] appearing where information has been withheld in a release document refers to section 9(2)(a).

Copyright and Licensing

Cabinet material and advice to Ministers from the Treasury and other public service departments are © **Crown copyright** but are licensed for re-use under **Creative Commons Attribution 4.0 International (CC BY 4.0)** [<https://creativecommons.org/licenses/by/4.0/>].

For material created by other parties, copyright is held by them and they must be consulted on the licensing terms that they apply to their material.

Accessibility

The Treasury can provide an alternate HTML version of this material if requested. Please cite this document's title or PDF file name when you email a request to information@treasury.govt.nz.

Treasury Report: Budget 2024 Bilateral: Hon Dr Shane Reti (Health)

Date:	9 March 2024	Report No:	T2024/517
		File Number:	SH-1-6-1-3

Action sought

	Action sought	Deadline
Hon Nicola Willis Minister of Finance	<p>Note the contents of this report</p> <p>Indicate if you have any feedback on our assessments in Annex 1 or would like further advice on any of the initiatives</p> <p>Indicate if you would like to communicate your indicative decision on cost pressures to Health New Zealand</p>	Ahead of the Health bilateral meeting, 4.30pm on Monday 11 th March.

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Kim Stansfield	Graduate Analyst, Health ^[39]	^[35]	
Caitlin Andrews	Vote Manager, Health		
Jess Hewat	Manager, Health		✓

Minister's Office actions (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: No

Treasury Report: Budget 2024 Bilateral: Hon Dr Shane Reti (Health)

For the bilateral with the Minister of Health, we suggest you work through the four key areas of the Vote Health Budget 2024 package:

- a health cost pressures;
- b key manifesto commitments and other spending;
- c savings; and
- d capital.

Treasury's recommended Vote Health Budget package would take up 44.1% of the Budget 2024 operating allowance (and 42.1% and 45.7% in Budgets 2025 and 2026).

Cost pressures

The priority for the Vote Health package is to ensure a sufficient level of cost pressure funding to continue service provision.

At Budget Matters you signalled a preference to return to the level of funding signalled to health entities through the 'Planning Parameters' which is higher than Treasury's scaled recommendation. Managing at this level of funding will still be challenging, ^[34]

Nevertheless, funding at the planning parameters will provide Ministers with a degree of choice between managing risk and emerging pressures, ^[33]

or funding 1-2 manifestos, such as breast screening. Treasury can provide further advice on these options.

Ministers have a choice about when to share your decision on cost pressures with Health New Zealand. We think there are benefits in sharing your cost pressure decision as early as possible (even if it is still indicative and subject to Cabinet approval). This will enable it to be reflected in the more detailed budgeting and planning work that is underway as part of developing the three-year costed New Zealand Health Plan.

Key manifesto commitments and other spending

Health entities have submitted ^[33] in new operating spending reflective of manifesto priorities. However, these require prioritisation and sequencing to remain affordable:

- In addition to funding Health New Zealand's cost pressures, our top priority for new investment is COVID-19 funding, albeit significantly scaled.
- We consider the best approach to manage Waikato Medical School is to provide funding for the development of a quality business case and cost-benefit analysis. This funding is currently not included in the draft package.
- We recommend you receive additional advice if you are looking to use savings from prescription co-payments to fund the manifesto commitment to pay for 13 new cancer treatments and note the possible risks.

Savings

Health New Zealand's cost pressure funding already factors in significant savings and reprioritisation, which cover a full three-year period. In addition to significant savings built into Health New Zealand's cost pressure funding. Health entities submitted \$202.043 million in additional savings across three savings initiatives; we've supported these in full.

Capital

The condition, age, and capacity of Health New Zealand's assets creates risk and is hindering the sector's ability to deliver high-quality care and drive productivity. Decisions on health capital investment at Budget 2024 should wait until Cabinet has considered the National Asset Management Strategy and Infrastructure Investment Plan (IIP). Health New Zealand has provisioned for a ^[33] central risk contingency to manage cost escalations for in-flight projects during the 2024/25 year from their baseline.

Health's capital submission:

- matched ^[33] in reprioritisation options with identified cost pressures;
- ^[33]
- includes an initiative for \$71.4 million further funding towards the cost escalations contingency.


We recommend that capital initiatives are considered for funding once the IIP and NAMS have been endorsed by Cabinet and business cases (where appropriate) have been approved. ^[34]

Recommended Action

We recommend that you:

- note** the suggested agenda of working through:
 - health cost pressures;
 - key manifesto commitments and other spending;
 - savings; and
 - capital
- indicate** if you have any feedback on our assessments in Annex 1 or would like further advice on any of the initiatives
- indicate** if you would like to communicate your indicative decision on cost pressures to Health New Zealand (via letter)

Yes no

 Jess Hewat
Manager, Health and ACC

Hon Nicola Willis
Minister of Finance

10 / 3 / 2024

Treasury Report: Budget 2024 Bilateral: Hon Dr Shane Reti (Health)

Purpose

2. This report supports your bilateral conversation on 11 March 2024 with the Minister of Health to discuss the Vote Health Budget 2024 package. The report works from the draft package presented at the Budget Matters meeting on 6 March 2024 (Budget Matters) and incorporates your signalled preferences at, and since, that meeting.
3. For the 30-minute bilateral, we suggest you work through the four key areas of the Vote Health package at Budget 2024:
 - a health cost pressures;
 - b key manifesto commitments and other spending;
 - c savings; and
 - d capital.
4. A full outline of the draft Budget 2024 package for Vote Health is included in **Annex 1** for your reference.

Context

5. Ministers have already taken two Vote Health Budget 2024 package decisions:
 - **Multi-year funding for Health New Zealand operating cost pressures** covering Budgets 2024 to 2026, with annual Budget decisions retained for health capital and new investment (refer T2023/2003 and H2024034979).
 - **Pre-committing \$1.774 billion for Pharmac against the Budget 2024 allowance** to continue access to currently funded medicines across the forecast period (refer CAB-24-MIN-0064). This package does not fund any additional medicines apart from two purchases that are nearly completed (continuous glucose monitors and multiple myeloma treatments). It includes funding to purchase COVID-19 vaccine and therapeutics, but not the associated Health New Zealand delivery costs.
6. **The priority for the Vote Health package is to ensure a sufficient level of cost pressure funding is provided to continue service provision.** Our recommendation is based on the minimum viable funding for Health New Zealand to plan and deliver a break-even position within current policy settings, after accounting for viable efficiencies and reprioritisation options.
7. You have also signalled several preferences regarding savings, capital investment, Government manifesto commitments, which are discussed below. Treasury's recommended Vote Health Budget package would take up approximately 43% of the Budget 2024 allowance (and 42.1% and 45.7% in Budgets 2025 and 2026¹). This keeps Vote Health operating spending as a share of GDP broadly constant.

¹ \$1.37 billion in cost pressures against an allowance of \$3.25 billion in 2025 and \$3.00 billion in 2026.

Cost pressure funding for Health New Zealand

8. The draft package presented at Budget Matters included a scaled version of Health New Zealand's² cost pressure bid, representing the minimum viable level to fund core health volumes and inflationary pressures (including wage bargaining), after factoring in efficiencies (T2024/501 refers). Our cost pressure recommendation is based on a detailed assessment of an expenditure model and reprioritisation options provided by Health New Zealand to support the bid.

Table 1: Treasury's recommended cost pressure funding for Health New Zealand

Budget allowance	24/25 (\$m)	25/26 (\$m)	26/27 (\$m)	27/28 (\$m)	[33] and [38]	% of March 2023 planning parameters
B24 allowance	1,318	1,318	1,318	1,318		92%
B25 allowance		1,284	1,284	1,284		94%
B26 allowance			1,325	1,325		97%
Total	1,318	2,602	3,927	3,927		

9. Treasury has based its assessment around the deliverability of savings or efficiencies implied by modelling assumptions, benchmarked against relevant historical growth trends, forecasts for key economic indicators and inflationary pressures, in-depth reviews of Health New Zealand's baseline and forecast expenditure conducted by Sapere. We subsequently tested this with Health New Zealand, Ministry of Health (the Ministry), and Treasury subject matter experts.
10. A set of key assumptions underpinning this assessment, including wage, price and volume assumptions, is outlined in **Annex 2**.

Updates to draft package:

11. At Budget Matters you signalled a preference to return to the level of funding signalled to health entities through the 'Planning Parameters' and disclosed in all Treasury's Economic and Fiscal Updates in 2023.

Table 2: Updated health cost pressures in the draft Budget 2024 package³

Budget allowance	24/25 (\$m)	25/26 (\$m)	26/27 (\$m)	27/28 (\$m)	% of Health NZ bottom-up costs
B24 allowance	1,430	1,430	1,430	1,430	77%
B25 allowance		1,370	1,370	1,370	85%
B26 allowance			1,370	1,370	83%
Total	1,430	2,800	4,170	4,170	

12. Funding Health New Zealand cost pressures at the planning parameters level will give Ministers some degree of choice between managing risk and emerging pressures,^[33] , or funding new manifestos such as breast screening. Treasury can provide further advice on options and trade-offs alongside Health New Zealand's more detailed budgeting and planning work as part of developing the three-year New Zealand Health Plan (we expect the substantive part of this will be finalised across April/May 2024).

² For simplicity, this includes the Hauora Māori appropriation (the funding for which currently goes to the Māori Health Authority | Te Aka Whai Ora); whenever Health NZ cost pressures and reprioritisation are referred to in this report it includes frontline Māori Health Authority service delivery which will transfer to Health NZ.

³ These represent rounded figures announced at PREFU23 – the actual parameters to Health New Zealand differ slightly due to rounding.

13. Managing at the 'planning parameters' level of funding will still be challenging, particularly in 2024/25. This could be exacerbated by the current performance concerns with Health New Zealand, the lack of tangible implementation plans for delivering proposed efficiencies, and the potential for in-year risks to emerge. Health New Zealand will need to:

- [34]

- [33] and [38]

- deliver a range of efficiencies, scaling options, and reprioritisation; and
- manage a range of financial risks within the three-year settlement.

14. [38]

- [33]

We will continue to work with the health entities to manage risks, including with respect to:

Savings plans and the development of a performance framework

15. The health sector has a long history of over-promising and under-delivering on savings, so it is essential that Health New Zealand continues to develop an internal performance framework and credible implementation plans which enable it to monitor progress and

[33] and [38]

course correct as needed. You have included a recommendation in the 'Confirming the five health targets' Cabinet paper directing Health New Zealand to provide a performance framework by the end of April 2024 (CAB-24-SUB-0056 refers). In addition to this:

- the more detailed budgeting and planning work as part of developing the three-year New Zealand Health Plan provides a further avenue to understand and track efficiencies, savings, costs and delivery; and
- we are exploring additional design choices to support improvements in transparency and financial management.

[33]

There are benefits to sharing your decisions on health cost pressures at the earliest opportunity

17. Ministers have a choice about when to share your decision on cost pressures with Health New Zealand. Sharing your decision as early as possible will enable it to be reflected in the more detailed budgeting and planning work that is underway as part of developing the three-year costed New Zealand Health Plan. In Budget 2022 Ministers indicative decisions on health cost pressures were communicated to the Health New Zealand Board following the Budget bilateral via letter.

Manifesto commitments/other new spending

18. The Minister of Health submitted ten new spending initiatives for consideration at Budget 2024. This section covers initiatives of note following development of the draft package and discussion at Budget Matters (**Annex 1** refers).

COVID-19 funding (#15797): \$232.1 million included in the draft package

19. Our top priority for additional investment beyond cost pressure funding. While COVID-19 no longer requires the same scale of intervention as previous years, it continues to circulate and put pressure on the health system. In 2023, approximately 13,000 people were hospitalised for COVID-19 and on average, primary and urgent care manages between 2,250 and 1,750 positive COVID-19 cases per week. Given this ongoing impact and risk, we recommend providing some additional ongoing funding. However, there are still policy choices on whether certain activity continues or at what scale.
20. Our recommended option of providing \$232.1 million across the forecast period is ^[33] of the Ministry's requested bid. ^[33]

There is optionality for Ministers

depending on what activities you would like to continue and subsequent direction for entities to manage accordingly within the funding envelope provided.

Waikato Medical School (#15808): no funding currently included in the draft package

21. Treasury notes several risks with the proposal to build a new medical school at the University of Waikato. These include significant unknown operating and capital costs, the lack of a strategic case for a new medical school over other options (such as increasing the capacity of current schools), and outstanding policy considerations (e.g. responsibility for the physical infrastructure). We consider the best way to understand and manage these risks and trade-offs is through high quality planning and analysis, including cost benefit analysis, resulting in a quality business case for Cabinet to consider. In line with the Cabinet discussion CBA should credibly explore the costs and benefits and also present the counterfactual (ie. boosting resource at the two existing schools, or innovative solutions partnership with offshore interest). This work should be led by the Ministry, with input from other key agencies and parties.
22. The submitted bid sought a one-off \$5 million investment to complete the business case. Funding has not been included within the draft package due to a wider principle that agencies should meet the costs of business cases from baselines. If the Ministry of Health cannot fund this through its baseline (the cost represents around 2.5% of their baseline and unlikely to be manageable without further restructures), consideration could be given to reprioritising Te Whatu Ora funding through reduction of cost pressure funding and a Cabinet decision for the funding to move to the Ministry of Health.

Cancer Medicines (#15814): to be included within the draft package

23. At Budget Matters on 6 March, you requested that savings from changes to prescription co- payments settings fund your manifesto commitment to pay for 13 new cancer treatments. Detail on co-payment savings is provided at paragraph 28 below; however, the \$116.1 million savings would not fund the 13 medicines. The full cost of this would likely be well beyond the \$280 million provisioned in the manifesto commitment.
24. We recommend this initiative is approached with caution:
 - We recommend you discuss the commitment's objective with the Minister of Health and request the health advice (H2023033208 / Budget template). For instance, the advice notes that as of December 2023, only 7 out of the 13 medicines were being considered for funding by Pharmac; and of the 13, a majority are palliative medicines.
 - Providing ring-fenced funding for cancer treatments would undermine the Pharmac model, with decisions moving away from a clear framework that enables investment going towards those medicines deemed to have the highest value for money. It would also prioritise treatment for people with cancer over other patient groups in need (such as mental health, diabetes or rare disorders).
25. Noting the concerns outlined above, you could either:
 - a. Increase Pharmac's Combined Pharmaceutical Budget by \$116.1 million across the forecast period. This would maintain the integrity of Pharmac's model but would not necessarily mean additional cancer medicines are funded (as this would be dependent on what medicines are next on Pharmac's list).
(Treasury supported option if this initiative is progressed);

- b. Hold the funding in contingency to fund cancer medicines at Budget 2025; or
- c. Establish a separate ring-fenced fund for cancer medicines (we recommend you seek further advice on the legal, operational and financial implications).

Additional changes requested to the draft Vote Health Budget 2024 package

26. You requested further changes on Friday 8th March. These are reflected below, with caveats noting that further work will be needed to further work through costings:

ID #	Initiative	Comment	Proposed scaled option across forecast period
15801	Gumboot Friday – funding to deliver free youth mental health counselling services	At Budget Matters you requested a scaled option for Gumboot Friday. We have provided a funding profile for this initiative at 50% of the requested funding in 2024/25, scaling up to the full \$6 million from 2026/27.	\$20 million
15800	Emergency department security - service expansion	We have received a request from your office for a scaled option. The ED security initiative can be easily scaled to any number of additional FTE. The agency’s scaled option is \$30.848m across the forecast period [33] This option reduces FTE equivalent to 70 (a reduction from 115) and does not include funding for the summer surge.	\$30 million
15804	Breast screening extension of eligibility to include 70–74-year-olds as part of the free national programme	We have received a request from your office for a scaled option. Ministers could instead decide to introduce a one-year age cohort at Budget 2024, for example 70-year-olds only. In the time available we have provided a high-level estimate; this will need to be tested with Health officials.	\$23 million
[33]			

Savings

27. Health New Zealand’s cost pressure funding already factors in significant savings and reprioritisation, which cover a full three-year period. [33] and [38]

These include management / administration cost reductions and procurement efficiencies.

Prescription co-payment (#15792 savings / #15795 funding)

28. The Ministry’s submitted initiative retains free prescriptions for people aged 65+ and people with CSCs. The savings would be \$116.1 million (net of additional costs to Pharmac for increased medicine purchasing). These are lower than anticipated from

[33] and [38]

the manifesto commitment given these two groups are high consumers of prescriptions and would be in addition to people who are also eligible for the prescription subsidy scheme. We recommend keeping free prescriptions for those with CSCs only (including those 65+ with CSCs and people eligible for the prescription subsidy scheme) to enable \$253.2 million net savings.

Further Savings

29. We consider there are areas for further savings that were not identified through the Budget 204 submissions. As the Minister of Health mentioned in his meeting with you in January 2024, officials have been reviewing contingencies and Budget 2022 initiatives. We believe there may be opportunities to scale back or disestablish a number of contingencies, as outlined below. The Treasury will provide you with advice on the feasibility of contingency returns in advance of Budget Ministers 3.

Table 4: Additional areas for Vote Health savings

Option	Available funding in contingency	Comment
Accelerating Health Infrastructure Unit Work Programme Tagged Operating Contingency	\$8.44 million total operating over the forecast period	Contingency was established in Budget 2021 and there have been two drawdowns to date. Further drawdown would provide additional resource for Health New Zealand to improve capital planning and delivery activities. The Ministry intends to request funding in Q3 23/24. However, this funding purchases FTE so there are choices around your appetite for this.
Well Child Tamariki Ora – Strengthening Services Operating Contingency	\$49.356 million total operating over the forecast period	Contingency was established in Budget 2022 and is yet to be drawn down. Health officials are advising their Minister on the reprioritisation options.
National Bowel Screening Programme – Lowering age for Māori and Pacific Peoples Operating Contingency	\$62.319 million total operating over the forecast period	Contingency was established in Budget 2022 and is yet to be drawn down. Health officials are advising their Minister on the reprioritisation options.
Budget 2021 and Budget 2022 Data and Digital Contingencies	\$346.136 million total operating over the forecast period & \$60.1 million capital in contingency	Health officials are currently preparing a drawdown request for Minister Reti and yourself before 31 March 2024. We consider partial return of this contingency to be a likely savings option. However, any return should consider funding needs to address risks with Health’s payroll and rostering systems.
Budget 2022 Initiatives	\$58.793 million total operating over the forecast period	Health officials have provided their Minister with advice on options to reprioritise Budget 2022 funding. Given the implementation delays within some Budget 2022 initiatives, we suggest reprioritisation is feasible to reflect a number of underspends. However the initiatives identified in totality were policy proposals that Treasury considered had merit during the Budget 2022 process. The \$58.793 million assumes discontinuation of some of these programmes in full.

Capital investment

30. The condition, age, and capacity of Health New Zealand’s assets creates risk and is hindering the sector’s ability to deliver high-quality care and drive productivity. The estate has an average age of 45 years, and over one third of buildings are beyond their design life. Health New Zealand has undertaken extensive work on a National Asset Management Strategy (NAMS) to improve asset management behaviours, and an Infrastructure Investment Plan (IIP) to identify ten-year investment needs. These products have been with Minister Reti since late 2023 ahead of Cabinet consideration. We have been consulted on the IIP in detail and think it is a strong starting point for

discussions about a long-term view of the relative priorities and sequencing of investments in health facilities to build a sustainable 10-year investment pipeline.

31. Health's capital submission matched ^[38] in reprioritisation options with identified cost pressures. This reflects a large amount of work by the agency to prioritise the most necessary and urgent projects. ^[33]

We recommend that other initiatives are considered for funding once the IIP and NAMS have been endorsed by Cabinet and business cases (where appropriate) have been approved. ^[34]

Decisions on Health capital at Budget 2024 should wait until Cabinet has considered the IIP and the NAMS

32. Health New Zealand has provisioned for a ^[33] and ^[38] central risk contingency to manage cost escalations for in-flight projects during the 2024/25 year from their baseline. They also submitted an initiative for \$71.4 million further funding towards this contingency (#15823).^[34]

33. Minister Reti is likely to raise opportunities for investment in capital projects, ^[33]

34. As discussed with you, Budget 2024 is an opportunity to reset expectations for agencies to improve planning and delivery, including management of cost escalation and risk [T2024/511 refers]. A key principle is that funding should only be provided once a detailed business case has been provided and approved by Cabinet, as this provides Cabinet with the right information to support decision-making.

35. ^[33]

- 36.

37. For all new investments in capital projects, reprioritisation options should be considered first. For Dunedin Hospital cost pressures, this is going through a separate Cabinet process on which we have provided you with advice.

Attachments

38. **Annex 1:** Summary of submitted Vote Health initiatives for Bilateral Meeting between Minister of Finance and Minister of Health
39. **Annex 2:** Key assumptions underpinning Treasury's advice on Health New Zealand operating cost pressures

Annex 1: Summary of submitted Vote Health initiatives for Bilateral Meeting between Minister of Finance and Minister of Health

[33] and [38]

[33] and [38]

Annex 1: Summary of submitted Vote Health initiatives for Bilateral Meeting between Minister of Finance and Minister of Health

Note that initiatives are set out in the order presented in the submission letter to the Minister of Finance.

Track	CFIS ID	Title	Description	Funding sought			Treasury draft package			Treasury comment
				Operating per annum (\$m)	Total Operating (\$m)	Total Capital (\$m)	Operating per annum (\$m)	Total Operating (\$m)	Total Capital (\$m)	
Cost pressures	15816	Health cost pressure funding for Te Whatu Ora Health New Zealand	This initiative covers core volume and price pressures for frontline health services delivered by Te Whatu Ora Health New Zealand and covers the Delivering Hospital and Specialist Services appropriation, the Delivering Primary, Community, Public and Population Health Services appropriation, and the Delivering hauora Māori services appropriation. It provides funding to maintain current health policy settings.	[33] and [38]	-	-	1,430.000	5,720.000	-	Support scaled. Draft Budget package includes Health New Zealand cost pressure funding at the level of the 'planning parameters', which is higher than Treasury's initial scaled recommendation. [34] Nevertheless, Ministers will have some degree of choice between managing risk and emerging pressures, [33], or funding new manifestos such as breast screening. Treasury can provide further advice on options and trade-offs alongside Health New Zealand's more detailed budgeting and planning work as part of developing the three-year New Zealand Health Plan.
Targeted policy savings	15792 (savings) 15795 (funding)	Prescription co-payment – reinstating the \$5 prescription co-payment with targeted exemptions	This initiative reinstates the \$5 prescription co-payment for those 14 years and over, with exemptions for people with a Community Services Card (CSC) and those aged 65 and over. It retains the current Prescription Subsidy Card (PSC) settings. The initiative targets assistance with prescription co-payments at some of those who need it most and this targeting will help people access the funded medicines they need to get well and stay well. The total estimated net savings of \$116.143 million over the forecast period are achieved through people 14 years and over and up to age of 64 not exempt, paying the \$5 prescription co-payment. The savings will help pay for cancer treatments.	(29.036)	(116.143) (net)	-	(29.036)	(116.143) (net)	-	Support. This initiative was submitted with a recommendation to retain free prescriptions for those aged 65+ and those with Community Service Cards (CSCs) and we understand you wish to progress with this option. This means savings would be lower than anticipated (\$116.1m). This is because people with CSCs and people over 65 are key consumers of filled prescriptions. Savings are net of additional costs to Pharmac, which recognises the increase in medicine purchasing from additional prescriptions filled due to co-payment exemptions. We recommend the Pharmac funding is held in contingency from 2026/27 onwards when more volume data will be available We note that if you would like to realise additional revenue, you could keep free prescriptions for those with CSCs only (including those 65+ with CSCs and people who are eligible for the prescription subsidy scheme). This would enable further savings to be available (\$253.2m net).
	15796	Disestablishment of the Māori Health Authority – return of funding	This initiative delivers savings from the disestablishment of the Māori Health Authority. Functions and frontline services of the Māori Health Authority are transferring to Health New Zealand and the Ministry of Health. Savings reflect underspend from entity establishment and reduced need for governance functions. This is not a reduction in funding for service delivery or frontline roles. Further savings may be realised following staff transfers and formal disestablishment.	(8.875)	(35.500)	-	(8.875)	(35.500)	-	Support. Legislation has been passed to disestablish the Māori Health Authority by 30 June 2024. Savings are modest because all functions and associated budgets are transferring to other agencies – no change in activity being purchased. One-off savings relate to underspends and investment income in current year. Ongoing savings relate to governance functions, no impact on frontline. [33]
Baseline Savings	15812	Ministry of Health – Baseline Savings	This initiative delivers the 6.5% savings for the Initial Baseline Exercise, as required from the Ministry of Health Manatu Hauora (the Ministry).	(12.600)	(50.400)	-	(12.600)	(50.400)	-	Support. Most funds will come from a reduction in FTE. The Ministry is intending to manage through a change management process that re-orientes the Ministry's work programme and associated FTE requirements. However, it is not clear from the submission what programmes these are likely to be, which means we cannot fully assess the feasibility of the proposal. The submission is consistent with the cost recovery guidance, as it focusses on back-office functions including contracting costs. Treasury considers that there is low risk that this savings option will impact frontline staff or services in the immediate term. Workforce reduction will be managed through a mix of attrition, hiring freezes, and redundancies. Note that the Ministry has not split out their contractor and FTE costs.
New spending initiatives	15797	Timely access to COVID-19 vaccine and therapeutics and ongoing cost-effective management of COVID-19	This initiative seeks the costs of a targeted and proportionate COVID-19 response and ongoing pandemic preparedness. Specifically, delivery of the vaccines and treatments that would be purchased by Pharmac; a baseline level of testing, surveillance and care; and a minimum supply of PPE stock. This initiative would require a significant reduction in access to antivirals, vaccines, and RATs from current settings.	[33]	-	-	58.038	232.152	-	Support scaled. COVID-19 vaccine and therapeutic purchasing is already funded. This bid provides for the associated delivery costs. Our supported total of \$232.15m [33] There is optionality for Ministers depending on what activities they would like to continue. [33] We recommend the Minister of Health sets clear expectations that the delivery of services following Budget decisions align to the available funding.
New spending initiatives	15800	Emergency department security - service expansion	This initiative provides for 23 new 24/7 security guards (115 FTE – as ~5 FTE are required for 24/7 cover) across our highest-risk HNZ emergency departments, to support safer care and psychological safety for HNZ staff and people visiting our hospitals and facilities. It also includes a "summer surge" of capacity each year for ~3 weeks, to keep people safe across ~32 additional facilities over summer, aligned to changes in demand over the season. The initiative is designed to keep New Zealanders and workers safe, and grow trust and confidence in our health system.	-	-	-	7.712	30.848	-	We have received a request from your office for a scaled option. The ED security initiative can be easily scaled to any number of additional FTE. The agency's scaled option is \$30.848m across the forecast period [33]. This option reduces FTE equivalent to 70 (a reduction from 115) and does not include funding for the summer surge. However, Treasury's assessment notes there is limited evidence to suggest increasing ED security directly correlates to reductions in violence, or increased health service performance. The reported increases have accompanied improved national reporting, increases wait times in ED and the enduring post COVID-19 backlog. Options to improve wait times may instead be worth considering to address any underlying causes.
	15804	Breast screening extension of eligibility to include 70–74-year-olds as part of the free national programme	This initiative provides funding to the value of \$35.00 million over the forecast period (\$141.67 million over a 10-year period) to expand the services of the BreastScreen Aotearoa (BSA) programme to include free mammograms for women up to 74 years old. The current screening age for the programme is women aged 45-69. The proposed approach is for a phased rollout from 2025, taking 5 years for full implementation.	6.953*	27.810	7.190	5.64	22.55	7.19	We have received a request from your office for a scaled option. Ministers could instead decide to introduce a one-year age cohort at Budget 2024, for example 70-year-olds only. We have provided a blunt funding suggestion, that would need to be tested with Health officials. However, Treasury's assessment notes there are capacity and capability concerns, including shortages in the key workforce, and the implementation and project plans are yet to be developed. It is a risk the system will not be ready for phased roll-out beginning in late 2025. The Minister of Health will be supplied with a report in early 2024 identifying extension options. The initiative notes that health agencies may be required to provide a programme and delivery plan to Cabinet, which may present a more appropriate time to assess system readiness and workforce capacity. If Ministers wish to proceed, they could defer until a later Budget or provide funds within a tagged contingency pending system readiness. *Note the 10-year profile for this initiative (23/24 - 32/33) is \$122.88m (including \$115.69m in operating funding over 10 years and \$7.19m capital incurred in 25/26). The initiative includes outyear funding from 33/34 at \$18.79m p/a.
	15808	Health Workforce – Waikato New Medical School – cost benefit analysis and business case development	This initiative seeks \$5.000 million in operating costs for programme and business case development and independent cost benefit analysis of the proposal for a new medical school at the University of Waikato.	1.250	5.000**	-	-	-	-	While the general approach to business cases through Budget 2024 has been to ask agencies to fund these through baselines, this project holds significant risk, namely significant unknown operating and capital cost associated with the project. Because of the complexity of the project and the business case process for this project, an exception may need to be made for this business case funding to ensure Cabinet has all the information required to make a decision on this programme. **Sought in current financial year.

Track	CFIS ID	Title	Description	Funding sought			Treasury draft package			Treasury comment
				Operating per annum (\$m)	Total Operating (\$m)	Total Capital (\$m)	Operating per annum (\$m)	Total Operating (\$m)	Total Capital (\$m)	
New spending initiatives	15801	Gumboot Friday – funding to deliver free youth mental health counselling services	This initiative provides \$6.000 million per annum to contract I Am Hope Charitable Trust/Gumboot Friday (Gumboot Friday) to deliver free mental health counselling services for youth between the ages of 5 and 25 to help fill a gap in existing services particularly for individuals on wait lists for specialist mental health services.	6.000	24.000	-	5.000	20.000	-	At Budget Matters you requested a scaled option for Gumboot Friday. We recommend funding this initiative at 50% of the requested funding in 2024/25, scaling up to the full \$6 million from 2026/27, a total investment of \$20 million over the forecast period. However, note the comments for initiative 15803.
	15803	Mental Health and Addiction Community Sector Innovation Fund	This initiative provides funding for a national Mental Health and Addiction Innovation Fund which will enable community organisations to submit proposals for funding for innovative new approaches to addressing the mental health and wellbeing needs of New Zealanders.	5.220	20.880	-	-	-	-	Not Supported. The Minister of Finance invited Gumboot Friday and the Mental Health Innovation Fund as joint initiatives; however, the agency has submitted these individually. The initiative is a contestable fund which allows NGO and community providers to bid for funding within agreed parameters. Whilst innovative approaches may provide unique ways of responding to low mental-wellbeing, we consider investment to address mental health issues is better directed to preventative initiatives. However, of the two mental health bids submitted, this has higher deliverability rating due to the relative ease of establishing a fund. If Ministers prefer to progress one initiative out of the two, the Vote Team recommends the Innovation Fund.
	[33]									
New spending initiatives	15813	Health Workforce – Training 50 more doctors	This initiative provides funding to increase the number of domestically trained doctors by increasing the number of funded medical school places by 50 from 2025. This will enable the Universities of Auckland and Otago to increase their medical school intakes from 589 in 2024 to 639 from 2025. This initiative will cost \$226.288 million in operating expenses and \$25.932 million in capital expenses over 10 years, spread across tuition funding, student loans and postgraduate salaries for new doctors.	5.082****	20.329	25.932	-	-	-	Defer. Should be considered in the context of broader health workforce strategy and other policy decisions, including changes to the regulatory system to increase scope of practice of non-medical staff, changes to service delivery, and whether to establish a third medical school at Waikato University. Deliverability issues, including uptake and availability of training time from existing staff, are likely to compound across different health workforce initiatives. Incorporating this initiative as another option in the business case for Waikato Medical School will allow for fuller consideration of costs and benefits, and more strategic prioritisation of investment. Note the operating cost of the initiative increases exponentially in outyears beyond the forecast period. ****This is a Cross-Vote initiative. Note this initiative has irregular outyears, totalling \$252.220m over 10 years to 2032/33 (\$226.288m operating, \$25.932m capital). The scaled options is \$135.773m (opex) over 10 years to 2032/33.
	[33]									
Capital cost pressure	15814	Medicines – Increasing access to medicines including cancer treatments	This initiative provides funding to Pharmac’s Combined Pharmaceutical Budget and to Health New Zealand to increase access to cancer treatments and other medicines. This initiative aims to improve health outcomes for New Zealanders and survival for cancer patients by increasing access and delivery of publicly funded medicines. It maximises the benefits Pharmac can achieve for New Zealanders through the Combined Pharmaceutical Budget. It contributes to two Government coalition agreement undertakings: to increase Pharmac’s budget every year and to give Kiwis access to 13 more cancer treatments. Note that the savings made from the \$5.00 prescription co-payment reinstatement would be a contributory source of funding for this initiative.	110.750	443.000	-	29.036	116.143	-	Not supported. While we recognise the benefits this initiative would provide to New Zealanders, given the recent significant Pharmac investment we do not think additional funding should be prioritised against other priorities this Budget. Cabinet has provided \$1.774b to address previous time-limited funding for Pharmac’s Combined Pharmaceutical Budget and continue access to currently funded medicines, including cancer treatments. ^[33] This funding will meet the Government’s manifesto commitment to increase Pharmac’s budget every year ^[33] We understand you may want to progress this initiative and fund it through savings from prescription co-payment savings. If you are looking to progress this option, our preferred option would be an uplift to Pharmac’s Combined Pharmaceutical Budget across the forecast period to allow them to fund down their options for investment list and maintain the independence of the funding model. We have provided further advice in paragraphs 24-26 in the report and recommend you request additional health advice.
	15817	New Dunedin Hospital	This initiative provides funding for cost pressures being felt on the New Dunedin Hospital project. It enables the construction contract for the new outpatient building to be signed.	-	-	[38]	-	-	-	Do not support consideration of this initiative through Budget 2024. Funding for New Dunedin Hospital is being considered through a separate Cabinet paper, due at CAB on Monday 18 March, and should remain separate from the Budget 2024 process due to ongoing considerations about the overall cost, funding source, and timing concerns. As part of the development of this Cabinet paper, Health New Zealand identified multiple options for funding, including reprioritisation from other capital projects.
[33] and [38]										

Track	CFIS ID	Title	Description	Funding sought			Treasury draft package			Treasury comment
				Operating per annum (\$m)	Total Operating (\$m)	Total Capital (\$m)	Operating per annum (\$m)	Total Operating (\$m)	Total Capital (\$m)	
[33] and [38]										
Capital cost pressure	15823	National cost pressure contingency for the health capital portfolio	This initiative will provide a centralised contingency pool for Te Whatu Ora to manage new cost pressures that arise in the existing portfolio. The contingency will cover pressures related to projects approved in Budget 2022 or earlier. New health capital initiatives include separate contingency considerations incorporated by Te Whatu Ora.	-	-	71.400	-	-	-	[34]
Capital new spending	[33] and [38]									
Capital new spending										